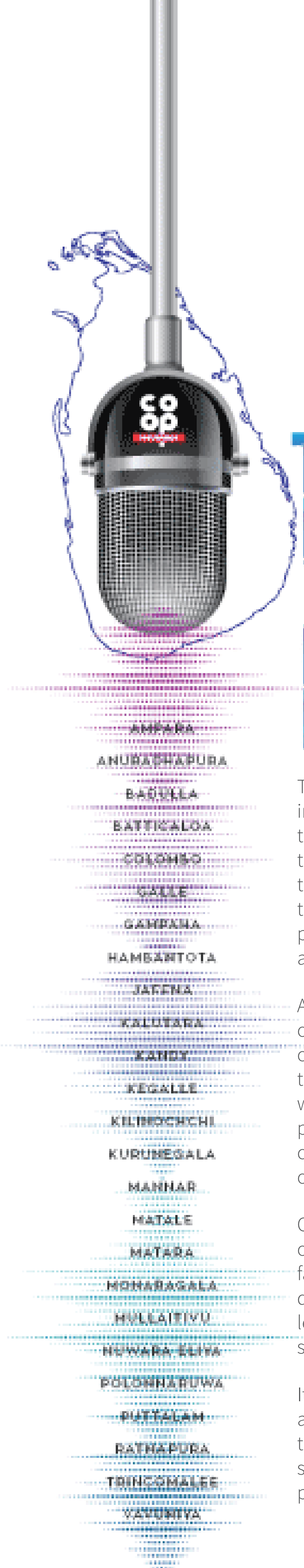
ANNUAL REPORT 2018

# THE NATION'S VOICE IN PROGRESSIVE INSURANCE

HOMAGAMA
MAHARAGAMA
ANURADHAPURA
MATARA
GAMPAHA
KURUNAGALA
RATHNAPURA
KANDY
MALABE
GALLE
KALUTHARA
AMBALANTHOTA
AKURESSA
COLOMBO
WENNAPPUWA
KIRIBATHGODA
EMBILIPITIYA
BALANGODA
NIKAWARATIYA
AVISSAWELLA
NEGOMBO
MONARAGALA
MATALE
DENIYAYA
AMPARA

CO-OPERATIVE INSURANCE COMPANY
*For the people by the people...*




# THE NATION'S VOICE IN PROGRESSIVE INSURANCE

The distinctiveness of our insurance strategy lies in our belief in improving the local community and the society at large. We constantly make an effort to feel the customers' pulse, to understand their true circumstances, and maximize the benefits through providing them with trusted insurance policies, prompt settlement of insurance claims and other technical support services.

As a co-operative community and the only co-operative insurance company we are mindful in contributing to the overall social advancement through redistribution of a large share of our wealth within our society by way of taxes, payments to suppliers and business partners, contributions for CSR projects and payments to our employees.

Our products are mainly created with a focus on the rural and urban low and middle-income families island wide, reached via our widespread delivery network which we continue to grow by leveraging on technologies for faster and efficient service delivery.

It is this progressive approach that has set us apart from the competitors as a people's company that is committed towards creating a sustainable society thereby becoming the nation's voice in progressive insurance.

# Content

# Introduction




## Our Vision

To be an organisation that will stand ‘united’ with its customers to the very end.

## Our Mission

To be ever mindful of the needs of our customers and, thereby make ‘true protection’ a way of life via the provision of innovative, yet affordable insurance solutions which conform to the highest ethical and moral standards.

## Values

Based on co-operative principles and ethics.

# Who we are

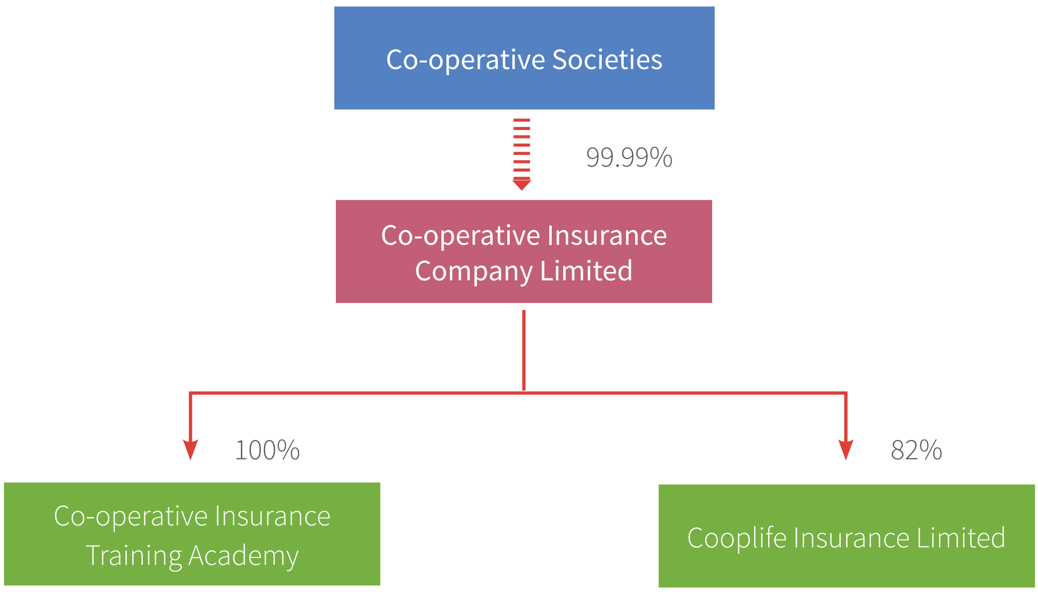
Formed in 1999, CICL is Sri Lanka's first and foremost insurance company built on the principles of co-operation and mutual understanding and has segregated its core business into Life (Long term insurance) and General Insurance, subsequent to the Segregation act constituted by the Insurance Regulatory Commission of Sri Lanka (IRCSL). Creating sustainable benefits for Sri Lankans across the rural and urban communities, CICL has now become an insurer trusted by the majority of Sri Lankans who believe in the principle of unity and mutual aid.

With ownership that rests within the Co-operative Sector of Sri Lanka, CICL is truly a local company operating under the spirit of nationalistic pride. As the first insurer to emerge within Sri Lanka's Co-operative Sector, we have now penetrated those cross segments within the Sri Lankan market, where focus from other insurers was not formerly a priority.

Our business is driven by the creation of quality and comprehensive insurance solutions coupled with the continuous enhancements and improvements in service quality. Fundamentally, as an insurer, we are in the business of building relationships and nurturing stronger bonds of understanding and mutual respect. Therefore, our model of business is also one that creates long term value for all our customers and our stakeholders, alike.

Dedicated in our commitment to all stakeholders, CICL nurtures a sustainable model of conducting business that grows stronger along with our assurance towards managing risks and financial interests of all parties with a vested interest in the organisation.

Spread across the far corners of Sri Lanka we have expedited a strategy of rapid expansions. Our service channel network is now the industry's third largest with dedicated service centres for both CICL and Cooplife's, general and life insurance businesses, respectively. With a unique service network that utilises Sri Lanka's network of co-operative societies as well as offices within the postal system, we continue to grow our distribution and service reach, allowing greater conveniences and accessibility to all Sri Lankans, who seek our services.



# Who we are

Our product portfolio includes a holistic approach to development of policies that caters to various financial obligations and investment needs of the rural as well as urban market segments, and is developed to complement the myriad of financial obligations of the co-operative community.

CICL now caters to diverse market segments and clients from differing social and economic backdrops. Our approach to reaching these segments begins with education and awareness by filling the gaps of information and educate Sri Lankans on insurance and on options of risk management.

With leadership that extends from within the co-operative sector our Board of Directors share the same principles of the Co-operative movement. Their vision falls under the belief that CICL should create sustainable value without forming objectives around short term financial goals.

**LIFE INSURANCE SUBSIDIARY.**

Our subsidiary Cooplife Insurance Limited provides comprehensive solutions for the long term protection of people from all walks of life. Re-established in 2015, the company leadership is formed with a team of veterans, handpicked from the industry in transforming the potentials of its people and systems into a growing success. Cooplife operates on the understanding that its people are its strongest threshold.

Cooplife's advisors are recruited from across the country and include a highly diverse group of individuals who are groomed to serve customers with complete understanding, respect and technical expertise in providing Solution for customers' financial interests and are adept in assisting them to financially mitigate life's risk exposures.

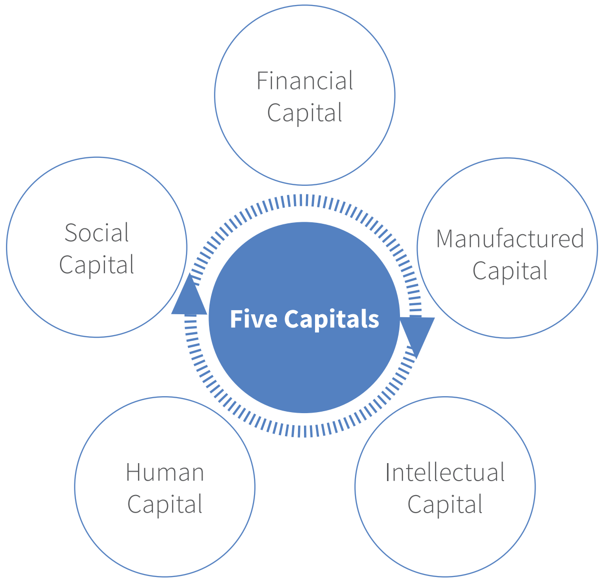
CICL is also a member of the Asia and Oceania Association (AOA)

Co-operative Insurance Company Limited and Cooplife Insurance Limited are active members of the International co-operative and Mutual Insurance Federation (ICMIF). Established in the United Kingdom, the ICMIF is a globally spread Co-operative with an extensive base of 120 Co-operative Insurance companies across 65 countries from the developed and developing worlds and also within autonomous regional associations covering the United State of America, Europe, and ASIA. The ICMIF provides expertise to its members in the areas of Reinsurance, Training, Consultancy, Research, Department, & Publications, empowering them to achieve greater exposure and recognition for co-operative sector insurers.

# Introduction to this Report

## OVERVIEW

The Annual Report titled, 'Nation's Voice in Progressive Insurance' is our company's fourth annual report, developed based on the international integrated reporting framework of 2013 for the financial year ending 31st December, 2018. The report is a concise and structured representation of our financial and non-financial performance with a comprehensive presentation of the company's capital and material aspects, including their impact on economic, social and environmental viability in creating, long term sustainable value for stakeholders.




## SCOPE OF THE REPORT

The Annual report combines five capitals, which structures CICL's business model and is a clear reflection of our approach to sustainable value creation. It provides detailed insight into the business operations of Co-operative Insurance Company Limited and a moderate indication of the operations and financial performance of our subsidiary Cooplife. The report includes a transparent depiction of our entire financial performance through the Audited Financial Statements for the year which ended December 31st 2018 ; as well as a structured and concise view on our business model, growth strategy, internal control and governance, operating environment, risk management strategies and most conclusively our growth across the five capitals; manufactured, social, human, intellectual and financial.

## PRINCIPAL FRAMEWORKS

The 2018 Annual Report and presented information complies with the following acts and regulations, maintaining proper adherence to;

- Companies Act, No. 07 of 2007
- Regulation of Insurance Industry Act, No. 43 of 2000

In order to maintain the integrity of the report and the accurate representation of data we follow the guidelines and frameworks stipulated by the following financial standard regulators; it also enables us to assess and compile an accurate, comprehensive and in-depth presentation of CICL's financials and operational environment for all our shareholders across the Co-operative sector, as well as all our stakeholders.

- Sri Lanka Accounting Standards (LKAS/SLFRS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) - Guiding framework for the Financial Statements of the Group and the Company, as well as for all financial information contained in this Report.
- Sustainable Development Goals as set by the United Nations as additional framework for assessment of financial, social and environmental impacts.
- Code of Best Practices on Corporate Governance Issued by CA Sri Lanka and Securities and Exchange Commission of Sri Lanka (SEC) – Guiding framework for governance and related issues.
- Statement of Recommended Practice (SoRP) and rules.
- Regulations and Directions issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL).

# Introduction to this Report

## INFORMATION CREDIBILITY AND INTEGRITY

The information presented throughout the report, has been gathered from all departments. Highest integrity and accuracy is ensured across factual information as well as qualitative information in presenting the accurate outcomes and processes of CICL and Cooplife. Non-financial and financial information gathered and presented through this report have been reviewed and approved where relevant by the;

- Board of Directors
- Audit Committee
- Sub-committees of the Board

In addition, information pertaining to Human Resources is acquired via the core in-house developed HR system while information related to internal processes is gathered through CICL's core systems, custom developed for General and Life Insurance operations, as well as through our Document Management System (DMS) which holds a digital foot print of all documents across our branch network.

## AN INCLUSIVE APPROACH

As a company that works within an inclusive and holistic operational framework with ultimate focus on long term value creation, our representation of company non financials and financials is aligned with inclusivity, integrity and clarity. Most importantly, transparency and integrity remains fundamental principles across the report and the reported information.

The report is structured to provide an insight into CICL's value creation process including the developments within the five capitals we utilise for achieving our long term strategies and objectives for growth. The aforementioned capitals have been integral in the development of our business model and constitutes the main focus of the report, reflecting our core business growth strategies, governance and internal controls as well as financial performance. CICL does not utilise or deploy natural resources, however our approach to the utilisation of energy in an efficient manner while ensure that our business outcomes have no negative impact on the eco-system and the environment.

The report systematically demonstrates all relevant aspects, segregated into main sections and sub-sections structured in a clear and concise manner. Our business model is depicted in pages 42 and 43 and remains the core of CICL's operational processes as well as our guiding mechanism in our objectives of creating short term, medium and long term growth for our stakeholders, and in working towards profitability. Our growth strategy and resource allocation detailed in pages 58 to 61 provides the holistic outlook on our strategic priorities, our division of capital in terms of its relevance and importance to value creation, and conclusively amalgamates key performance indicators towards achieving and ensuring sustainable growth in the short and long term.

The capitals and applicable material matters are interrelated and remain undetached in achieving sustainable growth across our objectives. Intellectual capital remains crucial in our business as the systems used, the IT infrastructure, people knowledge, experiences and skills all correlate with other four capitals and aptly exhibit the nature of our business as a progressive insurance services provider.

## EXTERNAL VALIDATIONS

The Financial Statements and all relevant notes provided across pages 120 to 195 have been audited by Messrs. Deloitte (SJMS Associates), Chartered Accountants, ensuring the integrity and quality of the Annual Report. The Independent Auditors Report can be viewed on pages 118 and 119.

## WE VALUE YOUR OPINION

We welcome feedback from all stakeholders on this report. Please direct any questions or comments to:


| | | |
|---|---|---|
| Name | : | Mr. Laksiri Nawaratne |
| Designation | : | Chief Financial Officer |
| Tel | : | 011-2 557 318 |
| Fax | : | 011-2 557 311 |
| Email | : | cfo@coopinsu.com |

# Materiality Assessment

Determination of materiality in developing the annual report was based on those aspects that have significant impact on the company's potential and capacity to create value; especially their effect on CICL's growth strategy, compliance and risk environment and financial performance and in creating short term, medium and long term value for all our stakeholders. In another sense, materiality or material aspects are considered as those factors that have the potential or the certainty to influence the assessment of CICL's business outcomes and potential for growth and opportunities. With regard to stakeholder interests, long term value creation, leadership decisions and our internal processes, we have selected and reported all materiality matters that have an identified impact of creating value.

All aspects pertaining to materiality provide a concise overview and analysis of how CICL aims to create value overtime, for the company and its stakeholders. In assessing the material aspects' impact CICL has deployed the use of qualitative and quantitative evaluations, wherever relevant and applicable. This has enabled us to gauge the magnitude of its effect in evaluating its importance of  material aspects on value creation.

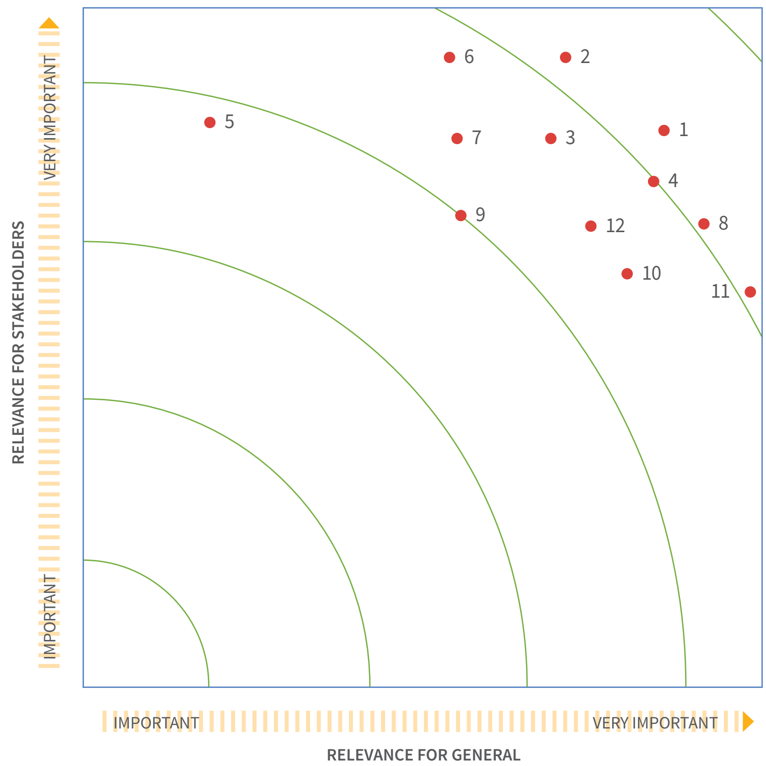
In assessing material aspects, and relevant to Co-operative Insurance Company Limited and Cooplife Insurance Limited, we have applied CICL's potentials for being financially viable and socially impactful within the co-operative, rural and urban communities we operate in. We have thereby, presented a structured and logical as well as direct outline and presentation of this information through our financial and non-financial performances or business outcomes, demonstrating our growing strong potential for sustainable and long term value. The material matters relevant to CICL also enable the influence on stakeholder decisions and perspectives.

In addition, we strive to provide a comprehensive and very direct analysis, of our growth strategy, internal processes and governance practices as well as risk mitigation framework that impact stakeholder decisions as well as financial outcomes.

## MATERIALITY MATRIX

CICL's materiality matrix has enabled the company to identify those aspects which impact stakeholder concerns and decisions. It gives us a mechanism with which the organisation can identify economic, social and environmental aspects that have a significant impact on the organisation's stakeholder interests. Essentially at its core, it is a framework with which to develop growth strategies that enable the creation of long term value for all stakeholder groups.

## MATERIALITY ASPECTS




1. Enhancing Customer Service
2. Channel Expansions
3. Information Technology Innovations and Systems
4. Employee Satisfaction
5. Co-operative Sector Contributions
6. Ethical Work Practices
7. Workplace diversity, inclusion and equal opportunities
8. Creating Awareness on Insurance
9. Process Innovations and digital work processes
10. Employee Learning and Development
11. Quality and Comprehensive product portfolio
12. Responsible underwriting

# History and Milestones

With a history that has stretched across two decades since 1999, CICL was the vision and product of like-minded individuals and veterans within the co-operative movement of Sri Lanka. The co-operative sector raised its concerns in bringing a mode of compensation and assurance to scores of our fellow Sri Lankans, whose livelihoods are dependent on the mutual understanding and support of the wider society. While insurance remained a non-existent concern within the rural and backward communities of the country a few decades ago, it became imperative to bring about an organisation that benefitted and compensated those in the rural and semi urban backdrops of our growing country.

Insurance remained by and large a product for the urban and high-middle income segments of the society which then saw an evolutionary change emerging with the inception of CICL. Viewed as unnecessary, complicated and unaffordable, perceptions on insurance began changing through the exemplary principles of the co-operative society initiating a revolutionary change in the history of our country's insurance industry. At the onset we faced numerous challenges. However, the collective efforts of everyone involved and the numerous individuals who selflessly extended their knowledge and hard working in has helped CICL in reach the progression and stance it has achieved today.

Rooted in nationalistic pride and a sense of true Sri Lankan co-operative spirit, CICL is driven by the vision of its people. Our progressive culture and co-operative spirit is our identity that makes us formidable in our market presence and in our ability to adapt to serve all communities of Sri Lanka. In the recent past, we invested in prudent strategies that are based on ICT systems and innovative technologies, assimilated into the corporate working environment for driving speed of processes and enhancing cost efficiencies. Although our focus on innovation continues to make service quality improvements, at our core, we hold are a culture centered on people and human capital.

Amongst our feats we made the highest payment of dividend by an insurer at a percentage of 14%, in 2013, marking a significant leap in our commitment to creating value for our shareholders and all stakeholders


Award of Certificate of Compliance for the 2017 Annual Report at the Annual Report Award Competition organised by the Institute of Chartered Accountants of Sri Lanka.

# Milestones

**1999**
Established with the vision of fulfilling the insurance needs of those within the co-operative, rural and semi-urban sectors of the country.

**2008**
Won Gold award at the International Quality Summit, New York.

**2009**
Won Platinum Award at the International Star for Leadership in Quality Convention, Paris.

**2010**
Century International quality Era in the Diamond Category.

**2011**
Received Diamond award at the International Quality Crown Convention.

**2013**
Accepted Diamond award at Arch of Europe, for Quality and Technology.

**2014**
CICL paid the highest dividend made by any insurer in the year, at 14%.

**2015**
CICL and Cooplife was re-established as separate entities, based on the Segregation of the Life and General Insurance Business under Section 53 of the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011.

**2016**
CICL recorded the highest GWP growth rate in General Insurance sector

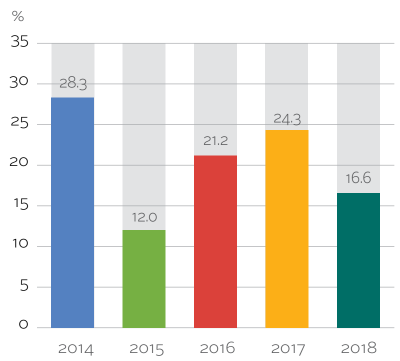
**2017**
CICL was ranked in the highest claims paid category, by the insurance regulator, for the 2Q of 2017.

**2018**
CICL opened the 100th branch office.

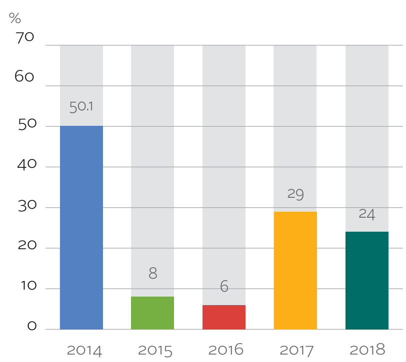
# Financial Highlights/KPIs

| | Growth Trend | FY Ending 31st December 2018 | FY Ending 31st December 2017 | FY Ending 31st December 2016 | Growth Rate % |
|---|---|---|---|---|---|
| GWP (group) | ↑ | 4,368,316,886 | 3,677,800,345 | 2,940,072,597 | 18.8 |
| Profit After Tax | ↑ | 411,645,940 | 370,768,584 | 129,373,235 | 11 |
| Capital Base | ↑ | 1,430,194,585 | 1,260,251,770 | 1,115,367,950 | 13.5 |
| **SHAREHOLDER RETURNS** | | | | | |
| Dividends Paid | ↑ | 179,133,989 | 144,997,834 | 110,540,057 | 23.5 |
| Earnings per Share | ↑ | 2.93 | 2.77 | 1.22 | 5.8 |
| Dividends Paid per Share | ↑ | 1.35 | 1.15 | 1.30 | 17.4 |
| **GENERAL INSURANCE** | | | | | |
| Motor - GWP | ↑ | 3,254,676,122 | 2,680,389,734 | 2,203,632,975 | 21.4 |
| Non Motor - GWP | ↑ | 496,162,335 | 375,445,930 | 271,910,339 | 32.2 |
| Market Share | ↑ | 3.45 | 3.92 | 3.22 | 0.48 |
| Claims Incurred | ↑ | 2,181,895,843 | 1,830,737,958 | 1,354,063,910 | 23.2 |
| **LIFE INSURANCE** | | | | | |
| GWP (Rs. Mn.) | ↓ | 619,881,069 | 625,573,542 | 465,830,348 | -0.9 |
| Claims Incurred | ↑ | 222,428,887 | 121,573,256 | 81,898,522 | 83 |

Total Assets Growth




Net Assets Growth



## YEAR END RESULTS

GWP - Group

Rs. Mn 4,368.3 +19%

2017: Rs. Mn 3,677

Profit After Tax

Rs. Mn 411.6 +11%

2017: Rs. Mn 370.7

Dividend Paid

Rs. Mn 179 +17%

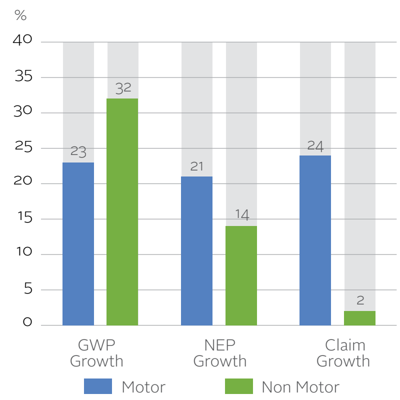
2017: Rs. Mn 144.99

Earnings Per Share

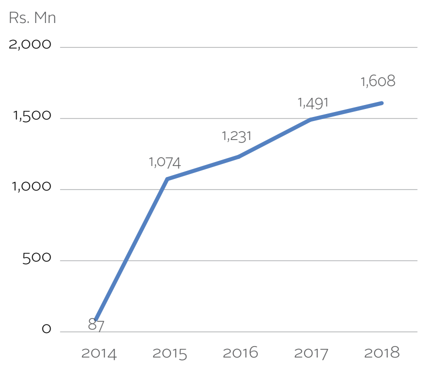
Rs. 2.93 +5.8%

2017: Rs. 2.77

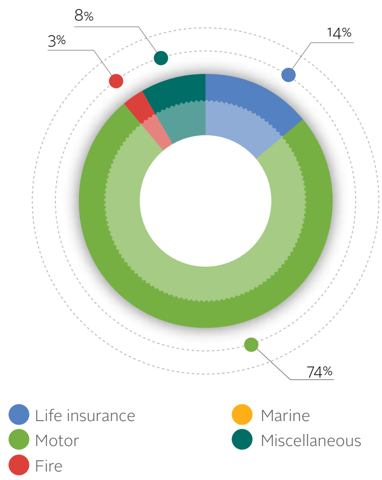
### Premium & Claim Growth



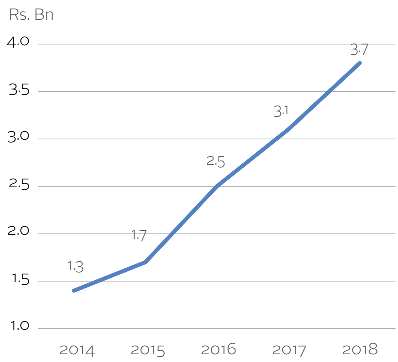

### Insurance Liability - Life




### Revenue Composition




### GWP Growth - General




Total GWP
Rs. Mn

4,368

2017: 3,679

Claims Incurred
Rs. Mn

2,182

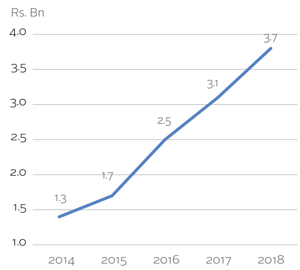
2017: 1,831

# Chairman's Message

In the financial year, CICL achieved an after tax profit of Rs. 412 Mn, recording a growth of 11%.

Greetings dear shareholders and patrons of the Co-operative Sector, welcome to the 21st annual general meeting of the Co-operative Insurance Company Limited. It gives me great pleasure in presenting to you our 21st consecutive Annual Report and Audited Financial Statements for the Financial Year concluded on 31st December 2018.

**GWP Growth - General**




2018 was a year that expanded our business presence in a larger scale. The progression of 2018 has come amidst challenges from macro-economic conditions and certain regulatory demands that imposed restrictions on business operations within the year. Yet,

**Profit After Tax**

**Rs. Mn**
**412**

# Chairman's Message

despite the lackluster conditions and political instability that prevailed at the latter part of the year, the financial year ended favorably for CICL, with a positive reflection in our key indicators of financial performance.

The year was a challenging period for the sector as well as the economy as the rupee depreciated with further distress from political instability; despite the slow progression, CICL continued to execute our expansion strategies while carrying out organic growth of business, chiefly attributed to market word of mouth and grass root promotions.

The outcomes of this year's business performance have been a result of our strategic initiatives, in creating value for our stakeholders. In 2018, the Co-operative Insurance family continued to grow as a vast network of employees, partners, brokers and agents with access to both mass and niche markets.  Since our inception in 1999, our growth has been a result of our shared efforts in promoting Co-operative Insurance amongst the broader markets in Sri Lanka. With a growing base of customers both from the Co-operative, urban and rural communities we are becoming a formidable competitor in the industry with access to formerly untapped markets in the insurance sector of Sri Lanka.

## EXTERNAL ENVIRONMENT

In 2018, the Gross Domestic Product at current prices was estimated at Rs. 14,449.9 billion (US dollars 88.9 billion) with a growth rate of 7.7% over 2017. Real GDP growth in 2018 declined to 3.2%, from to 3.4% in 2017. The overall growth can be attributed to the improvement in service related activities which rose by 4.7% and agricultural activities which increased by 4.8% which was a considerably progress over the 0.4% contraction in 2017. Agricultural activities recorded a 7.9% contribution to the overall GDP in 2018. In addition industry and service related activities have contributed to the GDP at a share of 27% and 56.8%, respectively.

During the 1Q of 2018, financial services recorded a growth rate of 12.2%, which was an increase from the previous year's 9.1% and the Profit before Tax of Licensed Commercial Banks and Specialized Banks increased by 4.8%. The value of loan advances and the value of total deposits increased by 15.1% and 17.1% accordingly. The Average Weighted Lending Rate (AWLR) and the Average Weighted Deposit Rate (AWDR) reported 14.4% and 9% growth rates, respectively. Insurance, reinsurance and pension funding scored an increase of 9.3%, in addition, employment payments and profit before tax of insurance companies have also increased during the period.

## INSURANCE INDUSTRY

The industry posted a gross written premium of Rs. 175.7 billion at a growth rate of 12.6% over the previous GWP. The gross written premiums of both life and general insurance sub-sectors varied marginally at 12.7% and 12.5%, respectively. General insurance remained the biggest contributor to the sector's GWP with a share of 54.3% including a growth in the motor insurance sub-segment of 12.9%.

The industry also faced a downward trend in profit by 38.4% chiefly due to the contraction of profits of 3 long-term insurance companies; profit of long-term insurance declined by 48.5% while profits in the general insurance sector marked an increase by 8.3%. Total claims during the reviewing year recorded a growth of 19.9% and increased to Rs. 81.6 billion from Rs. 68.1 billion.

The industry has a greater level of unfulfilled potential as penetration of insurance has stinted at 1.2% of GDP, against a global average of 3%. The domestic market is yet to fully comprehend the financial benefits of insurance, especially when faced with unexpected losses. However, unmet potential also means that insurers are facing a wider market that is teeming with new prospects with a backdrop for immense growth. In this regard, education and continued awareness becomes imperative in the growth of the industry. Knowledge becomes crucial in winning the fight for market position as it facilitates the decisions of potential buyers when faced with the need for policies.

Adding further on industry growth, national premiums grew by 12.1% over in 2018, rising above the regional average. Nevertheless, the market for motor insurance may face a contraction in the ensuing financial year given the restrictions imposed on motor vehicle importation.

## STEALTHY PERFORMANCE

Our growth potentials were strongly visible across the year as we fast tracked our branch network by opening new branches and service centres dedicated to serving a much larger cross section of the market. This has further strengthened through our already strong rural presence as well as our reach across communities and diverse market segments. While the performance of industry players continued to expand with corporate interests safeguarded through mergers and acquisitions, CICL remained independent and stable in our position, proving the success of our business model in creating sustainable value.

In the financial year, CICL achieved an after tax profit of Rs. 412 Mn, recording a growth of 11%. Our subsidiary Cooplife recorded a significant growth in profit by 167% with an after tax profit of Rs. 184 Mn. This profit after tax of Cooplife includes deferred tax amounting to Rs. 130 Mn. It is also significant that the balance sheet of CICL group expanded by 17% to reach Rs. 7,540 Mn.

Amidst the volatile situations, CICL continued to provide benefits to our customers through timely settlement of claims, enabling them to recover from financial shortfalls due to accidents, natural perils and medical needs. In the year under review, we settled claims of Rs. 2,280 Mn. while our subsidiary Cooplife also dispersed claims providing financial relief to those in peril.

CICL has continued our efforts in creating awareness on insurance through actions such as town-storming endeavors while our field agents perform the invaluable task of educating prospects and niche segments at the grass-root level. With a network that is the third largest in the industry, we remain well-poised in reaching further segments within the market and continue to expand our presence in areas that are currently unreached.

## SHAREHOLDER VALUE

Enhancing the wealth of our shareholders in the co-operative sector remains a central focus as our strategic objectives continue to create long term value for shareholders. In the year, we have fulfilled our obligations by meeting tax requirements, fulfilling payments to suppliers and partners while contributing towards our social and community based responsibilities.

In 2018 our positive financial performance enabled us to sustain value creation. In the year, earnings per share was at Rs. 2.93, while shareholder's equity improved to Rs. 2,558 Mn from Rs. 2,177 Mn in 2017.

## GOVERNANCE AND REGULATORY COMPLIANCE

With strict dedication to regulations of governance and compliance, CICL has been compliant with all regulatory requirements and no fines and penalties were levied against the company in the financial year. Our committed adherence to the risk management strategies has enabled us to maintain an above industry average in the Risk Based Capital Adequacy ratio. CICL maintained our Risk Based Capital Adequacy margins (RBC), at 178% which is above the stipulated requirement of 160%. Cooplife has also been fully compliant with RBC regulations and have met the regulatory requirements.

During the year, the Board and sub-committees conducted regular meetings to ensure that growth strategies are aligned with our objectives while ensuring that all operational processes comply with good governance practices.

## REGULATORY DEVELOPMENTS

In 2018, the IRCSL amended the Corporate Governance Framework, by revising and stipulating requirements when forming the composition of the Board of Directors in insurance companies. This was done in adherence to the Code of Best Practice on Corporate Governance 2017 issued by the Securities and Exchange Commission of Sri Lanka together with the Chartered Accountants of Sri Lanka. The framework aspires to enable a more prudent and effective management setting to promote fairness, transparency and accountability in business. IRCSL extended the effective date of compliance to 1st July 2019 for all insurers.

# Chairman's Message

In 2018, IRCSL issued Direction #16 for the Identification and Treatment of one-off surplus. The Direction included changes in tax rules which came into effect on 1st April, 2018. Distribution of surplus to shareholders from policyholder funds as well as investment income of shareholder funds are taxed at 28%. Additionally, distributions to participatory life policyholders are to be taxed at 14% which was previous untaxed.

## SUSTAINABLE DEVELOPMENT

CICL remains the primary contributor to the co-operative sector in Sri Lanka, serving a broader, more potent sector of the economy, including our communities in rural and semi-urban Sri Lanka with its sectors of self-employed small and medium scale entrepreneurs and those within the low-middle income bracket of the nation.

At our core, our mission is to safeguard the lives and financial interests of Sri Lankans while working under the guiding philosophy that a united and mutually co-operative society leads to sustainable and upright development; this is envisioned would sustain thousands of individuals whose lives can be impacted through the life altering benefits of insurance and indemnification. We continue to change perceptions across Sri Lanka, creating awareness on the life-long benefits of insurance as part of the co-operative framework and promote fellowship within the sector and its principle of mutual partnership without any ambiguities and indifferences to any cross section of our society.

## FUTURE OUTLOOK

With our principles having an interminable connection to the co-operative sector as the only insurer with dedicated focus on providing the much wider market base of the rural and semi urban communities, we continue to expand our promise of standing by our customers across all stages of life. Our plans for expansion will continue while maintaining stability in a volatile macroeconomic context.

As insurers we must also not forget that cost of living plays a decisive role in determining industry growth, with the potential to either inhibit or support growth and dictates payment capacities of prospective buyers in a market that is also penetrated by heavy competition. Nevertheless, service remains our biggest competitive advantage as well as innovation and technological enhancements. In the face of growing competition, meeting service expectations, transparency, trustworthiness and approachability are key elements in growing our business across both general and life insurance. In addition, with rising per capita income and a growing need for insurance based on awareness will enable the industry to maintain its growth momentum.

As a Co-operative sector insurance company with one of the largest service networks in the industry, we have the unique disposition of improving the lives of countless individuals by allowing them to expand their objectives in life without fearing the financial burdens of the risks involved. CICL continues to enable social and economic development within the co-operative and rural communities as well as within the private sector of the country. With our plans to initiate the public listing in the future is expected to create further sustainable value and enable us in enhancing our services to better serve our multitude of customers, across Sri Lanka.

## APPRECIATION

The progress of the year has been a result of the dedication of our shareholders and the Board of Directors and the Co-operative community as a whole. Their vision of taking insurance to all sectors of the country has enabled us to form a unique business model and form a truly sustainable model that benefits our market segments to the fullest potential. On behalf of this success I thank our Managing Director, Mr. Wasantha Ranasinghe, our Corporate and Senior Management teams for their self-driven dedication to CICL and the profession. Our staff members have been our most uncontested strength in taking CICL and Cooplife to the far corners of the country, hence, I extend my most heartfelt gratitude towards their commitment to the corporate vision and objectives.

W. Lalith A. Peiris
Chairman

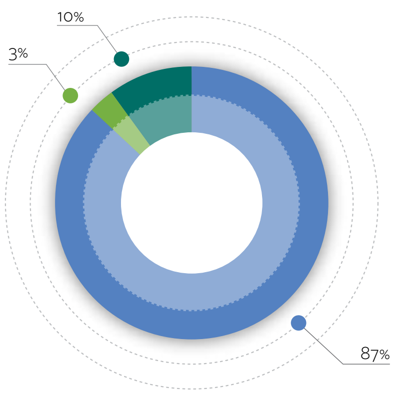
23rd May 2019

# Managing Director's Review

Our GWP for the year increased by 23% reaching Rs. 3,751 Mn

Co-operative Insurance made headway in our growth objectives, achieving our targets envisioned for the financial year, amidst unprecedented challenges which added strain on the nation's economy and our industry. In 2018, the economy continued to be riddled with tax reforms and policy changes while a political crisis posed further instability.

**Revenue Composition**




However, amidst all these adversities, CICL proudly witnessed a growth rate of 23% in our GWP performance for general insurance, achieving our objective for the year.

**GWP Growth Rate**

**23%**

# Managing Director's Review

Our presence across the country was expanded, unparalleled to any other financial year, while, our business operations continued to be optimized by continuing to shift to a paperless, more technologically enabled environment. Our investments too, are now aligned with projects based on transforming CICL into an ICT driven company aimed at achieving greater strides in enhancing customer service through innovation.

As at present, CICL's branch network is the third largest in the nation's insurance landscape with significant leverage from having established our presence within the rural markets, as well as with urban customer segments. Our journey is paved by the principles of our fellow co-operative societies and remains rooted in the model of safeguarding the lives and financial interests of all our customers while providing services with mutual understanding and respect.

In all essence, CICL and Cooplife continues to be the 'National Voice of Insurance' across all communities, especially in the rural sector, presenting to them a world of opportunities in mitigating their risks and financial uncertainties, while understanding their financial constraints and concerns that have hither to restricted their complete belief in the instrument of insurance.

### FINANCIAL AND BUSINESS PERFORMANCE

Despite the unfavorable conditions which prevailed in the year, CICL has achieved our performance objectives for the year even with substantial investments being made for our branch network expansions. Our GWP for the year increased by 23% reaching Rs. 3,751 Mn in 2018, with 87% of it belonging to motor insurance, while, 13% of GWP was from non-motor insurance.

Business in Motor Insurance grew by Rs. 574.28 Mn which was a 21% increment in comparison to the corresponding year of 2017. Non Motor Insurance also contributed to the high performance during the year.

CICL recorded an After Tax Profit of Rs. 268 Mn, maintaining the planned growth rate. The CICL group recorded an After Tax Profit of Rs.412 Mn and in spite of regulatory changes and tax increases we maintained a stable outlook, increasing our main financial performance targets.

### CLAIMS AND SETTLEMENTS

In 2018, we continued to digitize our claim settlement processes, fast tracking it by upgrading our in-house claim settlement system, for improving the overall speed and efficiency of the entire claim settlement process. Segmenting of claims was carried out, using our custom in-house system that continued to be topped with modules for creating an all-inclusive software application. Our customers now benefit from faster and completely efficient results of claim settlements with time reduced by 50%.

Being a truly local insurer we remain true to our values of and ideals for mutual growth, while still evolving into a new era of commanding business through digital and technological innovations.

### CHANNEL EXPANSION

In the year under review, we set out to increase our branch portfolio, which was expanded by 23 new branches. CICL now operates a total of 102 company owned offices besides a much wider network of agents, partners and insurance brokers. Optimising our growth potentials further by the selection of strategically important locations, the new branches provide more access to further untapped markets within the island, catapulting our reach and expanding our market presence.

Our physical foot print is unrivalled in its spread and has provided a greater competitive advantage in enabling further convenience and in enhancing customer service for customers across the country. Replacing fierce and incessant strategies deployed through mass media communications, by competitors, our expanding branch and channel network has provided us with a significant level of exposure, creating better brand visibility and awareness amongst a multitude of Sri Lankans. Excluding the centrally placed branches in Colombo, 95% of all new branches are located outside of Colombo, providing more flexibility in reaching new market segments, increasing our potential of growing our customer base while providing ease of service to our existing customers in all provinces and districts.

### ENHANCING HUMAN CAPITAL POTENTIALS

Across the year, our employees from varying technical capacities were exposed to knowledge and skill development through training sessions, workshops and seminars. Employees from technical areas such as underwriting, reinsurance and claims, marketing and sales have undergone in-house and overseas training, enhancing and developing their core competencies as well as developing their personal skills. Our training academy, CITA absorbed more students to its fullest capacity, providing certificate and diploma level qualifications in association with the Insurance Institute of India.

### MACROECONOMIC IMPACTS

Monetary policies tightened in 2018, while CBSL relaxed monetary policy stance moderately in April of 2018. The government launched its 'Vision 2025' schemes in September of 2018, leading to a constructive impact on the medium and long term performance of the overall economy.

In the first half of 2018, the importation of vehicles with a less than 1000cc engine capacity reported a massive growth accounting for around 90% of all vehicle imports also involving unregulated importations by private dealers and individuals. In August of 2018, the government revised the excise duty levied on vehicles of the same engine category. The tax amendment effected importers with letters of credit initiated before August; however, the new tax regime became applicable to vehicles cleared after the 31st of January.

In a strategy to reduce the outflow of foreign currency and in stabilizing the rupee vehicle permits of the Loan to Value ratio was adjusted from 70 to 50 percent for financing vehicles. In 2018, the cost of living propelled by a rising inflation rate created unrest in the markets and with the general public. The Sri Lankan rupee depreciated rapidly at a rate of 16.7% against the US dollar creating market volatility, especially those impacted by massive imports of raw material and finished goods. The CBSL and government introduced a portfolio of policy initiatives which includes margin deposit requirements for letters of credit opened for the importation of personal motor vehicles. The step was expected to curb the disproportionate demand for foreign currency.

On April 1st 2018, changes to the inland revenue act which came into effect was expected to lower, net profits of life insurance providers; making it increasingly challenging to achieve profitability amidst other investments in infrastructure.

Industry-wise, the trend of consolidation between local and overseas insurance companies continued in the year, with another merger between two industry leaders. Regulatory requisites such as high capital needs and segregation of composite operations have

# Managing Director's Review

also compelled insurers to consolidate in the hope of better prospects. Surplus distributions to shareholders from policyholder funds and investment income of shareholder funds (less allowable expenses) are taxed at 28%. Earlier, most of the life insurers paid lower taxes under the 'investment income minus management fees' method, which resulted in a lower tax base. In addition, distributions to participating life policyholders, which were not taxed previously, are now taxed at 14% and will be increased to 28%.

## STRENGTHENING INTERNAL PROCESSES

In the Financial Year we intensified our organizational process efficiencies, strengthening core business systems and focusing on further enhancing the reliability and adaptability of core business systems. Our highly skilled IT team further developed the core business systems of Life and General Insurance, ensuring speed and efficiency across all of our business processes, while ensuring islandwide connectivity and effective networking across branches.

Our document management system was further developed as part of our strategy of shifting to a more digitally driven business environment. The system has provided our employees greater efficiency in accessing relevant documentation faster and in-time, for processing claim related requirements and for allowing customers speedier claim settlements.

## CREATING SHAREHOLDER VALUE

As a result of the year's financial performance, CICL has a strong capacity to create additional value to our Shareholders. Our earnings per share increased from Rs. 2.77 to Rs. 2.93, indicating a positive growth of 6%, YoY. The Board declared a dividend of Rs. 1.25 and the return on assets for the period is 6% whilst the ROE is 15.24%. Total Shareholder equity increased from Rs. 2,289 Mn. to Rs. 2,701 Mn. The Financial Year did not prove favorable for moving towards a listing, as conditions within the nation's overall economic context remained unfavorable in returning to Shareholders the full benefit of their trusted investments.

## BRAND IMAGE

Across the year, CICL conducted 260 promotional activities which included sessions of town storming, with an average of 15-20 sessions covered on a monthly basis. These sessions were essentially based on visiting various locales. More importantly, they fulfill a broader objective of creating awareness amongst the general public on the importance of insurance and the benefits of CICL's products and services. Fitch Ratings has affirmed Co-Operative Insurance Company Limited (CICL) National Insurer Financial Strength (IFS) Rating at 'BBB+ (lka).

## THE ROAD AHEAD

We expect the industry regulator to enable an environment that remains consistently conducive to creating sustainable value that benefits the industry and the national economy. Nevertheless, our commitment to investing in CICL's expansion in terms of expanding physical footprint and in developing our internal technological systems remain robust and well-poised amidst the sustained and stable growth trajectory of the Company, as we continue to create long-term value for our stakeholders.

In the year ahead, we will continue our investments in enhancing service quality by expanding our channel base, our human resource skills and knowledge; as well as our digital and ICT based infrastructure. Our medium term objectives also include diversifying our products in increasing revenue, across motor, non-motor and life insurance segments and in increasing our GWP in the medium and long term.

## APPRECIATION

CICL's corporate and senior management plays a pivotal role in achieving our growth strategies through seamless supervision of operations across our branch and service channel network. Their specialist managerial skills, ensures that performance is aligned with targets and growth objectives and that work processes are aligned with internal control processes and governance practices.

I commend their dedication and also thank our employees across CICL's branch network and our multitude of agents and brokers, whose access to varying market segments has given us a significant competitive advantage.  I would also like to thank our Board of Directors and shareholders for their persistent guidance in steering both CICL and Cooplife towards success.

Wasantha Ranasinghe
Managing Director

23rd May 2019

# Board of Directors

## Co-Operative Insurance Co. Ltd

Standing left to right

**Mr. R. Sooriaarachchi** - Director
**Mr. K.J. Sesiri** - Director
**Mr. K.R.W. Ranasinghe** - Managing Director
**Dr. W. Lalith A. Peiris** - Chairman
**Mr. K.R.K.N. Jayasinghe** - Vice Chairman
**Mr. D.P. Amaradeva** - Director
**Mr. R.G.K. Rankothge** - Director

Standing left to right

**Mr. C.P. Jayasinghe** - Director
**Mr. J. M.V. P. Jayasooriya** - Director
**Mr. P. P. D. S. Kularathne** - Director
**Mr. A.D.T.S. Palitha** - Director
**Mr. S.S. Weerasekara** - Director
**Mr. D.L Samarawickrama** - Director

# Board of Directors

## Co-Operative Insurance Co. Ltd

**Dr. W. Lalith A. Peiris**
Chairman

Dr. W. Lalith A. Peiris is the Chairman of the Cooplife Insurance Limited, National Co-operative Council of Sri Lanka, Wennappuwa Multi-Purpose Co-operative Society Limited and Chilaw District Co-operative Council. He is also a Director of Sri Lanka Co-operative Rural Bank Federation and National Institute of Co-operative Development - Polgolla. He also the Chairman of Co-operative Insurance Training Academy.

**Mr. K.R.K.N. Jayasinghe**
Vice Chairman

Mr. Jayasinghe is the former Chairman of Postal & Telecom Employees Co -operative Bank Society Ltd.

**Mr. K.R.W. Ranasinghe**
Managing Director

Mr. Wasantha Ranasinghe is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (F.C.A) and the Society of Certified Management Accountants Sri Lanka (FSCMA). He is also a member of the Institute of Data Processing Management UK (LIDPM). He holds an MBA, PIM and B.Sc. Management (Special) Degree from University of Sri Jayawardenepura. His experience extends over 30 years in public and private sectors. He served as CEO and CFO in Laugfs group and also he is a former Director of Laugfs group, Sri Lanka.

He is a Director of Prime Engineering Lanka (Pvt) Ltd and Sirioya Hydro Power (Pvt) Ltd. Mr. Wasantha Ranasinghe is the Managing director of Cooplife Company Limited and Director- Studies in Co-operative Insurance Training Academy.

**Mr. D. P. Amaradewa**
Director

Mr. D.P. Amaradewa is the former Chairman of Natthandiya Multi-Purpose Co-operative Society Limited.

**Mr. K. J. Sesiri**
Director

Mr. K. J. Sesiri holds a Special Degree in Bachelor of Management Science. He is also the Chairman of Beralapanathara Multi-Purpose Co-operative Society Limited. He is the Vice Chairman of Matara District Co-operative Council and Matara District Tea Producers Co-operative Society Union. He is also a Director of Matara District Co-operative Rural Bank Union Limited.

**Mr. R. Sooriyaarachchi**
Director

Mr. R. Sooriyaarachchi is the former Chairman of Gampaha District Co-operative Rural Bank Union Limited and as well as in Puttalam Salt Limited.

**Mr. R. G. K Rankothge**
Director

Mr. R. G. K Rankothge is the Chairman of Sri Lanka Co-operative Marketing Federation and Poojapitiya Multi-Purpose Co-operative Society Limited.

**Mr. C. P. Jayasinghe**
Director

Mr. C. P. Jayasinghe holds a Bachelor of Arts Degree and He is the Chairman of Dambadeniya Multi-Purpose Co-operative Society Ltd., Vice Chairman of Wayamba Co-operative Rural Bank Union Ltd and also a Director of Co-operative leasing Company Limited and Wayamba Co-operative Consumer Society Limited.

**Mr. A. D. T. S. Palitha**
Director

Mr. A. D. T. S Palitha is a B.Com (Special) Degree graduate of University of Kelaniya. He is also a member of Institute of Chartered Accountants of Sri Lanka (ACA). Currently he is the partner at TSP Associates, Chartered Accountants.

**Mr. J.M.V.P. Jayasooriya**
Director

Mr. J.M.V.P. Jayasuriya holds a Bachelor of Arts Degree and a Master of Arts (Sociology) Degree from University of Kelaniya. He is the Chairman of Galigamuwa Multi-Purpose Co-operative Society Limited and a Director of Kegalle District Co-operative Rural Bank Union, District Co-operative Council of Kegalle. Also he is a Director of Cooplife Insurance Limited.

**Mr. P. P. D. S. Kularathne**
Director

Mr. P.P.D.S. Kularathne is the former Chairman of Paduwasnuwara Multi-Purpose Co-operative Society and the former Managing Director of Puttalam Salt Limited. He is also former Director of Wayamba Co-operative Rural Bank Union and Kuliyapitiya District Co-operative Council.

**Mr. S. S. Weerasekara**
Director

Mr. S.S. Weerasekara is the Chairman of Weligama Multi-Purpose Co-operative Society Limited, Vice Chairman of National Co-operative Council of Sri Lanka and Chairman of Matara District Tea Producers Co-operative Society Union. He is also the Vice Chairman of Matara District Co-operative Rural Bank Union and Director of Matara District Co-operative Council.

**Mr. D.L. Samarawickrama**
Director

Mr. D.L. Samarawickrama is the Chairman of Jayawardhanapura Multi-Purpose Co-operative Society Limited. Also he is a director of Colombo District Rural Bank Union, Colombo south Co-operative union and Cooplife Insurance Limited. He serves as the Treasurer of the Public Service Co-operative Thrift and Credit Co-operative Society.

# Board of Directors

## Cooplife Insurance Co. Ltd

Standing left to right

**Dr. N.N. Nawaratne** - Director
**Mr. D.L Samarawickrama** - Director
**Mr. K.R.W. Ranasinghe** - Managing Director
**Dr. W. Lalith A. Peiris** - Chairman
**Mr. J.M.V.P Jayasooriya** - Director
**Mr. R.M.B.M Bandara** - Director
**Mr. W.K.M.S.W Keerthiratna** - Director
**Ms. W.P.M Chathurani** - Director

**Dr. W. Lalith A. Peiris**
Chairman

Dr. W. Lalith A. Peiris is the Chairman of the Co-operative insurance Company Limited, National Co-operative Council of Sri Lanka, Wennappuwa Multi-Purpose Co-operative Society Limited and Chilaw District Co-operative Council. He is also a Director of Sri Lanka Co-operative Rural Bank Federation and National Institute of Co-operative Development - Polgolla. He also the Chairman of Co-operative Insurance Training Academy.

**Mr. K.R.W. Ranasinghe**
Managing Director

Mr. Wasantha Ranasinghe is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (F.C.A) and the Society of Certified Management Accountants Sri Lanka (FSCMA). He is also a member of the Institute of Data Processing Management UK (LIDPM). He holds an MBA, PIM and B.Sc. Management (Special) Degree from University of Sri Jayawardenepura. His experiences extends over 30 years in public and private sectors. He served as CEO and CFO in Laugfs group and also he is a former Director of Laugfs group Sri Lanka.

He is a Director of Prime Engineering Lanka (Pvt) Ltd and the Sirioya Hydro Power (Pvt) Ltd. Mr. Wasantha Ranasinghe is the Managing director of Co-operative insurance Company limited and Director- Studies in Co-operative Insurance Training Academy.

**Mr. D.L. Samarawickrama**
Director

Mr. D.L Samarawickrama is Chairman of Jayawardhanapura Multi-Purpose Co-operative Society Limited. Also he is a director of Colombo District Rural Bank Union, Colombo south Co-operative union and Co-operative Insurance Company Limited. He serves as the Treasurer of the Public Service Co-operative Thrift and Credit Co-operative Society.

**Dr. N.N. Nawaratne**
Director

Dr. N.N. Nawaratne Graduate from the University of Sri Jayewardenepura and obtained his Ph.D. in Business and Commerce from Keio University Japan. Dr. N.N. Nawaratne has rendered his services as an Accountant for the Govt. Service and later as a company Director and also a Senior Lecturer to a host of Universities.

**Mrs. W.P.M. Chaturani**
Directress

Mrs. W.P.M. Chaturani is a graduate of the University of Colombo. She is a member of the Institute of Chartered Accountants of Sri Lanka and Certified Management Accountants of Sri Lanka. She further extends her professional involvement as an Audit Manager to PE Mathew & Company.

# Board of Directors

## Cooplife Insurance Co. Ltd

**Mr. J.M.V.P Jayasooriya**
Director

Mr. J.M.V.P. Jayasuriya holds a Bachelor of Arts Degree and a Master of Arts (Sociology) Degree from University of Kelaniya. He is the Chairman of Galigamuwa Multi-Purpose Co-operative Society Limited and a Director of Kegalle District Co-operative Rural Bank Union, District Co-operative Council of Kegalle. Also he is a Director of Cooplife Insurance Limited.

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**Mr. W. K. M. S. W. Keerthirathne**
Director

Mr. W. K. M. S. W. Keerthirathne is the Chairman of Kirindiwela Multi-purpose Co-operative Society Ltd. and has rendered his leadership skills to many organisations including Government bodies.

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**Mr. R. M. B. M. Bandara**
Director

Mr. R. M. B. M. Bandara is the Chairman of Polonnaruwa Multi-Purpose Co-operative Society Ltd., Vice Chairman of Polonnaruwa District Co-operative Rural Bank Union Limited. He also a Director of Polonnaruwa Dist. Co-operative Council and Co-operative Rural Bank Federation. Mr. Bandara is the Chairman of North Central province Industrial Development authority.

# Corporate Management Team

## Co-Operative Insurance Co. Ltd

**Mr. Wasantha Ranasinghe**
Managing Director

**Mr. Pubudu Wimalarathne**
Chief Operating Officer/
Principal Officer

**Mr. Laksiri Nawaratne**
Chief Financial Officer

**Mr. W.H. Somathilake**
Consultant

**Mr. L.A.N.C. Weerasinghe**
AGM- Marketing Operations

**Mrs. Dilrukshi Baduraliya**
AGM - General Insurance

**Mr. Vipul De Silva**
AGM - Motor Insurance

**Mr. Ravi Rathnayake**
Manager - Information
Technology

# Corporate Management Team

## Co-Operative Insurance Co. Ltd

**Mr. Sumith Amarasinghe**
Manager - Human Resources

**Ms. Preethimali Wijerama**
Manager - Legal

**Mr. K.M. Jayasundara**
AGM - Regional Sales

**Mr. D.S. Pallegama**
AGM - Regional Sales

**Mr. M.N.D. De Silva**
Manager - Adminstration

**Mrs. T.S. Rasanjalee**
Asst. Manager - Re-insurance

# Management Team

## Cooplife Insurance Co. Ltd

**Mr. Wasantha Ranasinghe**
Managing Director

**Mr. W.G.C.S.Dharamasena**
Chief Operating Officer/
Principal Officer

**Mr. L.S.R. De Silva**
GM-Sales & Marketing

**Mrs. Sripali Bamunuarachchi**
AGM-Life

**Mrs. W.A.L.W. Perera**
Finance Manager

**Mrs. G.N. Kettipearachchi**
Manager- Underwriting &
Operations (Life)

**Mr. S.G. Rathnapala**
AGM - Zone 01

**Mr. H.M.R. Karunarathne**
AGM - Zone 02

# Management Team

## Cooplife Insurance Co. Ltd

**Mr. R.M.K. Rajakaruna**
Regional Manager

**Mr. B.S. Mendis**
Asst. Accountant

**Mr. S.N.W.M.J.L. Semasinghe**
Regional Manager

**Mr. A. Ranjith**
Regional Manager

**Mr. P.D.K.M. Dewappriya**
Regional Manager

**Mr. A.C.K.K. Silva**
Asst. Manager - Training

# Senior Management Team

## Co-Operative Insurance Co. Ltd

**Ms. Nalini De Silva**
Legal Officer

**Ms. D.D.Shyamali Gamage**
Manager - Finance

**Mr. Amila Dinesh Kumara**
Manager - Finance

**Mr. R.A. Mahendra**
Motor Engineer

**Mr. Chinthaka Niranga**
Manager - Brand

**Mrs. Shriyani Fernando**
Senior Manager - Non Motor

**Mr. H.A.J.S.M. Abeynayake**
Manager - Salvage Management

**Mr. Jayantha De Silva**
Consultant

**Mr. S.R. Senarath Epa**
Manager - Non Motor
Underwriting & Training

**Mrs. Hemanthi Jayasinghe**
Manager - Motor Underwriting

**Mr. Sarath Kumara**
Manager - Non Motor

**Ms. W.K.G. Ranasinghe**
Manager - Non Motor Claims

**Ms. M.S. Rasanjali**
Accountant

**Mr. N.V.P. Jagathsiri**
Regional Manager - Southern

**Mr. Upul Bandara**
Regional Manager
- Colombo East

**Mr. W.A.H. Wickramarachchi**
Assistant Regional Manager -
North Central

**Mr. Chathura Hasantha**
Assistant Regional Manager -
Colombo North

**Mr. Priyashantha Rathnayake**
Assistant Regional Manager -
North West

**Mr. Dinesh Waththuhewa**
Area Development Manager

**Mr. R.A.A.Rathnayake**
Manager - Motor Claims

# Senior Management Team

## Co-Operative Insurance Co. Ltd

**Mr.A D Paranavithana**
Manager - Technical Operations

**Mr. Suraj N Fernando**
Manager - Corporate Division

**Ms. M E K Fernando**
Manager - Motor Claims

**Mr. M.J.K. Perera**
Manager - Motor Claims

**Ms. Nodeesha Gunawardene**
Assistant Manager - Human Resources

**Ms. Nisha Ekanayake**
Assistant Manager - Marketing

**Ms. T.A.M.T.L. Wickramasinghe**
Assistant Manager - Non Motor Claims

**Ms. L.A.D.S. Liyanarachchi**
Assistant Manager - Non Motor

**Mr. J.S.P. Kumar**
Assistant Manager - Administration

**Mr. A.N.M. De Alwis**
Assistant Manager - Motor Claims

**Mr. K.W.M.D. Lalendra**
Assistant Manager - Broker

**Mr. D.G.S.C. Karunathilake**
Assistant Manager - Motor Claims

**Mr. A.V.A. Madushan**
Assistant Manager - Motor Claims

# Branch Management Team

## Co-Operative Insurance Co. Ltd

**Mr. Venura Krishantha**
Homagama

**Mr. M. Mallwarachchi**
Maharagama

**Mr. R.M.S.K. Rathnayake**
Anuradhapura

**Ms. A.I. Bandara**
Matara

**Mr. Charitha Jayasekara**
Gampaha

**Mr. N.A.S.T. Narasinghe**
Kurunagala

**Mr. Ranjan Dayaratne**
Rathnapura

**Mr. P.R.A.B. Udurawana**
Kandy

**Mr. M.M.D.P.T. Perera**
Malabe

**Mr. I.P.J. Kappuruge**
Galle

**Mr. K.A.R.L. Kuruppu (ADM)**
Kaluthara

**Mr. P.P.K. Jayasinghe**
Ambalanthota

**Mr.Kamal Jeerasinghe**
Akuressa

**Mr. L.R.B. Gunawardane**
Kiribathgoda

**Mr. P.K.L.P. Peramuna**
Embilipitiya

**Mr. P.M.S.P. Wijesinghe**
Balangoda

**Mr. W.M.S. Bandara**
Nikaweratiya

**Mr. Upali Wickramasinghe**
Avissawella

**Mr. Nishantha Fernando**
Negombo

**Mr. Roshan Perera**
Corporate Branch

## Branch Management Team

## Co-Operative Insurance Co. Ltd

**Mr. M.L.T.L.N. Perera**
Metro Branch

**Mr. K.K.S. Chanaka**
Piliyandala

**Mr. H.M.N.P Priyankara**
Kegalle

**Mr. Srilal Owitimulla**
Ambalangoda

**Mr. Tiral Karunathilake**
Mathugama

**Mr. A.D. Kanishka**
Horana

**Mr. A.R.R. Rajakaruna**
Matale

**Mr. H.K. Jayantha**
Deniyaya

**Mr. Shane Allapichchai**
Ampara

**Mr. T. Anoop** (ADM)
Mannar

**Mr. J.H.R.K. Jayamaha**
Puttalam

**Mr. Gunasekara**
Kekirawa

**Mr. L.J.L. Jayasinghe**
Nittambuwa

**Mr. M.F.M. Numais**
Trinco

**Mr. S.M.P. Priyankara**
Nugegoda

**Mr. G.H.A. Sanjeewa**
Battaramulla

**Mr. S.B. Sampath**
Bandarawela

**Ms. P.H.M.S. Perera**
Ja Ela

**Mr. G.D. Kariyawasam**
Neluwa

**Mr. R.J.W.N. Rajapakshe**
Kaduwela

**Mr. D.D.C. Fernando**
Kuliyapitiya

**Mr. Indika Wijesinghe**
Katugastota

**Mr. R.A.G.C. Rajapaksha**
Kadawatha

**Mr. H.M. Karunarathne**
Thambuttegama

**Mr. P.A. Weraniyagoda**
Elpitiya

**Mr. G.G.J.A. Wimalasena**
Gampola

**Mr. S.D. Hasantha Samarawila**
Dankotuwa

**Mr. A.A.P. Kumara**
Rikillagaskada

**Mr. D.M.M.S.K. Dissanayake**
Giriulla

**Mr. A.P.M.P. Jayasekara**
Galewela

**Mr. L.H.A. Kumara**
Kalawana

**Mr. H.R.A. Ruwantha**
Kirindiwela

**Mr. H.L. Rajawasam**
Karapitiya

**Ms. I.K. Perera**
Postal Division

# Our Business Model

## CAPITAL INPUTS

### FINANCIAL CAPITAL

- Rs. 1,430 Mn. Stated Capital
- Rs. 1,128 Mn. Retained Earnings and Other Reserves
- Rs. 269 Mn. Operating Cash Flows
- Rs. 4,864 Mn. Investment Portfolio

### HUMAN CAPITAL

- 1354 Talented Employees
- Rs. 3 Mn. Invested in Training and Development
- Training academy for continuous improvement of employees

### SOCIAL AND RELATIONSHIP CAPITAL

- 363 Field Staff
- Continuous Investment in Community Projects
- Strong Reinsurance Back up
- Eminent Banking Panel
- Hospital Network for Cashless indoor treatments

### INTELLECTUAL CAPITAL

- Experienced Board and Competent Corporate Management
- Co-op brand which is closer to the people
- Experienced Workforce

### MANUFACTURED CAPITAL

- Rs. 1,139 Mn. Investment in Property Plant & Equipment
- Branch Network
  - 102 General Insurance
  - 44 Life Insurance

## VALUE CREATION MODEL

### Vision

To be an organisation that will stand 'united' with its customers to the very end.

### Mission

To be ever mindful of the needs of our customers and thereby making 'true protection' a way of life via the provision of innovative, yet affordable insurance solutions which conform to the highest ethical and moral standards.

## GROWTH STRATEGY

### Risk Assessment

Creating and implementing appropriate risk strategies to achieve strategic objectives while ensuring the maximum management of key operational risks.

### Investment Management

Use of sufficient and surplus funds generated through insurance business and returning the right returns to shareholders and increased benefits to customers

### Claim Processing

Improved claim settlement processes with the use of digital and information technologies for reducing settlement times

### ICT Development

Developing internal systems for improving process efficiencies and reducing service times for the benefit of customers and employees

### Product Development

Developing and revamping product portfolio to offer solutions with competitive features and pricing to match customer needs.

### Regulatory Compliances

Adherence to regulations and supporting regulatory decisions in the industry, for the common betterment of stakeholders

### Policy Underwriting

Efficient and accurate policy underwriting based on policy buyer's risk exposures and assigning the right pricing

### Continuous Training and Retention

Empowering and developing employees' knowledge, skills and inward values while inspiring self-driven commitment to being longstanding employees.

## OUTPUTS

MOTOR INSURANCE PRODUCTS

MEDICAL INSURANCE PRODUCTS

FIRE INSURANCE PRODUCTS

MICRO INSURANCE PRODUCTS

LIABILITY INSURANCE PRODUCTS

ENGINEERING INSURANCE PRODUCTS

MARINE CARGO & HULL INSURANCE PRODUCTS

LIFE INSURANCE PRODUCTS

## OUTCOMES

### FINANCIAL

- 41% Increase in Net Assets per Share
- 23% Growth in Reserves
- 15.24% Increase in Return on Equity
- Rs. 411.9 Mn. Profitability

### HUMAN

- Increase in Employee Training
- Increase Revenue per Employee
- 97.73% Employee Retention
- Increase in value added per Employee Up to Rs. 1.28 Mn

### SOCIAL AND RELATIONSHIP

- 18% Revenue growth
- Increased customer retention
- Rs. 5,369/- average policy value
- Rs. 2,181 Mn. claims paid

### INTELLECTUAL

- New software solutions for claims management, administrations and HR
- Networking software connecting 102 CICL Branches including 23 New Branches
- Natural Depletion of energy by converging to low consumption lighting.
- In the process of converting to paperless office.

### MANUFACTURED

- 23 new branches
- New ICT equipment

# Contribution to able Development

## CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

Envisioning a sustainable future for all on the planet and addressing global challenges faced by the world's growing population, the UN developed 17 interconnected goals that falls under the resolution 70/1 of the UN general assembly – "Transforming our World: the 2030 Agenda for Sustainable Development". The goals were adopted by all member nations of the UN in 2015.

As a company that was established through the principles and ethics of the co-operative movement in Sri Lanka with community based values that create sustainable growth for customers in the rural and urban communities, CICL views the Sustainable Development Goals for their importance and necessity in creating a planet that's healthier and safer for all to enjoy a brighter future. In realising its overall purpose, CICL's contributions to the society are aligned with that of several key SDGs.

Goal 1: No Poverty

- With a larger base of customers in the rural and village-based communities of Sri Lanka, with most being entrepreneurs of small and medium scale businesses we are in the service of ensuring the stability of their assets against financial obligations and risk exposures; contributing towards poverty alleviation and financial independence. Low premium policies with high returns and improved customer service to facilitate this development.
- When recruiting, we target rural areas in order to empower families in rural communities.

Goal 3: Good Health and Well-being

- Our employees are encouraged to stay healthy. Participation in sports endeavors are encouraged as CICL leather and softball cricket teams are provided with the capacity and investment for training.
- Conduct Zumba classes once a week (free of charge)
- Conduct a personal grooming session for employees

Goal 4: Quality Education

- Employees are provided the resources to receive self-learning as well as professional and personal development.
- CICL's online learning portal allows employees and students of CITA to access a variety of course and learning material for self-learning and in preparing for industry exams
- The CICL Training Academy (CITA) is registered under the Tertiary Education Authority and is also affiliated with the Indian Insurance Institute.
- CITA provides exposure to work life experiences besides technical training.
- Employees and Management is provided with the opportunities to participate in overseas training sessions and forums.

Goal 5: Gender Equality

- We have a balanced mix of male and female employees within the workforce. Our male female employee ratio is 1.3: 1.
- We are an equal opportunity employer with payment structures being equal for both women and men in similar designations.
- We have an approach of zero tolerance for sexual harassment.

Goal 6: Clean Water and Sanitation

CICL is responsible for the well-being of our employees. Therefore, we ensure that all provisions made by CICL are up to the best safety and hygiene standards.

- Purified water is provided to all CICL and Cooplife employees across Corporate Offices and at all branches.
- Sanitation facilities across all CICL owned premises are ensured with the highest standards.

Goal 7: Affordable and clean energy & Goal 11: Sustainable Cities and Communities

- We are ensuring lesser use of energy and power while reducing our use of paper, leading towards a more sustainable approach to energy efficiency and sustainable workplace.
- All new branches are designed to be energy efficient, saving on energy and lighting
- New branches utilise LED bulbs and energy economical equipment.
- Our core business processes are converted to online based platforms, that connects all branches while gradually eliminating the need for the use of physical documentation, creating a much sustainable use of energy and resources.

Goal 8: Decent Work and Economic Growth

Prospects of growth are enjoyed by our employees within a positive work environment.

- We are compliant with all labor regulations
- Work environment across our offices are enhanced to make work life positive for all employees with potential for learning and career growth.
- We make timely and consistent contribute 8% to the employee provident fund and 3% to the employee trust fund.

Goal 9: Industry, Innovation and Infrastructure

- CICL pursues continued development of Information technological systems with a growth strategy that is conducive with the demands of an evolving digital age and the requirement for efficient work processes.
- CICL has also enabled and enhanced access to information across our branch network and offices, allowing employees their right for knowledge and personal development

# Our Products and Services

**Sesatha**
Trade Combined Insurance

**Sorabiya**
Burglary Insurance

**Maga Surakuma**
Money in Transit Insurance

**Gini**
Commercial Fire Insurance

**Vimana - Sirimadura**
Householders Comprehensive Insurance

**Instant Motor Mini**
Comprehensive Motor Insurance for Threeweelers and Motorcycles

**Sahanaya**
Coop Shakthi Micro Insurance

**Suwapath**
Surgical & Hospital Insurance

**Pashu Sampath**
Livestock Insurance

**Instant Motor**
Comprehensive Motor Insurance

**Sarana**
Personal Accident Insurance

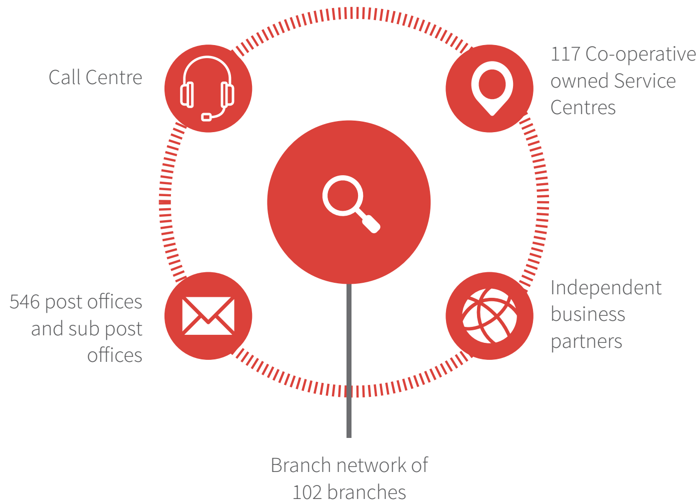
# Our Channels and Branch Network

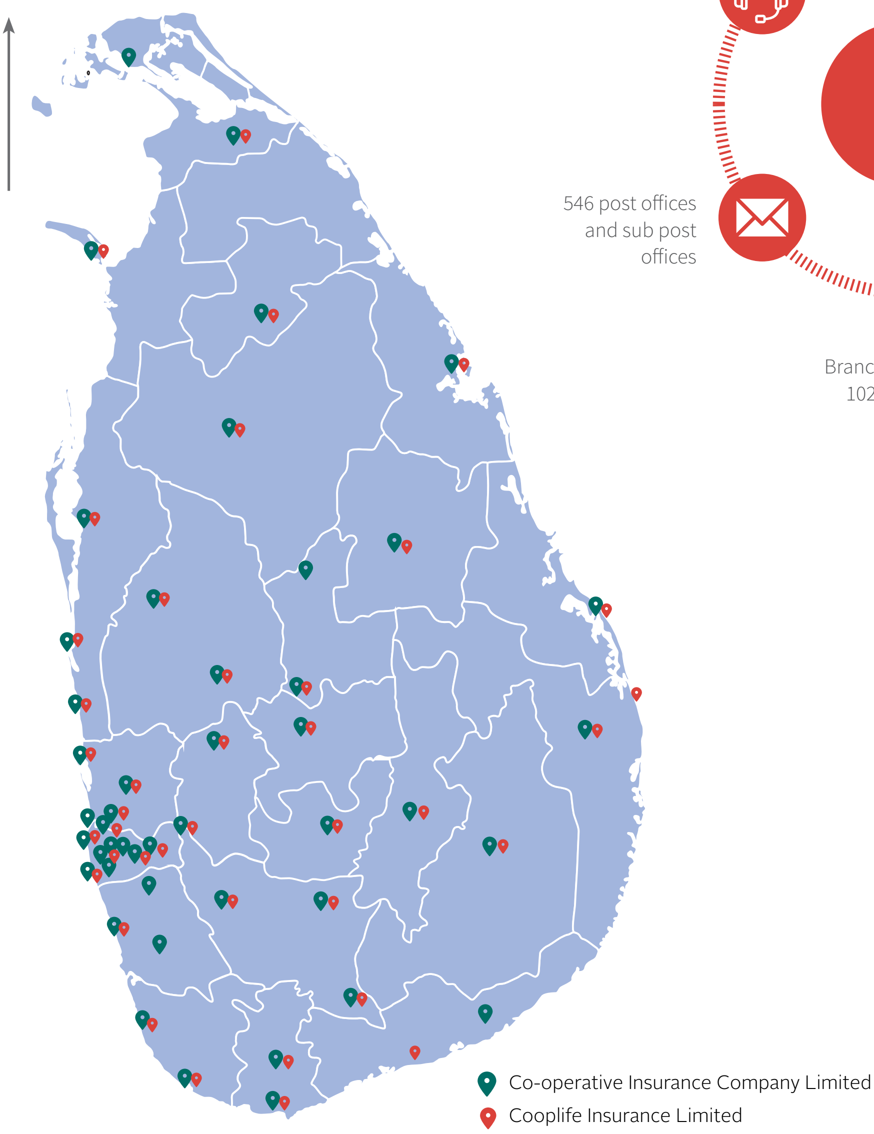
We deliver insurance products, services and support, through an island wide network of multiple service delivery channels. Our services delivery channels include our branch network, our call centre, service centres operated in collaboration with Co-operative societies and a network of independent business partners.

In 2017, we added a new service delivery channel through the national postal system by entering into a partnership with the Sri Lanka Postal Department to facilitate the sale of CICL products at all post offices and sub-post offices in the country.

We also expanded our branch network by adding 23 new CICL branches.

**CICL Service Delivery Channels**



# Our Channels and Branch Network

## CHANNELS AND BRANCH NETWORK

CICL now operates through one of the strongest branch networks in the industry. We are now located across all 25 district of the country and all 9 provinces with the majority of CICL owned branches residing in the western province.

| Province | Number of Post Offices | Number of service locations (Branch Network) | Number of Post Offices |
|---|---|---|---|
| Western Province | 31 | 38 | 139 |
| Central Province | 15 | 09 | 49 |
| North Central | 09 | 04 | 39 |
| North Western | 25 | 10 | 54 |
| Sabaragamuwa | 13 | 05 | 35 |
| Southern | 21 | 11 | 57 |
| Uva | 03 | 06 | 56 |
| Eastern Province | Nil | 06 | 51 |
| North Province | Nil | 05 | 66 |

## CICL OWNED BRANCH NETWORK

In 2018, we opened 23 new branches expanding our branch network, resulting in the growth of our physical expansion that is unparalleled to that of any other financial year. Currently, we operate through 102 branches, islandwide, serving general insurance products and services while our subsidiary Cooplife branches offer life insurance solutions.

Our network of life insurance branches comprise of 44 branches, located in some of the most strategic geographical areas across Sri Lanka. Branch locations are selected for optimum visibility as well as proximity to major locales and towns with a higher footfall.

Our vast presence and access to remote locations has made us the insurer with the 3rd largest distribution network with company owned service locations across the country. Our network of comprehensive distribution channels include multiple, islandwide delivery channels which include our branch network, call centre services, service centres operated alongside a network of co-operative societies and a network of independent distribution partners.

## POSTAL SERVICE NETWORK

In 2017, we expanded our reach and presence by entering a strategic partnership with the Sri Lanka Postal Department which now facilitates the provision of our products and services through post offices and sub post offices. As of 2018, 540 post offices and sub post offices extended our already substantial reach, across further remote locations of the island.

## CO-OPERATIVE SOCIETY OWNED SERVICE CENTRES

Our service network also includes 117 Co-operative owned service centres, located across the country, reaching a vast rural community, providing access to our products and services in both general and life insurance.

## INDEPENDENT BUSINESS PARTNERS

CICL also operates through a group of independent business partners or brokers who take our products across to target segments, creating a much wider network that enhances our reach within the population.

## OUR REACH

Our branch network and reach is now present across all 25 districts, covering all major towns, cities and localities. Newly added branches are located in the areas of Akkaraipattu, Aluthgama, Bibila, Baddegama, Colombo Metropolitan, Dankotuwa, Elpitiya, Galewela, Giriulla, Kadawatha, Kalawana, Karapitiya, Kirindiwela, Kolonnawa, Melsiripura, Neluwa, Nugegoda South, Panadura Potuvil, Rikillagaskada, Thambuttegama, Wellawaya and Welimada.

## CALL CENTRE

CICL updated and upgraded our call centre systems in the Financial Year under review, for better serving our customers across the country. Fully fledged and fully equipped CICL call centre operates at maximum capacity with customer queries handled 24 hours of the day, 7 days a week. At the instance of a motor related accident, our call centre operatives keep a constant tab on the customer, contacting them every 15 minutes until an assessor arrives at the location for assessing the damage to the vehicle.

# Changes to Our Material Capitals in 2018

### CHANGES TO MATERIAL CAPITALS

Our business model and our value creation process adopt five capitals according to their ability to create value for our stakeholders.

- Financial capital
- Human capital
- Social and Relationship capital
- Intellectual capital
- Manufactured capital

**Manufactured capital:** Our manufactured capital base includes our fully owned Head Office building in Colombo 14, physical assets owned by the Company, such as office equipment, furniture and vehicles. Apart from which CICL and Cooplife does not occupy inventory.

**Social capital:** Brand visibility and goodwill is used in assessing our social capital and is enhanced through our own branch network, service centres of Cooplife and CICL, our dedicated call centre and through our product portfolio. In addition, our network of diversified channel partners also enable us to increase our social capital; this includes our network of independent business partners, including field officers, institutional agents and insurance brokers, dedicated to promoting our products, thus enhancing brand visibility.

**Natural capital:** Not considered as a material capital that adds significance to our value creation model, as CICL does not own or consume natural capitals. Regardless of which we continue to be environmentally responsible across our operations for enabling a sustainable business model.

### MATERIAL CAPITALS AND CHANGES IN 2018

Changes to our material capitals during the reporting period of 1st January 2018 to 31st December 2018 are summarised below:

Our financial capital base grew adequately, stemming from changes in ordinary share capital, shareholder equity and revenues. This facilitated company growth objectives and short term plans within the year.

Manufactured Capital expanded within the year, as 23 new branches were established on rented property, fully equipped with furniture, ICT infrastructure and complete necessities. The physical expansion has enhanced brand visibility and further mobility within the same geographic locations and market segments. The expansion has enabled CICL to raise our level of customer service and customer convenience. All new branches are fully integrated with our core business systems, for efficient and decentralised conducting of operations. The branches provide seamless and swift customer service with faster claims settlement as well as routine transactions.

Intellectual Capital was enhanced drastically with further development in replacing manual paper based work processes with core business systems and eliminating physical maintenance of records by digitising documents for speedy and easy access. HR and administration system as well as our online Learning Portal was further enhanced.

Human Capital was enhanced as employee skills knowledge base and capacities were developed to align with organisational growth strategies. Training and knowledge enhancement seminars as well as foreign training opportunities were provided to employees across various technical and managerial levels. These in turn has helped enhance their abilities to improve the quality of their work and service level expectations.

Social capital was also expanded during the year. Corporate performance indicators on measuring our social capital is done in terms of brand visibility and company goodwill rendered across employees, stakeholders and society in general. Brand visibility is assessed through CICL's service centres, our 24/7 call centre and through our diversified product portfolio. Our network of Service Centres utilised in partnership with Co-operative Societies and which operate across the island also enable brand visibility. CICL continues to build a stronger network of independent business partners which include field officers, institutional agents and insurance brokers that continue to promote our products and enhance brand visibility.

### KEY CHANGES TO CAPITALS IN 2018

Please refer the 'Managing Our Capitals' section in pages 67-82 for details regarding changes to our material capitals during the year.

# Changes to Our Capitals in 2018

| Capital | Changes |
|---|---|
| **Financial Capital**<br>• Ordinary share capital<br>• Retained profits<br>• GWP<br>• Investment income | • Share ownership in subsidiary Cooplife was changed due to scrip dividend distributed by Cooplife Insurance Ltd from 82% to 81.8%.<br>• Share capital increased by Rs. 169.94 Mn, from Rs. 1,260.25 Mn to Rs. 1,430.19 Mn due to shareholders reinvesting dividends.<br>• Shareholders' equity increased by Rs. 110.08 Mn<br>• Retained profits increased by Rs. 102.85 Mn from Rs. 553.31 Mn to Rs. 656.16 Mn.<br>• Gross Written Premium income increased by 23% year on year to Rs. 3,750.83 Mn.<br>• Investment income increased by Rs. 83.90 Mn from Rs. 261.65 Mn to Rs. 345.55 Mn.<br>• We have maintained significant long term debts at zero.<br>• Balance sheet expanded by Rs. 1,075.36 Mn, From Rs. 6,464.16 Mn to Rs. 7,539.52 Mn |
| **Human Capital**<br>• Permanent employee base | • Total permanent employees increased by 27.2%<br>• Total permanent employees as at end December 2018 was 1093<br>• Recruited new management staff to guide and lead the business<br>• Investment in training increased during the year 2018 |
| **Social Capital**<br>• Branches and Call Centre<br>• Product portfolio<br>• Business partners<br>• Co-operative service centre network<br>• Co-operative representatives | • 23 new branches were opened, expanding CICL's branch network to 102<br>• No. of business partners increased by a significant amount<br>• Marketing and promotional expenditure increased to enhance the image of the Company |
| **Intellectual capital**<br>• Customised Software<br>• Systems Developed and upgraded in-house | • Invested significant amount on in-house software development<br>• IT skill base expanded with new recruitments<br>• Developed new IT solutions to support core functions of administration, claims management, HR and customer support<br>• Networked all 102 branches including 23 new branches opened in 2018 |
| **Manufactured Capital**<br>• CICL Head Office Building<br>• CICL Branch Office Buildings<br>• Vehicles<br>• Furniture<br>• Equipment | • Total value of manufactured capital base (CICL owned buildings, equipment, furniture and vehicles) increased by 3% from Rs. 1,102.08 Mn to Rs. 1138.59 Mn |

# The Co-operative Insurance Training Academy

## CO-OPERATIVE INSURANCE TRAINING ACADEMY (CITA)

Registered under the Tertiary and Vocational Education Commission (TEVC) of Sri Lanka and registered as a limited liability company, CITA provides certificate level qualifications and training to students in addition to CICL employees, empowering them with a professional qualification that adds greater value to their professional life and career.

Established in 2015 and registered as a Private Limited liability company in 2018. This is the first government approved training academy in Sri Lanka. CITA is 100% CICL owned training academy, conducted in partnership with the Insurance Institute of India, offering a widely accepted certification and training to CICL employees. Course followers are also exposed to professional industry operations giving them the full offering of an interactive learning experience.

In 2018, 50 of our employees obtained certification level training and many students received training related to technical aspects of the company's insurance processes. In 2017, a new training facility was inaugurated in close proximity to CICL head office, offering a dedicated location for conducting training and class room activities.

CITA now offers diploma level certification to employees and to individuals who aspire to obtain an internationally recognised insurance certification. With a focus on education and research in insurance, CITA is focused on developing learner skills and personalities, including development of inward traits, allowing them to be empowered through attitudes, knowledge and skill enhancement. In a constantly competitive and demanding business world, CITA's vision is to develop our students and employees to meet professional and personal challenges with knowledge and integrity.

CITA currently focuses in three core area;

1. Certificate courses

2. Diploma courses

3. Professional skills development, advisory and competency enhancement

Currently, CITA has 50 students following certificate courses and 20 following diploma courses.13 students Successfully graduated in 2018.

CITA provides CICL employees and learners the options of following,

Certificate Courses in Insurance and Marketing

- Diploma in Insurance
- Higher Diploma in Insurance
- Diploma in Business Management
- Technical Skills Development Series (TSD)
- Sales Skills Development Series (SSD)
- Personal Skills development Series (PSD)

# Management Discussion & Analysis



MANAGING OUR CAPITALS

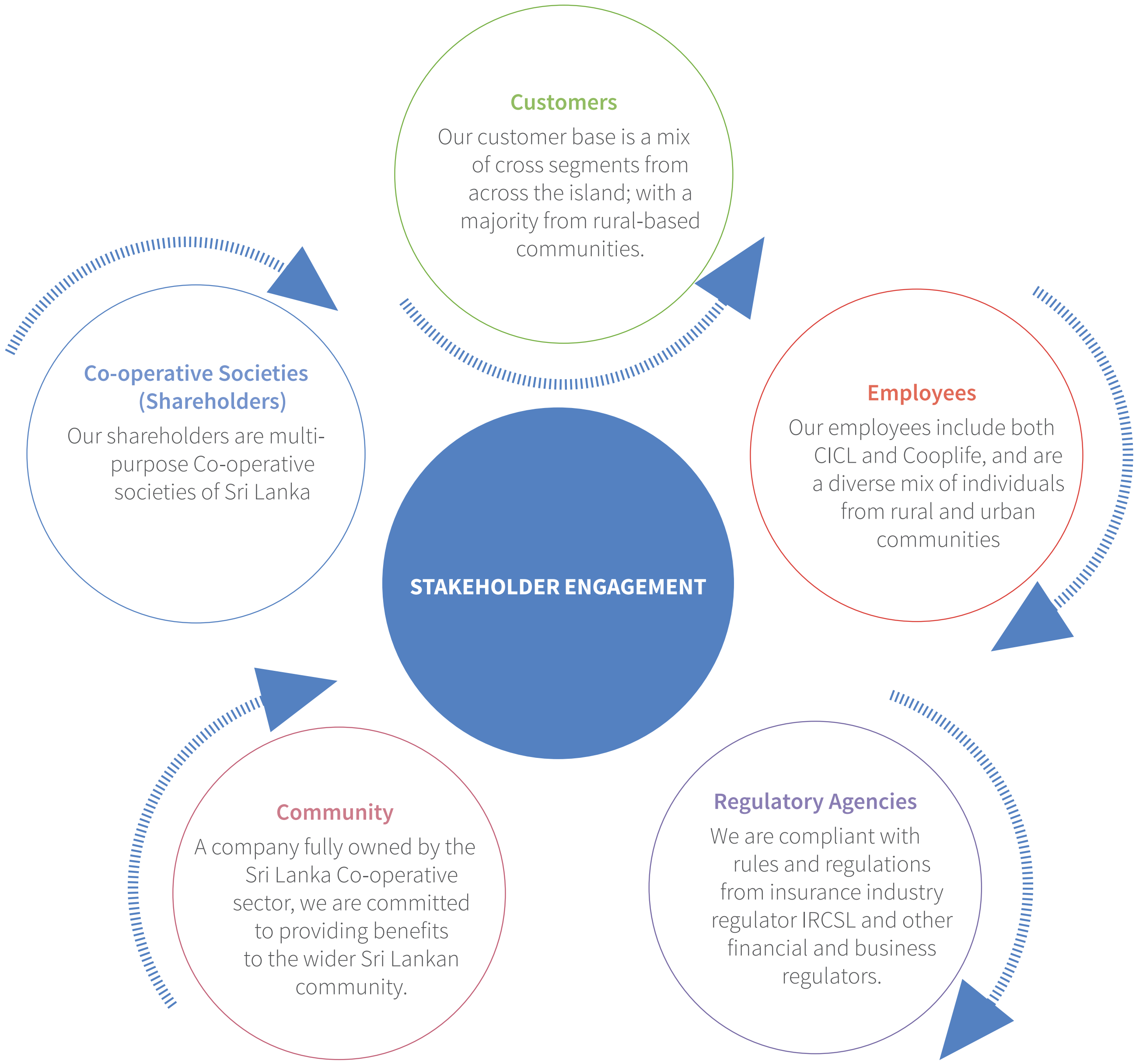


# Stakeholder Engagement and Social Capital

## STAKEHOLDER ENGAGEMENT

Our stakeholders are the backbone of both CICL and Cooplife. Who we are and what we represent is essentially a reflection of what are stakeholders offer and their contributions to the organisation. Our relationship with each and every stakeholder segment is based on a mutual belief system and based on mutual returns.

While our stakeholders provide values that are imperative to us, we continue to offer our promise of sustained value and benefits to each and every segment of our stakeholders across the board, achieving desired outcomes from sustainable business practices.



## STAKEHOLDER CONTRIBUTIONS

- **Shareholders**
  Dispersion of capitals to facilitate corporate growth objectives
- **Customers**
  Placing confidence in our products and service
- **Employees**
  Providing knowledge, experiences and growing skills to develop better products and services and achieving growth objectives for the betterment of all stakeholders
- **Regulatory Agencies**
  Providing regulations for overall integrity and stability within the industry
- **Business Partners**
  Funneling resources for increasing business volumes and market growth

**Community**

Provides capacities to make a difference in the lives of those in need of assistance and provides access to the promotion of insurance as source of assistance during financial needs.

## VALUE CREATION FOR STAKEHOLDER

**Co-operative Societies (Shareholders)**

Value created for Shareholders

- A dividend of 185 Mn was distributed by way of new shares to shareholders.
- The Annual General Meeting of shareholders was conducted and approval obtained on numerous matters of importance.
- Regular meetings on Company progress were organised to Co-operative societies.
- Approval was obtained for all non-routine matters by the Board of Directors.

**Customers**

Value created for Customers

- Claims of Rs.2,181 Mn paid during the year..
- Fast claim settlement and low premiums, allowing customers product affordability and convenience in settling claims
- Service delivery network increased giving customers' easy accessibility to our products and services.
- Customer complaints were recorded by the Customer Grievance Committee in compliance with IRCSL requirements.
- Service times improved and processing times of claims reduced for customer convenience
- Customer care was enhanced through technological improvements.

**Employees**

Value created for Employees

- CICL training academy provides internationally recognised professional training, investing in employee skill and career development.
- Activities and facilities for welfare were provided during the year (Please refer the Social Capital section, pages 78 to 82)
- Corporate and Senior management personnel were provided the opportunity for four overseas trainings and workshops (Please refer the Human Capital section, pages 75 to 77)
- Managers and staff selected for a workshop in Claim Identification by Insurance institute of India.
- Welfare and leisure activities for work-life balance

# Stakeholder Engagement and Social Capital

**VALUE CREATION FOR STAKEHOLDERS**

....Contd.

### Regulatory agencies

Compliance with Regulatory Requirements

- IRCSL
- Central Bank
- National Insurance Trust Fund
- Companies Registrar
- CICL continues to be compliant with all reporting and auditing requirements and regulations by the IRCSL and other regulatory institutions.
- Please refer the 'Governance and Internal Controls' chapter for more information.

### Business partners

Value created for Business Partners

- Brokers
- Agents
- Field Officers
- Reinsurers
- Auditors

- Sales Training to better improving customer service and promotion of products
- Insights on increasing business growth

### Community

Giving back to the community

- A number of activities were conducted for raising our Corporate Social Responsibility.

## STAKEHOLDER ENGAGEMENT

We maintain a constant two-way dialogue with all our stakeholders across the year, exchanging corporate objectives, status of target performances as well as discussing concerns and enabling an open environment for solutions; encouraging constructive criticism of material aspects and objectives in creating sustainable value.

**Shareholders**
- Annual general meeting and annual report presentation with Audited Financial Statements
- Quarterly Reports to Shareholders
- Continuously providing assistance in CSR activities to shareholders (Co-operative Societies)

**Customers**
- 24/7 call centre assistance
- Constant communication in the event of an accident till assessor's arrival
- Diversified product portfolio and low premiums
- Faster claim settlement
- Increasing branch portfolio and geographical spread
- Access to information through corporate website

**Employees**
- Staff Annual Awards
- Management and staff meetings
- Branch-wise meetings
- Sales Personnel meetings
- Online learning portal and core business systems
- Company owned academy for employees (CITA)
- Overseas workshop exposure
- Outbound training
- Technical and sales trainings and workshops
- Staff welfare and leisure activities

**Regulatory Agencies**
- Disclosure of financials
- Quarterly Submission Of Financial Statements
- Response To Needs-Based Requirements

**Business Partners**

Monthly review meetings
- Constant communications
- Trainings
- Encourage win-win partnership
- Encourage ethical conduct

**Community**
- CSR Activities
- Employment opportunities
- Enhance knowledge by updating corporate website

# Our Growth Strategy and Resource Allocation

## OUR GROWTH STRATEGY

With higher claim settlements, organic growth that results from a sustainable business growth strategy that also puts us in a position to compete as a smaller player in a competitive industry. All of this is achieved without the use of aggressive marketing and mass communication strategies; CICL has grown sustainably over the years.

With a five year medium-term strategy we review and redefine our strategies to align with external risks including impacts from regulatory requirements and tax regime changes as well macro-economic and market developments. Our competitive advantage is enhanced through the development of our people, by empowering them through technical and soft skills training and by adopting innovative technological systems and processes that enable faster and agile processing of transactions and business operations.

Our core business systems for life and general insurance, as well as our systems across Claims Processing, Document Management, Human Resources Management and administration services has enabled us to reduce service times and processing times, enabling accelerated customer convenience and better customer communications, both internally and with external parties.

**Progressive use of innovative technologies**

- Fully developed and integrated core business systems
- Fully developed HR and admin systems
- Fully developed document management system
- Comprehensive and adaptive self-learning portal

**Competitive product portfolio**

- Comprehensive benefits and features
- Customised products and low premiums
- Products targeting all cross segments

**Delivering value for money through enhanced customer service**

- Employee training and development
- Innovative and interactive digital platforms (Website, mobile applications etc.)
- Wider service channel network (branch expansion, increase partner and agent network, increase third part delivery channels)

## EXPECTED OUTCOMES

- Increasing policyholders and new product acquisitions
- Increased customer satisfaction
- Increased use of services
- Increased speed of service
- Faster process time
- Reduced claims process time
- Reduced wastage of time and resources
- Reduced operational costs
- Solutions that meet customer needs and price requirements
- Attract new customer and retain existing customers

| KPI | Targets for 2018 | Actual Performance | Targets for 2019 |
|---|---|---|---|
| Financial Capital | • Increase net profit by 25%.<br>• Increase total GWP by one billion.<br>• Growth in non-motor insurance segment<br>• Maintain RBC level of 120%. | • Achieved a net profit growth of 87%<br>• Achieved GWP growth of 23%<br>• Achieved a growth of 32%<br>• Able to maintain RBC level as 180% | • Increase net profit by 25%.<br>• Growth in non-motor insurance segment<br>• Maintain statutory required RBC level. |
| Human Capital | • Increase level of skill development programs for employees.<br>• Provide knowledge on identifying and balancing customers.<br>• Increase employees across branches<br>• Establish new methods to improve work efficiency. | • Professional skill development sessions conducted, monthly<br>• Conducted training sessions for underwriting staff.<br>• Conducted induction programs for new employees, monthly.<br>• Conducted training for sales new comers, regional staff ad sales staff.<br>• Newly recruited staff for fulfilling job capacities new branches.<br>• System training provided to branch staff. | • Provide employees exposure to technical and sales training<br>• Increased use of self-learning portal<br>• Increase training in professional and soft skills development<br>• Recruit more competent staff for field and sales teams |
| Intellectual Capital | • Shift to a paperless organisation.<br>• Further improve claim management systems<br>• Enhance systems to Accommodate industry changes into core insurance system.<br>• Complete implementation of re-insurance module. | • Continued development of in-house software pertaining to claims, online policies, stores and HR management.<br>• Continued development of digitised document system.<br>• Improving core insurance system for high flexibility to address system risks.<br>• Call center systems were upgraded enhancing customer service.<br>• Continued development of re-insurance module | • Fully develop core business/insurance systems<br>• Increase digitisation of documents to the Document Management Systems<br>• Increase Modules under HR and admin systems |

# Our Growth Strategy and Resource Allocation

| | | | |
|---|---|---|---|
| Social and Relationship Capital | • Monitor brand value and image.<br>• Offer best in class insurance products and services that meet customers' needs. | • A brand audit was conducted, gauging brand perception. | • Conduct market research to gauge market perceptions and customer satisfaction<br>• Increase activities involving business partners (Agents, independent partners and brokers)<br>• Conduct more CSR initiatives |
| Manufactured Capital | • Further expand branches and service centres, operated under co-operative societies.<br>• Fully furnish branches and fully equip with ICT infrastructure | • 23 branches added, increasing the network to 102<br>• All 23, newly opened branches are fully furnished and equipped with modern ICT communications facilities and have already been integrated into the CICL network. | • Expand CICL owned branches and service centered operated by co-operative societies |

## RESOURCE ALLOCATION

Our allocation of resources spreads across organisational short term and long term strategic objectives, ensuring overall growth across our long term and general insurance businesses.

**System of Internal Control**

| Resource Allocations | Immediate and Short Term Resource Allocations | Mid to Long term Resource Allocations |
|---|---|---|
| Financial capital | • Increase capital to facilitate physical expansion.<br>• Increase shareholder returns.<br>• Increase total assets by 25%<br>• Meet regulatory requirement for Risk Based Capital Adequacy. | • Enhance CICL's market value.<br>• Enhance shareholder returns.<br>• Strengthen market position by capturing market share at a higher rate than competitors |
| Human capital | • New recruitments to support expansion.<br>• Technical and industry training.<br>• Marketing skill development.<br>• Customer care skill development.<br>• Develop second tier of talent to enhance employee growth to fill vacancies internally.<br>• Competitive salaries.<br>• Competitive capabilities. | • Develop leadership pipeline.<br>• Streamline skill base for specialisations.<br>• Develop as one of the best insurance teams in the country. |
| Intellectual Capital | • Develop customised software support systems.<br>• Further develop and add modules to existing core business systems and support systems.<br>• Increase IT cadre.<br>• Provide web based solutions for customers.<br>• Establish separate external real time backup locations.<br>• Integrate online payment gateway.<br>• Transition from manual to digital systems. | • Transform to a fully paperless organisation.<br>• Integrate intellectual capital base to add value to market value of Company.<br>• Develop new product brands and trademarks.<br>• Develop blue ocean strategies.<br>• Enable customers to complete processes digitally (online based platform) |
| Social and Relationship Capital | • Provide best customer value against competitors.<br>• Invest in CICL brand visibility in new market segments.<br>• Enhance brand equity through community and stakeholder engagements. | • Be the most preferred insurance provider.<br>• Enhance brand value and image.<br>• Increase relationship building activities with business partners and brokers |
| Manufactured Capital | • Support branch expansion through manufactured capital acquisition.<br>• Purchase additional ICT hardware.<br>• Acquire vehicles to support business growth.<br>• Provision of web base services to customers | • Selective investments to consolidate operations. |

# External Environment

The economy in 2018 grew at a rate of 3.3%, despite the previously anticipated 4.5% in the corresponding year. Unemployment rate within the year stood at 4.2% and Per capital income of the year was at Rs. 621,026. Certain key determinants played a role in the slow development of the economy which continued until the end of the Financial Year. A weak domestic demand continued tightening in monetary conditions and government spending contributed to the weakened performance of the overall economy.

In addition, stagnant fixed investment, lower net exports, weak economic policies and political instability impacted the downward economic environment. The following strategic decisions also played a role in influencing the overall lacklustre performance while continuing to slowdown the economy. Within the year, the government commenced the following.

- Structural reforms supported by IMF which addresses key structural issues in the economy.
- Launch of the new inland revenue act resulting in revenue-based fiscal consolidation
- Introducing an automatic fuel pricing formula for reducing fiscal risks of state owned enterprises.

### EXTERNAL SECTOR

The trade deficit widened to USD 8,857Mn during the first ten months of the year when compared to the corresponding time frame in 2017. This was mostly in part due to the higher import expenditure and a relatively marginal growth of imports.

A widening current account deficit was largely in part due to the increase in fuel import expenditure and vehicle and gold importation. However, export earnings improved by 4.7% in 2018 to USD 11.9 billion owing to industrial exports while agricultural and mineral exports decreased. Import expenditure rose by 6%, reaching 22.2% billion. Nevertheless, revenue from service exports and workers' remittances helped buffer the external current account deficit up to a certain extent.

Bright prospects did however remain to show positive outcomes despite the overall negativity. The tourism sector in particular showed stealth in maintaining its positive growth. Earnings in the year grew by 11.6% bringing revenue of USD 4.4 billion. The country was also named as the no. 1 destination to visit in 2019, creating better prospects for further expansion of the sector's revenue performance. Remittances dropped marginally by 2.1% in 2018 to USD 7 billion.

### EXCHANGE RATE

The CBSL mediated in market activities in order to restrict unsystematic adjusting of the exchange rate and allowed demand and supply dynamics to determine its course.

The exchange rate performance was impacted by the CBSL's decision to allow markets to determine the rate with less intervention in defending the rupee by supplying foreign exchange from official international reserves. Imports growth and capital outflows of Rs. 159 billion and a strong US Dollar impacted the depreciation of the Sri Lankan Rupee by 16.4% relative to the 2% in 2017.

### STOCK MARKET PERFORMANCE

The markets showed lacklustre performance across the year. The ASPI made a loss of 4.9% in comparison to the 2.3% growth in the previous year. The S&P SL also showed a similar trend with a loss of 14.3% in the Financial Year. The average daily turnover was around Rs. 788Mn. at the end of 2018's 3rd quarter, a drop from that of 2017's Rs. 915.3Mn. More foreign investors played a vital role in market dynamics than local investors. Money was injected into fixed income securities as interest rate hikes impacted negatively; with money being pulled out of the Colombo Stock Exchange, further deepened by the hike in FED rate.

### INFLATION RISE AND INTEREST RATE INCREASE

Headline inflation as measured by the change in the National Consumer Price Index, was at 2.8%, at the end of 2018; this was a retreating level from previous months. Core inflation, increased by 3.1% during the year and is expected to be curbed by defensive monetary policy measures.

The Monetary Board increased the Standing Deposit Facility Rate (SDFR) by 75 basis points to 8.00% along with the Standing Lending Facility Rate (SLFR) of CBSL by 50 basis points to 9.00%. This was conducted under the aim of stabilising inflation at mid-single digit levels for economic recovery.

### TIGHTENING MONETARY CONDITIONS

Government security yields underwent a significant increase alongside other market interests which were high in nominal as well as real terms. Credit provided to major economic segments showed signs of sharp rising with accelerated growth in personal loans and advances. Central bank measures are expected to curb the credit growth of the private sector in time to come.

### INSURANCE INDUSTRY

In 2018, there were 25 insurance companies Licensed under IRCSL and included 2 composite insurers, 11 General Insurance companies and 12 Long Term (Life) Insurance companies.

The overall industry GWP enjoyed a growth rate of 9.9% in the third quarter of 2018, an increase of Rs. 11,757Mn. The aggregated GWP from both Long Term and General Insurance Businesses fetched Rs. 129, 773Mn. Total assets of the industry increased to RS. 588,746Mn. a 7.36% growth from the total assets value of Rs. 548,361Mn witnessed in 2017.

However, growth in Long Term Insurance assets plummeted drastically in comparison to the 13.27% in the third quarter of 2017, while, General Insurance assets amounted to RS. 171,400Mn.

By the third quarter of 2018 total claims paid out by insurance companies across both Long Term and General Insurance businesses were Rs. 59, 639Mn. Claims increased by 17.87% with the value increasing by Rs.25, 214Mn. from the recorded value in 2017. As a percentage of the total GWP, Long Term insurance claims held a portion of 43%, whereas General Insurance recorded a 48% stake in its claims from the total GWP.

By the 3rd quarter of 2018, premium income from insurance brokering companies aggregated to Rs. 6,646Mn which was 5.12% of the total GWP. This included premium income from General and Long Term Insurance Businesses as well as from Reinsurance. The income grew had increased by 7.76% in the third quarter in comparison to the corresponding term in 2017. Premium income from General Insurance business which was Rs. 5,983 Mn (4.61% of GWP) far exceeded that of the income from Long Term Insurance, which was at Rs. 131 Mn, 0.22% of total GWP.

### CONTINUED CONSOLIDATIONS

In the year, the Industry witnessed the continuation of the pattern of mergers and acquisitions witnessed since 2014, merging local insurance giants with international leaders. This allows the cushioning of underwriting losses for merged insurers. Regulatory requisites such as high capital needs and segregation of composite operations have also compelled insurers to consolidate in the hope of better prospects.

### TAX EFFECTS

On April 1st 2018, changes to the Inland Revenue act which came into effect was expected to lower net profits of life insurance. Life Insurance Businesses are liable to pay a tax rate of 28%, bringing a far greater challenge to profit making. In addition, surplus distributions to participating life holders are expected to be taxed at 28% from 2021, which is now taxed at 14%.

Despite the increase in vehicle taxation and CIF value increases, the necessity of owning a motor insurance policy according to regulations, propels vehicle buyers to acquire solutions from insurers. In addition, the increasing volumes of newly registered vehicles have encouraged insurance companies to promote motor insurance over other categories. Yet, the overall industry is facing a trend of under penetration with levels plummeting below the global average of 3%.

### REGULATORY CHANGES

Insurers were required to follow SLFRS 9 on Financial Instruments, effective from 2018; yet, this was delayed till 2022 which would then require insurers across the globe to adopt IFRS 17 – Insurance contracts.

In January 2018, the Insurance Regulatory Commission of Sri Lanka commissioned principle regulations to ensure the fair treatment of customers within the industry by insurers.

- **Principle 01** - Fair treatment of customers shall be at the heart of the business model of all companies
- **Principle 02** - Products are developed and marketed in a way, that pays due regard to the interests of customers
- **Principle 03** - Customers are provided with clear information before, during and after the point of sale
- **Principle 04** - Suitability of advice
- **Principle 05** - Managing reasonable expectations of customers
- **Principle 06** - Fair handling of claims
- **Principle 07** - Analysis of customer feedback and fair handling of complaints

Meantime, guidelines were also issued to insurers and brokers who obtain leads from Banks and Financial Institutions. making them liable to pay a commission to the BFI. The IRCSL has made it mandatory to incorporate relevant changes to existing contracts by the 1st of 2019.

Under Direction #17 under the Regulation of Insurance Industry Act a Corporate Governance Framework has been issued to all insurers, effective from the beginning of 2019.

### FUTURE OUTLOOK

The increase in imports is expected to recede in the subsequent months with the impact of new restrictions resulting in a reduction of particular categories of imports, including vehicles. Inflation is anticipated to recover in the year with the rate stabilising at mid-single digit level. The forecast for 2019 includes an anticipated growth of the economy at a rate of 4.3% and 4.5%. The per capita GDP growth is expected to fall at around 3.8% in the year.

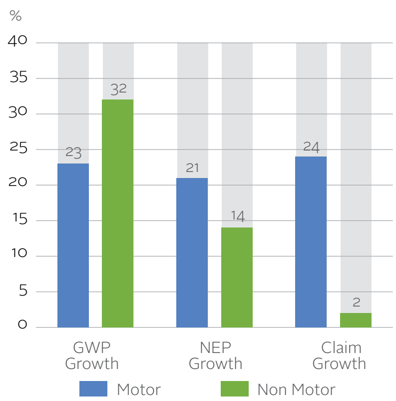
# Operational Review

## CICL'S PERFORMANCE

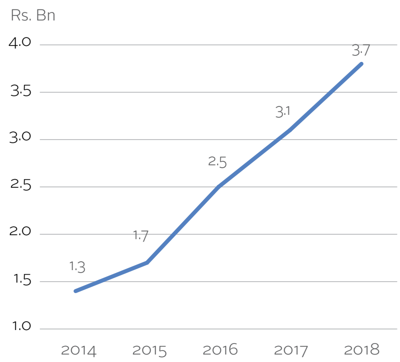
Benchmarked against the industry, CICL's operational performance saw a marked improvement in the financial year 2018.

- Overall market share held by CICL in the general insurance market, in terms of GWP, increased from 3.18 % in end-2017, to 3.65% by end December 2018
- Company was able to remain the General Insurance GWP growth rate at 23% even in unfavourable economic conditions Prevailed during the year 2018.
- 87% out of total GWP was from motor business and it was increased by 574Mn comparing prevailed during the year 2018.
- Company has achieved 21.4% of motor growth rate which was above the industry growth rate of 8%.
- The non motor premium growth rate increased to 32%, compared to the industry average growth rate of 1%
- Net earned premium (NEP) increased by 21%, while GWP increased by 23% during the year 2018.

**Premium & Claim Growth**




**GWP Growth - General**




## CLAIMS PAY OUT

Total value of claims settled by CICL increased by Rs. 408.8 Mn to Rs.2,321 Mn out of which 2,123 Mn. on motor insurance class.

| Claims | CICL 2018 Rs. Mn | CICL 2017 Rs. Mn | % change |
|---|---|---|---|
| Motor Claims | 2,123, | 1,709 | 24 |
| Non Motor Claims | 198 | 202 | -2 |

## COMBINED RATIO

The combined ratio changed from 100.2 % in 2017 to 104.4% in 2018 reflecting efficiency gains during the year. The combined ratio remained above 100% despite a strong growth in net earned premium, mainly due to underwriting and policy acquisition costs, and operating and administration costs, increased during the current financial year, compared to 2017.

| Performance indicator | CICL 2018 % | CICL 2017 % | Industry avg 2018 |
|---|---|---|---|
| Combined ratio | 104.4 | 100.20 | 102.75 |

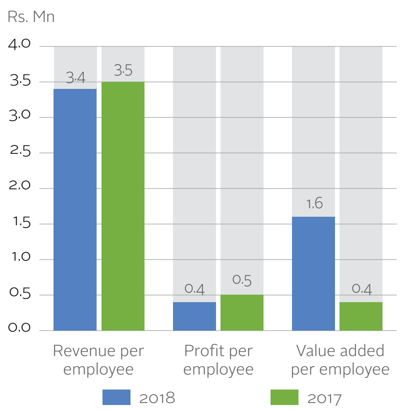
### Combined Ratio - General


## EMPLOYEE PRODUCTIVITY

Despite the growth in CICL's workforce, productivity per employee improved during the year.

| Productivity indicators | CICL 2018 Rs. '000 | CICL 2017 Rs. '000 |
|---|---|---|
| Revenue per employee | 3,432 | 3,557 |
| Profit (before tax) per employee | 371 | 465 |
| Value added per employee | 1,593 | 448 |

### Employee Productivity

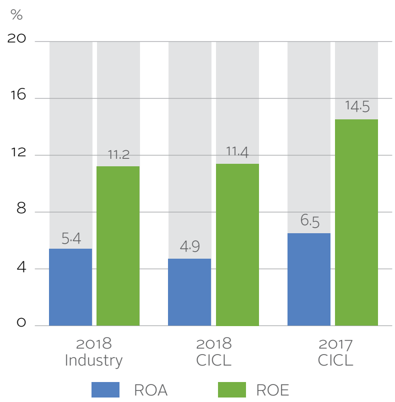



## PROFITABILITY

- Return on assets (ROA) was 4.9% during the year 2018 while the general insurance industry recorded ROA of 5.4%
- CICL was able to achieve 11.4% of Return on Equity (ROE) in 2018 while the general insurance average was at 11.2%

| Profitability indicator | Industry in 2018 | CICL 2018 | CICL 2017 |
|---|---|---|---|
| ROA (net of tax) | 5.4% | 4.9% | 6.5% |
| ROE | 11.2% | 11.4% | 14.5% |

### Profitability




## SHAREHOLDER VALUE CREATION

Profit attributable to Ordinary Shareholders was Rs. 268.15 in 2018 and it was Rs. 301 Mn in 2017. Increase in income tax was the main reason for the difference. Earnings per share is Rs. 2.08 while it was Rs. 2.34 in year 2017.

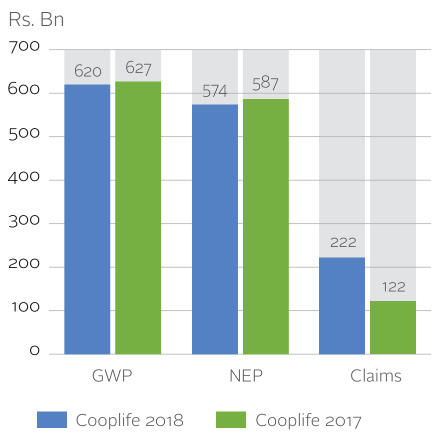
| Shareholder value | CICL 2018 Rs. | CICL 2017 Rs. |
|---|---|---|
| EPS | 2.08 | 2.34 |

# Cooplife Insurance Limited

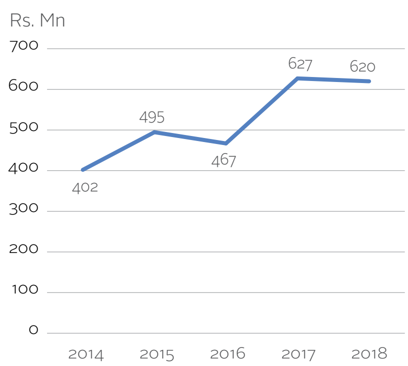
Cooplife's performance in 2018

- Company has earned Rs. 619 Mn of GWP in 2018 in an unfavorable economic conditions occurred during the year. This was a 1% different in GWP comparing to previous year. The industry average GWP growth rate was 13% for the same period.
- Net earned premium (NEP) changed from Rs. 587.04 Mn to Rs.574.04 Mn in 2018.

### Industry performance Vs Cooplife




### GWP Growth 2014 - 2018



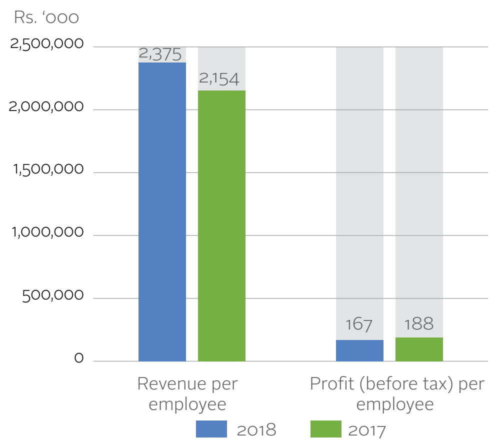

**Life fund**

The life insurance liability increased from Rs.1,491 Mn to Rs. 1,608 Mn during the year. This will allow the company to declare attractive bonus to policy holders in future years.

**Employee productivity**

Cooplife has recruited new marketing staff to cater the competitiveness on the market. Therefore, Company was able to increase the revenue per employee 10.2% comparing to previous year.

### Employee Productivity



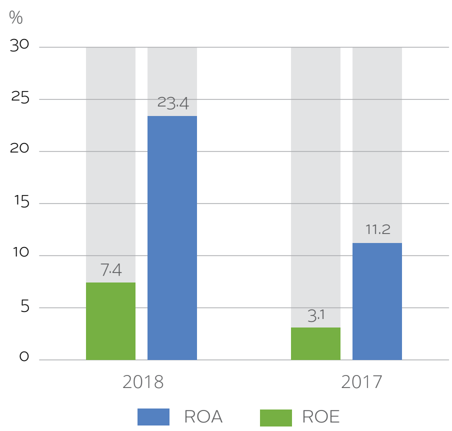

**Profitability**

Return on assets improved during the year by 4.2% against the life insurance industry average of 2.5%.

Return on equity was at 11.21% in the financial year 2017 and Company was able to improve it to 23.4% during the current financial year.

| Profitability Indicator | Industry Avg. 2018 | Cooplife 2018 | Cooplife 2017 |
|---|---|---|---|
| ROA (Net of tax) | 4.9% | 7.4% | 3.13% |
| ROE | 25% | 23.4% | 11.21% |

### Profitability



# Managing Our Capitals

## Financial Capital

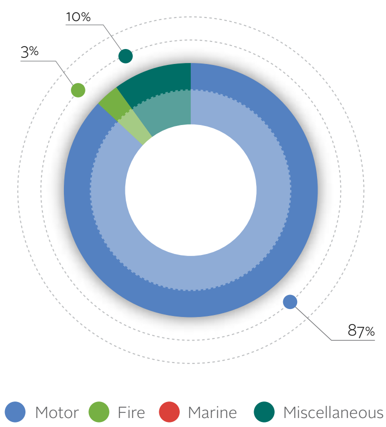
### REVENUE COMPOSITION

CICL's revenue is derived from 3 primary sources.

1. Motor insurance is the main contributor to revenues and accounted for Rs. 3,255 Mn of total revenue in 2018 and was 86.8% of GWP.
2. Non motor insurance is limited to fire, marine and miscellaneous insurance products and accounted for Rs. 496 Mn of revenue in 2018 and 13.2% of GWP.
3. Other income including investment income represented 15.7% of total revenue. Income from investments was Rs. 345.5 Mn (before charging finance cost) for the year. This was Rs. 261.6 Mn in the previous year.

| Class | Amount Rs.'000 | Composition | % Growth |
|---|---|---|---|
| Motor | 3,254,676 | 86.8% | 21.4% |
| Fire | 121,113 | 3.2% | 5.1% |
| Marine | 7,791 | 0.2% | 73.7% |
| Miscellaneous | 367,258 | 9.8% | 43.6% |
| **Total GWP** | **3,750,838** | **100%** | **22.7%** |

Revenue Composition




### Net written premium (NWP)

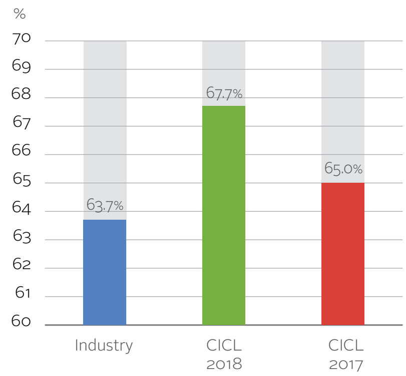
The NWP growth was 27.1% compared to the GWP growth of 22.7% due to changes in reinsurance ceded premium and reserves for unearned premium.

### EXPENDITURE

#### Net benefits and claims

The net benefits and claims for the Financial Year 2018 increased by 26% from Rs. 1,529 Mn. to Rs. 1,1,927 Mn. This indicates CICL has served their customers with fair claims.

Claims Ratio




| Indicator | Industry 2018 | CICL 2018 | CICL 2017 |
|---|---|---|---|
| Claims ratio | 63.7% | 67.7% | 65.02% |

### Underwriting and policy acquisition cost

The net underwriting and policy acquisition costs increased in tandem with the growth in business volume. The cost to net earned premium for the year was 4.94%. This ratio for the previous year was 3.98%.

### Other operating expenses

Costs increased during the year by 23%, mainly due to increased staff costs and administrative expenses. CICL was able to expand the branch network around the country (102 branches) and this also was a main reason for the increment in other operating expenses.

### Finance costs

Finance costs including interest costs decreased by 67% from 2017 to Rs.986,035 in 2018 with the settlement of few finance lease liabilities.

# Managing Our Capitals

## Financial Capital

### PROFITABILITY

#### Profits before taxation

Profit before tax as a percentage to net earned premium stood at 14% against 17% in the previous year. This reflects CICL's improved competitiveness.

#### Profits after taxation

The net profit after tax (PAT) for the year was Rs.268 Mn compared to Rs. 301 Mn in the previous Financial Year. Political turmoil during the year and relatively weak corporate earnings had substantial negative impact on business performance.

### ASSETS

#### Property, plant and Equipment

Property, plant and Equipment increased by 3% in 2018 mainly due to investment in new branches and increase in the market value of land and building. Total Capital expenditure incurred by the Company on acquisition of Property, Plant and Equipment amounted to Rs. 79 Mn in 2018 and Rs. 61 Mn in the previous Financial Year. Carrying value of Property, Plant and Equipment of the Company amounted to Rs. 857 Mn in 2017 and Rs. 828 in 2017. Further Information on Property, Plant & Equipment of Company and Group are given in Note 4 to the Financial Statements.

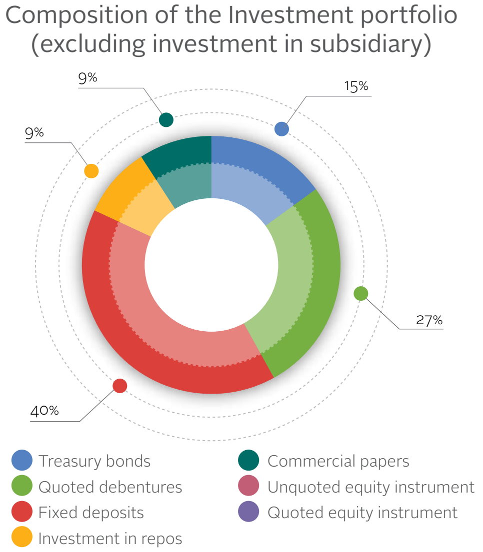
#### Financial investments

The investment portfolio is maintained primarily to ensure maximum protection to its assets in accordance with the regulatory requirements and to receive the highest returns for policyholders and shareholders.

The investment decisions are taken by the Investment Committee subject to subsequent Board ratification. Investment decisions are governed by the investment policy of the Company. In the investment decisions, the contribution towards the solvency status and the security received to the investments, are given more weight than the returns. The investment portfolio contains 23.5% of government securities. This content is in excess of the regulatory requirements.

Investments are classified under four categories as specified in Sri Lanka Financial Reporting Standards (SLFRSs) depending on their characteristics. More details of the investment portfolio are available in Note 06 to the Financial Statements.

Composition of the Investment Portfolio (excluding investment in subsidiary)




#### Reinsurance and premium receivables

Reinsurance receivables represent the dues from reinsurance companies for paid and unpaid losses and loss adjustments. Reinsurance receivables are recognised as per the terms of reinsurance contracts. The amounts receivable are estimated to be consistent with the outstanding claim provision or settled claims associated with reinsurers' policies.

The management attempts to recover reinsurance receivables promptly and to keep the receivable amounts at a minimum.

Premium receivables at the end of the year recorded an increase in comparison with the growth of GWP. The reason for the increase was the increase in the sales volume during the latter part of the year. The Company has a credit policy of 90 days.

| Indicator | CICL 2018 | CICL 2017 |
|---|---|---|
| GWP (Rs.Mn) | 3571 | 3,056 |
| Premium ceded (Rs.Mn) | 559 | 544 |
| Reinsurance ratio | 15% | 18% |

### Other assets and cash equivalent

Other assets mainly include deposits, prepayments and staff loans. Cash and cash equivalents are held at levels that are necessary to meet liquidity requirements. Staff loans outstanding were Rs 16.4 Mn compared to Rs. 21.95 Mn in 2017, which is the balance of loans granted under the staff loan scheme. These loans are provided at a nominal interest rate.

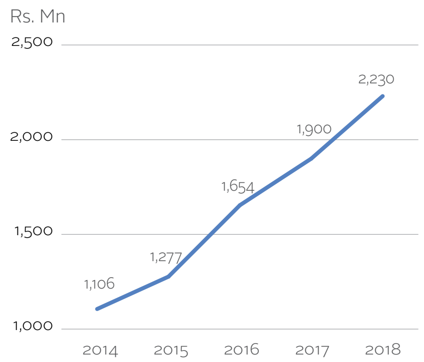
The recoverability of these assets is monitored on timely basis and provisions are made in cases where the recoverability is doubtful.

## INSURANCE LIABILITY

The insurance liability fund to indemnify clients from specified future losses, grew by 17.3% over the previous year.

The growth of insurance liability for past 5 years is as follows:

Insurance Liability in Rs. Mn




The insurance liability is formed from claims outstanding, together with unearned premium reserve (UPR), Incurred But Not Reported claims (IBNR) and Incurred But Not Enough Reported claims (IBNER).

Our Actuary, M/s NMG Financial Services Consulting (Pvt) Limited confirms that we have made reserves adequate to meet future obligations.

In compliance with the Sri Lanka Accounting Standard SLFRS 4 – Insurance Contracts, a Liability adequacy test was performed by M/s NMG Financial Services Consulting (Pvt) Limited and confirmed that the liabilities are adequately recorded with regard to future obligations.

Their report is shown in page 114.

### Solvency margin

According to Section 26 of the Regulation of Insurance Industry Act No 43 of 2000, the Company is required to maintain solvency margins as determined by the Insurance Regulatory Commission of Sri Lanka.

Solvency ratio

The group operates according to the regulatory requirements set out by the IRCSL. The Group successfully implemented the Risk Based Capital (RBC) framework on solvency margin as required by IRCSL. The capital positions of the Group's operating companies as of 31st December 2018 and 2017 are as follows.

| Criteria | CICL 2018 | CICL 2017 |
|---|---|---|
| Total available capital (TAC) (Rs.) | 1,353,242 | 1,297,737 |
| Minimum capital requirement (Rs.) | 500,000 | 500,000 |
| Risk based capital adequacy | 178% | 180% |
| Regulatory minimum CAR | 120% | 120% |

## COOPLIFE'S PERFORMANCE IN 2018

### Revenue composition

Cooplife offers customers a comprehensive range of life insurance solutions for every stage of the human life from infancy to old age.

1. With unsettled economic environment and changing regulatory requirements Life insurance was able to achieve Rs. 619.8Mn of GWP with a net profit of Rs. 183.9Mn.
2. Other income including investment income represented 26.4% of revenue. Income from investments was Rs. 201.77Mn (before charging

# Managing Our Capitals

## Financial Capital

### Net written premium (NWP)

The NWP was Rs.574.04 Mn compared to the GWP of Rs.619.8 Mn due to increase in premium ceded to reinsurances.

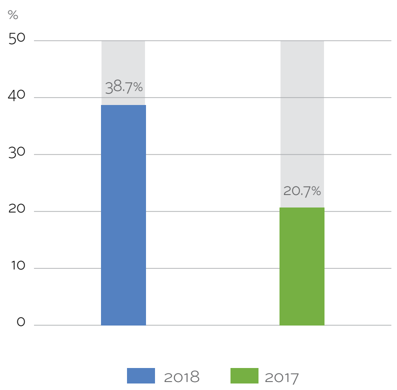
### Claims

The net benefits and claims for the Financial Year 2018 increased by 83% from Rs. 121.5 Mn to Rs. 222.42 Mn when comparing to 2017.

### Claim ratio

| Performance indicator | Cooplife 2018 | Cooplife 2017 |
|---|---|---|
| Claim ratio | 38.7% | 20.7% |

Claim Ratio




### Underwriting and policy acquisition cost

The net underwriting and policy acquisition costs increased by Rs. 21.2 Mn in tandem with the growth in business volume. But the cost to net earned premium for the year was 17%. This ratio for the previous year was 13%.

### Other operating expenses

Costs increased during the year by 11%, mainly due to increased staff costs and administrative expenses.

### Finance costs

Finance costs including interest costs has reduced by 44% from Rs.778,663  in 2017 to Rs. 435,327 Since Company was able to reduce overdraft interest comparing to last year.

## PROFITABILITY

### Profits after taxation

The net profit after tax (PAT) for the year was Rs. 183.99 Mn compared to profit of Rs. 69.35 Mn in the previous Financial Year. Company was able to get the advantage of differed tax amounting to Rs. 141 Mn. during the year and it increased PAT significantly during 2018.

## ASSETS

### Property, plant and equipment

Total value of Property Plant and Equipment increased by Rs.7.7 Mn to Rs. 281.19 from Rs. 274.19 in 2017. Company has incurred Rs. 17.27 Mn of capital expenditure during the year 2018. This was mainly due to the purchase of computer, office equipment and furniture for the expansion of branch network and upgrade working environment for the existing employees. Further information on Property, Plant & Equipment of the Group are given in Notes 4 to the Financial Statements.

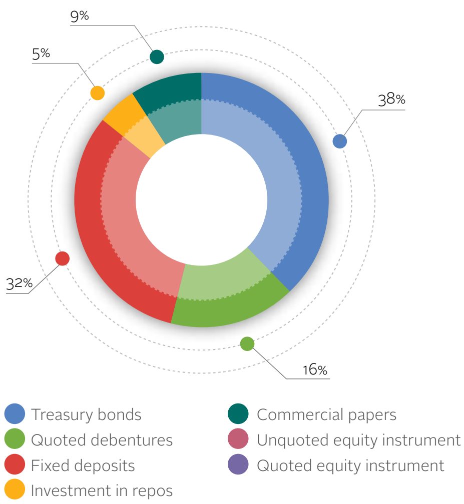
### Financial investments

The investment portfolio is maintained primarily to ensure maximum protection to its assets in accordance with the regulatory requirements and to receive the highest returns for policyholders and shareholders.

The investment decisions are taken by the Investment Committee subject to subsequent Board ratification. Investment decisions are governed by the investment policy of the Company. In the investment decisions, the contribution towards the solvency status and the security received to the investments, are given more weight than the returns. The investment portfolio contains 31% of government securities. This content is in excess of the regulatory requirements.

Investments are classified under four categories as specified in Sri Lanka Financial Reporting Standards (SLFRSs) depending on their characteristics. More details of the investment portfolio are available in Note 06 to the Financial Statements.

Composition of the Investment portfolio




### Reinsurance and premium receivables

Reinsurance receivables represent the dues from reinsurance companies for paid and unpaid losses and loss adjustments. Reinsurance receivables are recognised as per the terms of reinsurance contracts. The amounts receivable are estimated to be consistent with the outstanding claim provision or settled claims associated with reinsurers' policies. The management attempts to recover reinsurance receivables promptly and to keep the receivable amounts at a minimum.

Premium receivables at the end of the year recorded a decrease in comparison with last year. The reason for the decrease is the Company was able to recover reinsurance receivables in a timely manner during the year 2018.

| Indicator | CoopLife 2018 Rs. 'ooo | CoopLife 2017 Rs. 'ooo |
|---|---|---|
| GWP | 619.88 | 626,97 |
| Premium ceded | 45.83 | 39,92 |
| Reinsurance ratio | 7.4% | 6.4% |

### Other assets, cash and cash equivalents

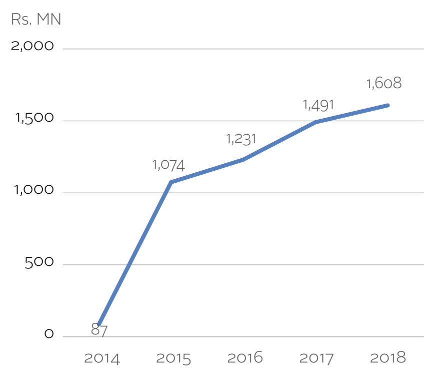
Other assets mainly include deposits, prepayments and staff loans. Cash and cash equivalents are held at levels that are necessary to meet liquidity requirements. Staff loans outstanding were Rs.11.57 Mn compared to Rs. 12.83 Mn in 2017, which is the balance of loans granted under the staff loan scheme. These loans are provided at a nominal interest rate.

The recoverability of these assets is monitored on timely basis and provisions are made in cases where the recoverability is doubtful.

### Insurance liability

The insurance liability fund to indemnify clients from specified future losses, grew by 7.85% over the previous year. The growth of insurance liability for past 5 years is as follows.

Insurance liability




The insurance liability is formed from claims outstanding, together with Unearned Premium Reserve (UPR), Incurred But Not Reported claims (IBNR) and Incurred But Not Enough Reported claims (IBNER).

The Actuary for Cooplife Insurance Limited Mr. M. Poopalanathan of Actuarial and Management Consultants (Private) Limited confirms that we have made reserves adequate to meet future obligations.

In compliance with the Sri Lanka Accounting Standard SLFRS 4 – Insurance Contracts, a Liability adequacy test was performed by Actuarial and Management Consultants (Private) Limited confirmed that the liabilities are adequately recorded with regard to future obligations.

# Managing Our Capitals

## Manufactured Capital

### WHAT IT ENTAILS

As a service-oriented company with a sole focus on providing insurance solutions, our manufactured capitals include Property, Furniture and Equipment, either purchased or have obtained on lease agreements that contribute to the provision of our services to customers. CICL currently owns its Corporate Office premises and infrastructure, as well as infrastructure across our branch network, islandwide. This infrastructure comprises of furniture, information technology based hardware and office facilities such as computers, scanners, photocopiers and modern fixtures.

The efficient use of these physical resources and property, as well as those owned by our business partners enables CICL to provide our services across the country to existing and potential customers. The use of business and administrative systems as well as those that support work processes and transactions reduce the use of material resources while enhancing efficiency and sustainability across the organisation.

With over a large base of customers in various cross segments and demographics across the country, our branch network and infrastructure fulfill a vital component of our growth strategy. It provides the context and resource base with which to approach new customers and to retain existing customer through accessibility to our products and services.

### CORPORATE AND BRANCH INFRASTRUCTURE

Our total manufactured capital base that includes property, furniture and equipment increased by 3% during 2018 to Rs. 1,138.5 Mn. Within the year Rs.28.7 Mn. was invested in acquiring hardware for supporting ICT functions. During the year, our IT department invested in the purchase of servers, computers and accessories and data storage devices.  These acquisitions enable our objective of moving from a traditional paper and manual operational environment to a paperless, more efficient digital platform. Our ICT and network infrastructure allows employees real time work processes to occur across our 102 branches effectively enabling faster claims processing and settlement, eliminating ineffective processes, improving organisational efficiency as well as improving cost efficiencies, reducing operational costs.

The newly opened 23 branches were integrated across our branch system, facilitating speedier and efficient networking that facilitates decentralised operations. A total of Rs. 17.2 Mn have been invested in the new branches that now contributes to CICL's brand equity by enhancing brand visibility and brand image as an insurer with rapid progression. New vehicles worth Rs. 27.1 Mn were purchased during the year.

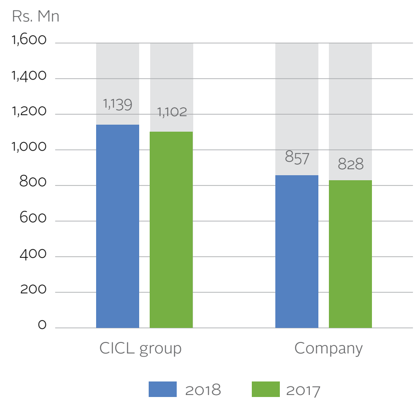
### CALL CENTRE INFRASTRUCTURE

In the year, improvements and upgrades were made to the call centre system, facilitating its customer service processes and employees to improve its service levels.

**Manufactured Capital Asset Base –**

| PPE balance as at | 2018 Rs. Mn | 2017 Rs. Mn |
|---|---|---|
| CICL group | 1138.59 | 1,102.08 |
| Company | 856.62 | 827.91 |

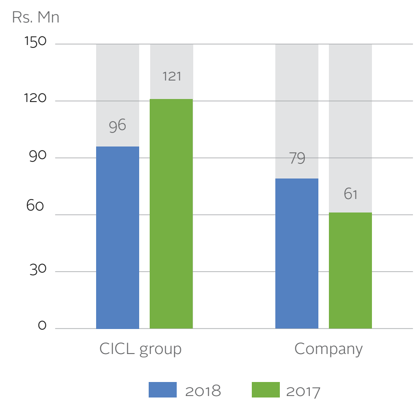
Manufactured Capital Asset Base




**Total Capital Expenditure**

| Capital Expenditure | 2018 Rs. Mn | 2017 Rs. Mn |
|---|---|---|
| CICL group | 96.02 | 120.98 |
| Company | 78.78 | 61.18 |

Total Capital Expenditure



# Managing Our Capitals

## Intellectual Capital

### INTELLECTUAL CAPITAL

Intellectual capital within the organisation is the knowledge based intangibles which essentially comprises of all intellectual property owned by CICL. These include our core business systems, administrative systems, organisational capital which comprises of knowledge, processes and internal protocols and those aspects intangible to brand reputation.

Our core business systems and internal processes were improvised and further developed to facilitate business efficiencies and to improvise service level expectations of our customers. Internal processes and work flows were revaluated and adjusted to enable speedier customer service times.

### TECHNOLOGICAL EXPANSIONS

#### Information Systems

Innovation and technological advancements have become a strategic imperative when deciding the future and the growth potentials of insurers. We are not isolated in this regard. CICL and Cooplife have invested heavily in equipping our organisational processes and our staff with information systems for the efficient and productive management of our core business and transactional operations. During the Financial Year CICL and Cooplife continued to upgrade, develop and improve its existing systems while making innovative strides in moving the company towards a more technologically driven organisation.

#### Core Insurance Systems

Our existing core systems for both General and Life Insurance have been developed and maintained by the company IT division. Both our core operational systems include main modules such as sales and marketing, commission, underwriting, claims, payment, general ledger and administration, which are fundamental for the cohesive conduct of processes.

Employees employed within the units of underwriting and claims are trained on system functionalities and usage. These personnel then provide the necessary training to staff across our 102 branch network.

In 2018, our core life insurance system was updated to a more advanced version - Oracle 12c. A new Life Quotation module was also developed and integrated to the system, enabling our agents easier and faster delivery of policy quotations to customers.

### INVESTMENT IN ICT INFRASTRUCTURE

In 2018, we began to our investments of in-house software development reached Rs. 22Mn. In 2018, CICL group invested Rs. 28.7 Mn. for the purchase of hardware which included servers, computers and accessories and data storage devices; purchased in equipping new branches which began operations in 2018.

### NEW CALL CENTRE SOLUTION

The existing call centre software was upgraded to ensure uninterrupted service to our customers. New upgrades ensure that risks of system failure and down-time will be eliminated for continuous operations. Through internal call recording and data management features of our call centre system, we receive greater leverage in assisting faster claim settlement.

### DATA MANAGEMENT SYSTEM (DMS)

In 2018, our document management system was developed with the objective of converting the Group to a paperless company by 2019/2020. Presently, underwriting and claims related documents are uploaded to the system, while documents obtained from customers are scanned and reverted. The system now enables our staff to access digitised documents, giving them greater flexibility with ease of access coupled with the elimination of maintaining a significant number of physical documents which require unwarranted space and time. The ultimate objective of the system is to digitise all document processes across the company.

### EFFICIENT CLAIM MANAGEMENT

The use of our technological developments focuses mainly on increasing the speed and process time of settling claims for customers. Across the year, our IT team continued to integrate and streamline work across our claim settlement process. The module which enables claim settlement in the software application was expanded with intranet facilities and allows the relevant individuals as well as branches to share documents as and when needed.

As part of enhancing the overall efficiency and speed of claim settlement a mobile device application was developed in 2017 for our team of accident assessors. This was further maximised in its capability of sending photographs to a central system for faster claims processing. It also allows call centre to monitor the status of accident claims.

# Managing Our Capitals

## Intellectual Capital

### INTER-CONNECTING THE BRANCH NETWORK

23 new branches were connected with networking infrastructure which provides flexibility and faster turnaround times for branch services. Direct real time communications is facilitated through VPN facility ensuring safety.

### LEARNING PORTAL

In 2018, we developed an online learning portal that provides employees the digital resources necessary to complete their learning modules, course material (of CITA) or material related to technical aspects, covering a wide range of subjects and areas. Employees can access audio visual material, theoretical lessons as well as exam preparation guides with regard to the IRCSL exams.

### OTHER INTELLECTUAL CAPITAL

An app was developed for the convenience of customers across the agricultural sector when selecting and acquiring an insurance policy without the requirement of visiting a physical branch. The app is being promoted by our team of field agents across relevant areas, targeting the prospective customer segment.

Our IT division is equipped in installing and maintaining hardware and other physical infrastructure related to information systems. They take on responsibility in implementing hardware across our branch network which has replaced the need for third party support services. Their expertise, technical knowledge and experience in developing IT applications and in solving issues related to back end processes is also part of our intellectual capital.

### ORGANISATIONAL CAPITAL

**Management controls and processes**

In our strategic effort to strengthen our management of claims settlement process, CICL provided quarterly, focused trainings for claim department staff in the detection and prevention of frauds. These programs are conducted by outsource specialists in the field and senior staff members of the company.

### BRAND IMAGE

Building and enhancing brand image by improving service levels is a strategic directive under our corporate mission where we continuously stay mindful and analytical of the needs of our customers, providing convenience and reliability while conforming to standards that elevate our moral and ethical standing in society, thereby, enhancing brand equity.

# Managing Our Capitals

## Human Capital

| Category | No. of Employees |
|---|---|
| Permanent | 750 |
| Contract | 175 |
| Probation | 158 |
| Trainees | 20 |
| Total | 1103 |

Our work force is one that has an amalgamation of unique individuals from various demographics and walks of life, who share different goals and aspirations in life. We remain competitive as far as the strengths and capabilities of our now growing and dedicated workforce. That is why we strive to attract, train and retain our employees while providing them ample room to grow professionally, all the while understanding their strengths and capacities for identifying those traits that could one day take them to greater personal achievements while being an employee at CICL or Cooplife.

### GENDER EQUALITY AND DIVERSITY

The workforce at CICL remains balanced in its composition of gender equality, as we continue to maintain a male to female employee ratio of 1.3:1. While being an employer that grants equal opportunities to both our female and male employees we ensure equilibrium in our payment structures across designations, maintaining the same pay for both men and women of the same job role.

Our employees are a vibrant mix of young individuals from diverse walks of life, those with exposure to both rural and urban environments. Our employees are dynamic individuals, experienced in their profession, who are continuously groomed to approach customers and provide the best possible solution in fulfilling all insurance needs. In the Financial Year under review, CICL continued to conduct branch wise recruitment on a regular basis, while hiring 676 across Life and General Insurance businesses while our field agent team consisted of 343 agents across our service network.

### NEW APPOINTMENTS

Assistant Managers for Regional Underwriting were appointed in facilitating further decentralisation of underwriting duties, branch-wise. Regional underwriters were appointed to each region that acts as the liaison and coordinating link between Head Office and branches. These regional underwriters are also responsible for handling the training of new recruits and existing employees in underwriting operations.

As part of our on-going strategy of transforming CICL to a technologically driven insurance company, we created two new personnel job roles which were deemed to be crucial for the development of our in-house IT solutions. In this regard, 2 Quality Assurance Engineers were sought out and recruited for improving and advancing our system development projects and operations.

As means of ensuring further control on credit related transactions the finance department established two separate units under its purview.

1. Credit control unit
2. Assessor payment unit

These two units are envisioned to optimise assessor payment process and to help minimise debtors' collections.

### TRAINING AND DEVELOPMENT

In the year under review, CICL conducted numerous training sessions for our employees across branches and across departments with the goal of improving their technical know-how and skills and in developing their soft skills based capabilities.

- **Regional Goal Setting Programs** - The programs were based on goal setting for our sales staff, providing them with clear direction for achieving performance in sales.
- **Professional Skills Development Programme** (PSD) - An outbound training approach to developing professional skills of branch executives; the sessions were conducted on a monthly basis and covered Underwriting practices, Technical issues, Leadership and Team building and Claims handling process.

# Managing Our Capitals

## Human Capital

- **System training** – Selected branch staff was given training on the use of the non-motor system.
- **Orientation for new staff members**- A familiarisation training program was given for all new sales personnel with training on general insurance and product awareness. Newly recruited employees were provided training with insight into the overall workings of the company.
- **Product Training** – Product refresher training was provided for regional sales staff and those in underwriting. Priority was placed on region specific products alongside awareness on other products.
- **Motivational Programs** – Targeted career development and personal development, a motivational interactive session was organised for new sales and other employees.
- **Planning forum** – Organised with the participation of top management, regional and branch managements, sales targets were provided for 2019, followed by a one-day motivational program.
- **Assessor training** – Training was provided for all our company assessors.
- **Underwriter training** – Training was provided for Underwriters, Regional Underwriting Assistant Managers.
- **External workshops** – Additional workshops were attended by our staff on various technical and professional development themes.
- **Overseas Workshops** – Several opportunities were provided for our top management and senior management to attend training sessions organised internationally.
- **Top Management Training** – Training and knowledge enhancement workshops were attended by our top and senior managers, organised by leading institutional and regulatory authorities in financial and insurance industry.

### COOPLIFE INSURANCE LIMITED

Our life insurance subsidiary executed numerous training sessions enhancing product based knowledge, technical skills and soft skills for professional and personal development. Training was provided under the following areas:

- Induction training
- Product and sales training
- Need based selling
- Financial planner development course
- Field training
- Technical competency training
- Motivational forum for sales staff
- MDRT based forum
- IAP, IQA and LIMRA based forums
- Goal setting workshops

### CAREER DEVELOPMENT

**Co-operative Insurance Training Academy**

The Co-operative Insurance Training Academy is the company's in-house training facility established in 2015 for career development of our employees. The institute facilitates training and certification for students in partnership with the Insurance Institute of India and provides 3 course levels, including, Certificate level, Diploma and Higher Diploma. Currently, 30 students are registered for Higher Diploma Course and 66 students are registered for Certificate course.

## EMPLOYEE EVENTS DURING THE YEAR

### Annual Awards of 2018

CICL's annual award ceremony was held at Eagles' Lake Side Banquet & Convention Hall, Attidiya and was organised as a formal, grand event for recognising those employees, who demonstrated exceptional results in the year 2018.

### Staff Retreat

A staff retreat was organised at the Leisure World, Avissawella. Employees and families participated in this event, taking time to interact with colleagues and family members with fun games and activity that provided everyone an enjoyable time.

### CO-OP Classical Musical Show

Classical musical show was organised by employee's welfare and sports society of Co-operative Insurance Company Limited. It was held in Teacher's training College auditorium at Maharagama.

### Sports Equipment Distribution

In the year under review, we provided cricket equipment to staff at our Head office and branches, equipping them with the right gear for enhancing their capabilities in the sport and enable them to engage in an activity that promotes work-life balance.

### Dharma Deshana Program

Promoting religion and harmony, the program was organised on Poson poya day providing a chance for employees to obtain religious and spiritual advice.

### Poson Poya Dansal

Several Dansals were organised at Head office premises by several departments, with generous provisions of food and beverages sourced or prepared by our employees; promoting the spirit of giving.

### Blood Donation Program

A blood donation event was organised by employees, inviting staff members from Head Office and branches; which was held in association with the National Blood Bank of Sri Lanka.

# Managing Our Capitals

## Social Capital

### SOCIAL CAPITAL

Co-operative Insurance is formed around the principles of the co-operative movement in Sri Lanka. Our work is fundamentally based on uplifting the lives of our customers as well as in ensuring that our stakeholders receive value for their contributions. Hence, our social and relationship capital is a significant aspect in terms of its impact on creating long term, sustainable value. Our social and relationship capital includes the key relationships and interactions we have built over the years with our customers, business partners, agents/ brokers and social communities.

The social and relationship capital we maintain is a factor that provides a leading advantage in times of industry competition. By sharing the same values and norms, we share the pursuit of common objectives that enable growth for our partners and customers; as well as enabling our growth strategy to be achieved. Our commitment to the society at large is a responsibility we see an imperative in fulfilling our obligations as an insurer in the service of safeguarding lives and interests of individuals. Hence, we are committed to uplifting the lives of those in need as a corporate citizen.

### CUSTOMER DRIVEN VALUES

Our relationship with our customers is formed on the basis of the value we offer for fulfilling their expectations. Our relationship with them begins on the basis of a life-long understanding to support them during their financial obligations and needs; we enhance this relationship by providing a service that enables them accessibility and convenience to services and products. We constantly evaluate ways of improving our service offering coupled with a suite of comprehensive and inclusive product portfolio that is both reliable and affordable to all our customers across all market cross-segments. In essence, this is the meaning of being an insurer within the co-operative sector; catering to all regardless of their financial strengths and livelihoods.

Our social relationship with our business partners keeps evolving as we continue to grow our partner network each year. Currently, CICL and Cooplife operates across 117 co-operative society owned service centres, 346 field officers, 2000 institutional agents and 57 insurance brokers. This vast network of CICL branches and business partners has made us the third largest network in the insurance industry.

Support towards our service partners extended in the year by providing assistance in technological needs and through training. In addition, we strengthened our relationship with the wider community through various CSR initiatives.

### CUSTOMER CARE

With competition becoming tighter in a continuously challenging external environment, elevating customer service quality remains the key to remaining competitive, especially within the motor insurance market. For enhancing service quality and fast response times we continued to streamline internal processes by integrating departments and work processes, supported by real time exchange of information and access to digitised documents that result in faster turnaround times in providing, efficient services including the generation of quotations, settling claims and in handling queries. In the year we further reinforced our services that have been innovative in taking our services to a much diverse set of cross-segments across the insurance market.

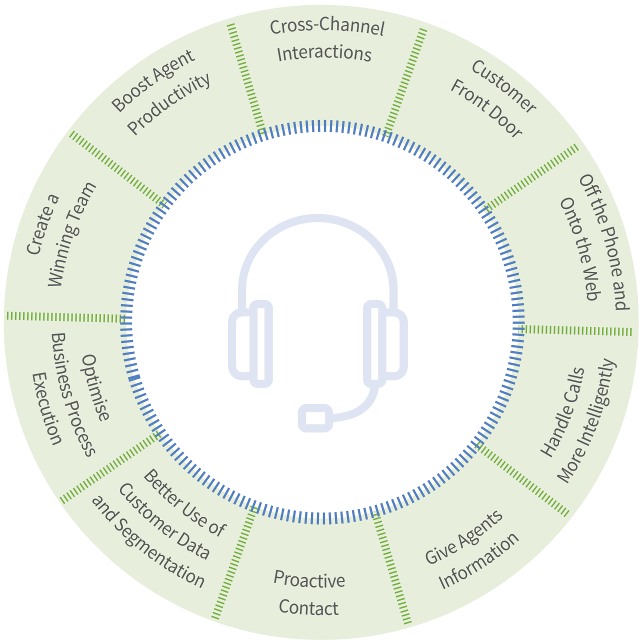
Our head office operates 12 hours, 365 days of the year offering all insurance services, especially our dedicated Motor Division that continued to offer optimum customer convenience. Our SMS system enables frequent notification of payments and renewals to customers and provides continued communication enabling them to make payments on time and avoid lapsed premiums.

We continued to strengthen our cashless motor vehicle repair service with more garages being added to the network, from Colombo and suburbs.

## CUSTOMER SERVICE STRATEGY

In our efforts to strengthen our approach to customer service we have developed a customer strategy that focuses on 10 crucial components used for enhancing service quality.

**CICL 10 Point Strategy for Customer Care**




| Strategy | Description |
|---|---|
| Facilitate integrated and consistent cross channel interactions | To provide an exceptional customer experience through multi-channel interactions that include phone, email and SMS for ease of access and convenience in conducting business at flexible times. |
| Offer an inviting customer service | Our interactive voice response system creates a friendly atmosphere that sets the initial impression of the company. The system also provides information on our products and services. It gives insight into ways which could enable decreased volume of calls that agents handle or in reducing response times. |
| Increased usage of online portal | Provide customers access to services and information through website |
| Intelligent handling of calls | Ensuring the provision of acceptable service that does not compromise the level of expected quality. Three main strategies are deployed in achieving efficiency in providing service expectations; including skills based routing, virtual hold and business priority routing which also enables maximising on opportunities of potential revenue. |
| Supplement agents with information for enhanced work performance | Integrating front office activities with back office system information assists agents to respond and resolve queries efficiently and in less time. Customer information is automatically displayed on screen at the time of a call, eliminating the manual navigation of the system for customer information. |
| Proactive contact | Proactive communication with customers prior to renewal of policies results in increased renewals. |

# Managing Our Capitals

## Social Capital

| Strategy | Description |
|---|---|
| More efficient use of Customer data and segmentation | Assessing the future needs of customers based on data and segmentation. |
| Optimise evolution of business process execution | Using the front office to automate and expedite end to end business processes that support multi-step business processes which entails multiple contacts with customers |
| Create a winning team with Contact Centre Virtualisation | Through agent availability we ensure that expected response times are maintained while tapping expertise when required. |
| Boost agent productivity through interaction blending | Optimising agent time through multiple efforts. |

### A Customer-first approach

Co-operative Insurance strives to provide highly reliable and attractive products and an after-sale service that provides customer expectation across the product life-cycle. With customers especially from the rural and co-operative sectors, our products are made to match their needs and financial capacities, ensuring peace of mind and maximum benefits to all our customers.

Our 'One Life Policy' concept has made the brand distinct as it is a pioneering concept that delivers affordability to customers and convenience.

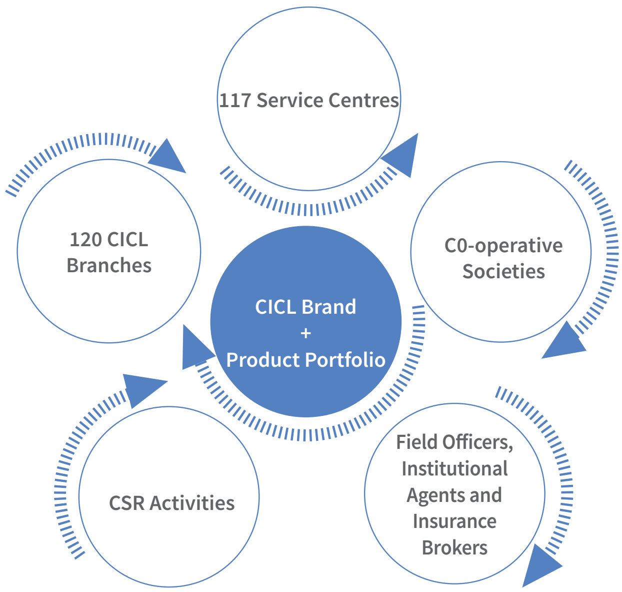
### 'For the people, by the People"

A truly local company with ownership in the co-operative sector of Sri Lanka, Co-operative Insurance is a product of a revolutionary change that targeted the rural and low-middle income citizens of the country; especially within the co-operative community. Our approach is not in being a commercial enterprise with short term profit making goals but in delivering long-term, sustainable values to our customers and our stakeholders.

Understanding the vital life needs of our customers has enabled us to provide them with the solutions they require in tackling financial risk exposures when they materialise.

### Customer Convenience

With a value driven model of growth, we continue to expand our presence through an islandwide branch network of 102 branches and 44 life insurance branches alongside 117 co-operative society owned service centres, 540 post offices and sub post offices, a widespread agents and broker network that allows customer convenience in obtaining solutions or for after sales transactions.




### Regional Underwriting and Decentralised Claims Processing

Our branches across the country have flexibility and autonomy in handling underwriting work through our regional underwriting managers, fast-tracking the underwriting process for speedier policy provision. With claims operations being decentralised across our branch network, through the integration of branches and head office via our online business systems, we are able to process claims faster than before, with time reduced by 50%.

### Cooplife Policy Conservation Unit

The unit ensures the seamless transition of policies and policyholders to new agents at the time an existing agent leaves the Company. Customers are approached with information on their renewed relationship with the company and our team ensures that policy premium payments are up-to-date as well as assuring customers of a consistent level of service and reliability.

### Enhance Social Capital through Brand Building

In the year, CICL conducted 260 promotional and town storming programs which enabled the company in brand building while making these the opportunities to create general awareness on insurance within the communities. Our brand visibility was increased and engagement with the brand was increased by expanding our physical network from 79 branches to 102 branches.

### Enhancing Partner Relations through Innovation

By streamlining processes and through our core and administrative systems, we are able to provide a faster and much leaner operational efficiencies, enabling our business partners, brokers and agents the chance to assess claims speedily and easily providing their customers with faster turnaround times.

## SOCIAL RESPONSIBILITY

At CICL we believe that it is our responsibility to give back to our community and country, As such we have embarked upon numerous philanthropic efforts, and put in place sustainable, socially oriented business policies designed to ensure social and economic justice.

CICL, as a responsible Corporate Citizen, has practiced the CSR model of "Creating Shared Values", by reaching out to the stakeholders, community and society who are directly or indirectly involved in its business operations. There by we have sponsored many identified Programs relating to Child Care & Education, Health Care, Skill Development and Community Development to make a difference to the under privileged.

CICL has made long term commitments to Sri Lanka Deaf Rehabilitating Organization, the Deaf and Blind Association and the Ceylon School for the Deaf and Blind. This year also we have donated funds to enrich CICL social appearance. This was the 10th consecutive occasion we extended our helping hand.

We get more joy out of giving joy to others. Every individual will like to make their Children's life safe and happy. But there are many children those who not reach least primary human needs such as foods, health etc. Our ultimate goal is making children safe and happy. Thus that we decided to sponsor child day celebration function which was organized by Base Hospital Horana.

# Managing Our Capitals

## Social Capital

Also we have given our helping hand to a child who is suffering ear corruptions. His family was mentally and economically diminished due to this disease. We have offer funds to ear surgery .As a company that comprises of a social sense, we funded in truths to particular individual to enliven the spirit of the CICL. By supporting and comforting individual in this worst of circumstances, we can help save lives and heal wounded families together.

### Evolving rural temples

CICL has paid special attention to develop facilities at temples in rural areas and to provide more facilities for temples in those areas. We believed discipline and moral values in the country are protected to some extent due to the commitment of the Maha Sangha. Thus that we do have responsibility to fulfill their responsibilities towards the Maha Sangha, who committed themselves to build a better society by inculcating spiritual values among the people. CICL engaged to facilitate Sri Subadra temple , Colombo 15. We funded to develop many due facilities.

### Sponsoring for sportsmen

- CICL has been involved in various sporting activities, amongst which includes fund donation for Sportsmen.
- Mr. Gamini Ranasinghe was one of the nominated athletes for winter throwing championships –2017. But he was economically dispersed. There for we decided to offer a sponsorship to participate above competition as a Sri Lankan representer.

# Maintaining Good Governance

# Governance and Internal Controls

Corporate Governance remains a focal point in the internal processes of CICL and our subsidiary Cooplife. Adherence to governance and control measures maintains integrity and accountability across the Company and creates a more transparent operational environment for all our Stakeholders.

Essentially it ensures that the directors, management, personnel and departments involved, does not deviate from its broader purpose of conforming to rules and regulations which govern corporate conduct and regulatory requirements posed by the industry; maintaining transparency and integrity across the Company.

Our Governance framework is reassessed time and time again to ensure that it matches our evolving processes as we move towards more technologically driven and customer based strategies that evolve our approaches and processes across Company operations. In our efforts to sustain long term value creation for all our Stakeholders, the Governance and Internal Control framework provides the codes of conduct and constitutes the best approaches to maintaining focus on the broader objective of long term value creation and in maintaining an ethical workplace where the Company can thrive in achieving its much broader Vision.

## COMPLIANCE TO REGULATIONS

CICL along with our subsidiary Company constantly assess our compliance to regulatory environment changes and requirements, ensuring that we work towards maintaining credibility and accountability and most importantly transparency. Therefore, we comply with:

- Companies Act No. 07 of 2007
- Regulation of Insurance Industry (RII) Act No. 43 of 2000 and subsequent amendments and Regulations, directives, circulars and determinations of Insurance Regulatory Commission of Sri Lanka
- Motor Traffic Act No. 14 of 1951 and subsequent amendments
- Inland Revenue Act No. 10 of 2006 regulations and directives
- Sri Lanka Accounting Standards (LKASs/SLFRSs)

## GOVERNANCE FRAMEWORK

Inclusive of Corporate Governance policies, regulations and laws that govern proper standards, our governance structure is based on conforming to regulatory requirements but also to a set of objectives that invariably ensures their alignment with Corporate Strategic growth. Foremost, the Governance Structure and framework ensures that our internal processes and those responsible for ensuring corporate objectives are aligned towards achieving the expected strategic outcomes; most importantly the responsibilities of the Chairperson and the Board of Directors. Secondly, the proper functioning of the Company, act within the Governance Framework and maintains an ethical work environment conducive with laws and regulations as well as moral and ethical obligations.

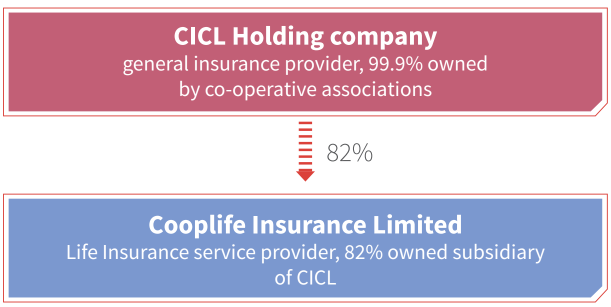
## CONSTANT REVALUATION

Internal control and governance requirements as well as their levels of compliance, across CICL and its subsidiary Cooplife are revisited periodically to ensure conformity to national and international regulations and best practices.

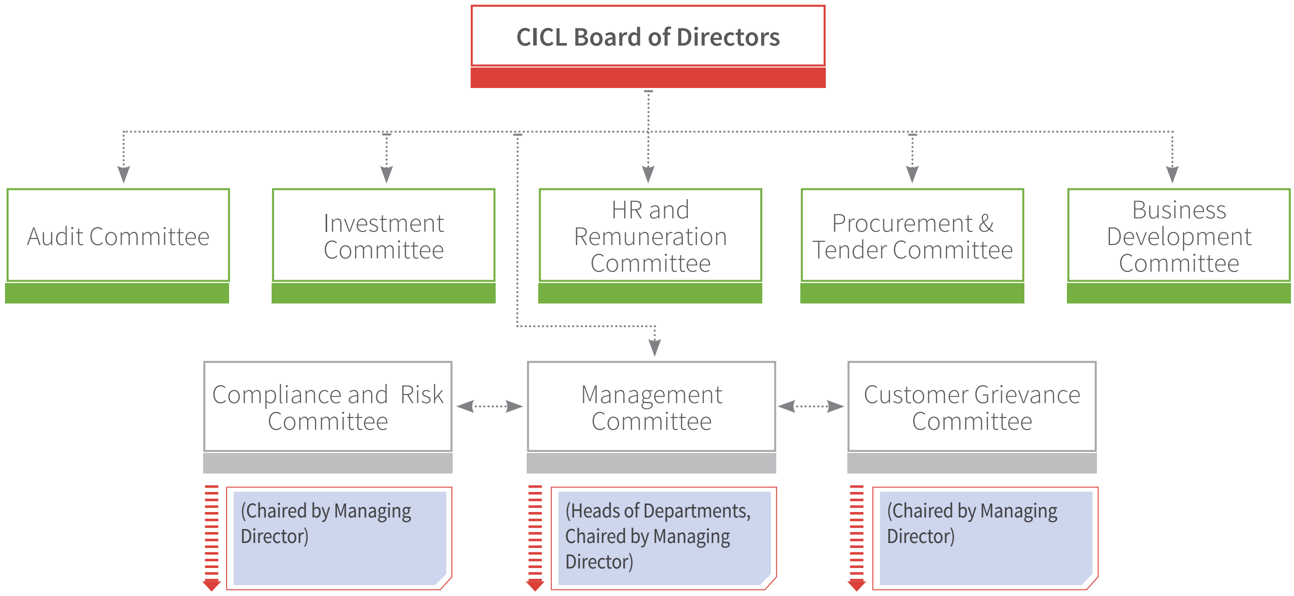
## GOVERNANCE STRUCTURE AND RESPONSIBILITIES

CICL's governance comprises of a strong alliance of Board sub-committees formed to review, implement and monitor governance and internal control across Company. In general, each board sub-committee is responsible for the regular review of internal processes, monitor external environment and assessment if their impact on Company processes and procedures; they are further held accountable in making sound recommendations after careful assessment of any situation or development as well as in implementing and setting policy guidelines for any action, process and make decisions regarding the direction of the Company and decisions of strategic importance.

**Group Governance**



**CICL Governance Structure**




## RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors is committed to maintaining and regulating conformity to standards of Corporate Governance. Each member fulfills a significant role in providing leadership and strategic insight whilst operating with effective and credible internal controls as well as prudent compliance to governance requirements. The Board members provide direction by setting corporate objectives and by ensuring the effective achievement of corporate growth strategy by guiding the Management to effectively operate in a demanding environment.

The Board's levels of responsibilities are all encompassing and require the constant monitoring and systematic implementation of systems and procedures and delegating their effective execution, to the Corporate and Senior Management teams of the Company.

Pursuing the Corporate Strategy, the BOD has an immeasurable and expansive role in ensuring that MD and the Management team has the right skills and experience in developing the Corporate Growth Strategy and in implementing the necessary plans while sustaining the intended outcomes of our value creation approach.

For an in-depth understanding of the Board's responsibilities please refer the section on Compliance status on page 93.

## THE ROLE OF THE CHAIRPERSON

The Chairperson of the Company plays a crucial role as the strategic leader of the Company and has a far greater responsibility of ensuring conformity to governance practices and in directing the Company towards creating sustainable returns to Shareholders and other Stakeholders. The Chairpersons' role is elaborated under the section of Compliance Status on page 93.

### COMPOSITION AND MAIN FUNCTIONS OF BOARD SUB- COMMITTEES

| Committee | Names | No. of Scheduled Meetings | No. of Scheduled Attended |
|---|---|---|---|
| Audit Committee | Mr. A.D.T.S. Palitha - Director (Chairman of the Committee) | 16 | 16 |
| | Mr. D.P. Amaradeva - Director | 16 | 16 |
| | Mr. R.G.K. Rankothge – Director | 16 | 16 |
| | Mr. J.M.V.P. Jayasooriya - Director | 16 | 13 |
| | Secretary – Internal Auditor | | |
| Human Resources and Remuneration Committee | | | |
| | Mr. W. Lalith A. Peiris - Chairman | 11 | 08 |
| | Mr. K.R.W. Ranasinghe - Managing Director | 11 | 07 |
| | Mr. K.R.K.N. Jayasinghe - Director | 11 | 06 |
| | Mr. K.J. Sesiri - Director | 11 | 11 |
| | Mr. P.P.D.S. Kularathna - Director | 11 | 10 |
| | Mr. Laksiri Nawaratne - Chief Finance Office | | |
| | Secretary – Human Resources Manager | | |
| Investment Committee | Mr. W. Lalith A. Peiris - Chairman | 03 | 02 |
| | Mr. K.R.W. Ranasinghe - Managing Director | 03 | 03 |
| | Mr. R. Sooriyaarachchi – Director | 03 | 03 |
| | Mr. P.P.D.S. Kularathna - Director | 03 | 03 |
| | Mr. Pubudu Wimalarathne -Chief Operating Officer | | |
| | Mr. Laksiri Nawaratne - Chief Financial Officer | | |
| | Secretary – Finance Manager | | |
| Procurement & Tender Committee | Mr. W. Lalith A. Peiris - Chairman | 11 | 07 |
| | Mr. K.R.W. Ranasinghe - Managing Director | 11 | 09 |
| | Mr. K.R.K.N. Jayasinghe - Vice Chairman | 11 | 08 |
| | Mr. C.P. Jayasinghe - Director | 11 | 10 |
| | Mr. R. Sooriarachchi - Director | 11 | 11 |
| | Mr.K J Sesiri | 11 | 11 |
| | Secretary – Manager Administration | | |
| Business Development Committee | Mr. W. Lalith A. Peiris - Chairman | 03 | 02 |
| | Mr. K.R.W. Ranasinghe - Managing Director | 03 | 02 |
| | Mr. R.M.R.B. Bandara – Director (01.01.2018-30.06.2018) | 01 | 01 |
| | Mr. C.P. Jayasinghe – Director | 03 | 03 |
| | Mr. S.S. Weerasekara - Director | 03 | 03 |
| | Mr. D.L. Samarawickrema - Director | 02 | 02 |
| | Secretary – AGM Marketing | | |

## RESPONSIBILITIES OF BOARD SUB-COMMITTEES

### Audit Committee

- Implement effective Internal Control Processes.
- Review risk assessment process and risk profile.
- Review internal and external audit reports and follow up on recommendations.
- Ensure compliance with laws and regulations
- Review financial reporting system, critical accounting policies and the quality of accounting judgments and estimates.

### HR Committee

- Ensure the recruitment and maintenance of a competent and suitably-qualified staff and the reduction of the staff turnover.
- Regular review of remuneration as well as service conditions.
- Determine the career path of staff members.
- Ensure a sound performance appraisal system at all levels.

### Investment Committee

- Set policy guidelines to manage investment portfolio.
- Monitor investment portfolio and its return against the set income target.
- Monitor compliance with investment regulations
- Review performance of the key investment portfolios and guide investment strategy at the macro level.

### Procurement and Tender Committee

- Develop procurement policy subject to Board approval.
- Decide on mode of procurement for high value goods and services.
- Scrutinise Admin. Department procedures for quotations.
- Approve tender procedures and scrutinise tender invitation documents.
- Open tenders and sealed quotations and handle information received with due care.
- Evaluate quotations and tenders using matrix prepared by the Admin. Manager and other technical personnel. When necessary, delegate such evaluation to an expert/s.
- Based on evaluations decide on awarding tenders.
- Set conditions for carrying out a contracted task or purchase order.
- When necessary, take follow up action on a contract or process of procurement.

| Business Development Committee | |
|---|---|
| | - Suggest to the Board new ventures and take action after feasibility studies.<br>- Evaluate IRCSL reports, auditors, actuaries, rating agencies and any other consultants who may provide consultancy on specific issues.<br>- Suggest any changes in the management structure.<br>- Study external market reports to enable the Company to take proactive action. |

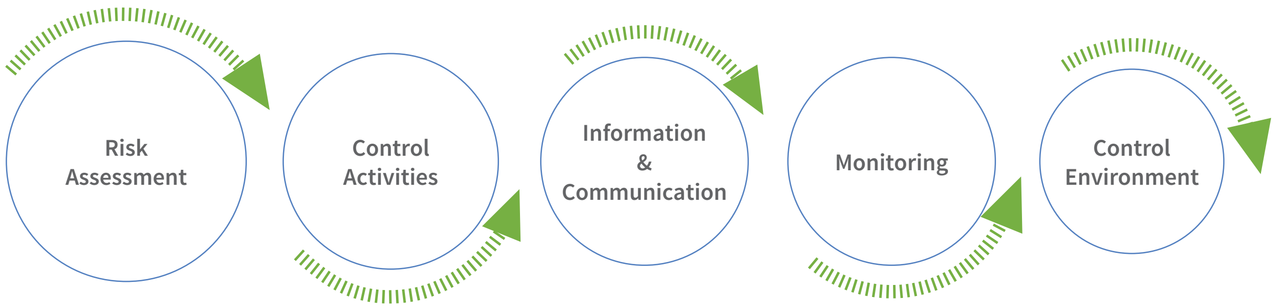
*The sub-committees meet as and when required across the Financial Year and have maintained regular meetings across the year. Please refer page 86 for additional information.

| Director Name | No. of Meetings Scheduled in 2018 | No. of Meetings Attended in 2018 |
|---|---|---|
| Mr. W. Lalith A. Peiris | 12 | 12 |
| Mr. K.R.K.N. Jayasinghe | 12 | 12 |
| Mr. K. R. Wasantha Ranasinghe | 12 | 12 |
| Mr. D. P. Amaradeva | 12 | 12 |
| Mr. Rajeewasiri Sooriyarachchi | 12 | 10 |
| Mr. K. J. Sesiri | 12 | 12 |
| Mr. R. G. K. Rankothge | 12 | 12 |
| Mr. C. P. Jayasinghe | 12 | 12 |
| Mr. A. D. T. S. Palitha | 12 | 12 |
| Mr. P. P. D. S. Kularathne | 12 | 12 |
| Mr. J. M. Vajira Prabath Jayasuriya | 12 | 12 |
| Mr. R. M. B. M. Bandara | 07 | 07 |
| Mr. S. S. Weerasekara | 12 | 11 |
| Mr. D. L. Samarawickrama (Appointed on 02.08.2018) | 05 | 05 |

## SYSTEM OF INTERNAL CONTROLS

With risk assessment as a fundamental aspect of our internal control system, CICL and Cooplife follow the following system of internal controls maintaining an environment of control consistent with regulatory and legal requirements of compliance.

Our system of internal control is instilled across all processes to ensure the smooth operation of the Company while operating within the principle of transparency while safeguarding Company assets, intellectual property and abidance to laws and regulations.




CICL's system of internal control is designed to achieve:

1. Effectiveness and efficiency of operations.
2. Reliability of financial reporting.
3. Compliance with applicable laws and regulations.

## STRONG INTERNAL CONTROLS

With the entire breadth of internal controls in place, CICL and Cooplife have in place a framework that encourages and promotes stewardship across all departments and branches. These strong and constantly reassessed control mechanisms practices provide the basic groundwork for ensuring the effectiveness of our Risk Management Framework. Our Board of Directors and Corporate Management at both CICL and Cooplife are committed to enforcing internal controls across processes and ensure consistent and uncompromised compliance with Corporate Governance Requirements.

## AUDITING OF INTERNAL CONTROLS

The internal control framework is reviewed on a regular basis by the Manager of Internal Audit, who is responsible for reporting all areas of concern and importance.

# Governance and Internal Controls

## ELEMENTS OF INTERNAL CONTROLS AND RESPONSE

| Internal Control | Response |
|---|---|
| Control environment | • Board of Directors who are independent and are responsible for the overall health and integrity of Company actions.<br>• As insurers we operate with honesty, integrity and cooperation with all our Stakeholders<br>• Accountability at work is expected from all our personnel and from our team of managers.<br>• Reporting and oversight structures are continuously aligned with best practices and to enhance clarity and transparency. |
| Risk Assessment | • Please refer Risk Management Framework from page 102 to 109. |
| Control Activities | • Audits and investigations are conducted regularly by the Internal Audit Division to measure adequacy and accuracy of accounting records, on the strength of internal control systems and operational efficiencies; reporting to the Audit Committee on a regular basis.<br>• The Audit Committee which comprises of Board Members, views report and provides necessary action.<br>• Investment Committee performs the crucial role of maintaining and monitoring the performance of the investment portfolio. They continuously monitor the markets and macroeconomic developments while reviewing cash flow forecasts regularly.<br>• Procurement Committee controls the procurement of goods and services that are significant in nature. |
| Information and Communication | • For enabling the internal control system information on major classes of transactions is made available<br>• The information provided ensures clarity on how such transactions are initiated.<br>• Financial Statements supplemented by significant accounting records are disclosed and made available for supporting the internal control measurements.<br>• Right from initiation of transactions and other events leading to their inclusion in the Financial Statements can be viewed pertaining to the Accounting and financial reporting process. |
| Monitoring | • Audits are performed on a regular and consistent basis by the Internal Audit Division and investigations are initiated as and when required. The reports of the audits and the investigations are viewed by the Audit Committee. |

# Compliance Status

| Section | Corporate governance requirement | Compliance Status | CICL's level of compliance |
|---|---|---|---|
| **A** | **DIRECTORS** | | |
| **A.1** | **THE BOARD** | | |
| | Every company should be headed by an effective Board, which should direct, lead and control the Company. | Compliant | The Board consists of thirteen (13) Directors. The majority of them represent Shareholders of co-operative societies being chairpersons of such co-operative societies. The Managing Director is also a member of the Board. Directors' profiles are presented on pages 26 to 32 of this Annual Report. |
| A.1.1 | The Board should meet regularly. Board meetings should be held at least once in every quarter of a Financial Year. | Compliant | The Board of Directors usually meet on a monthly basis to review the Company's performance and to determine whether its strategies and business practices are in line with the corporate plan. The attendance of the Directors in year 2018 has been 65%. During the year 2018, 12 Board meetings were held. |
| **A.1.2** | **KEY RESPONSIBILITIES OF THE BOARD** | | |
| | Formulation and implementation of the Business Strategy. | Compliant | The Board is responsible for steering the Company towards its overall success. The Board delegates the authority to the Managing Director to formulate the required strategy. |
| | | | The Managing Director and the management team develop the Corporate Strategy. |
| | | | Annual Budgets and action plans are developed in order to implement the Corporate Strategy. Those are reviewed by the Board of Directors. |
| | Ensuring that the MD and the Management Team possess the required skills, experience and knowledge to implement the strategy. | Compliant | The Board ensures that the MD and the Management Team possess the required skills, experience and knowledge to implement the corporate plan and further to ensure that a proper succession plan is in place.<br>The Board decides the remuneration of the MD and the Management Team ensuring that their performances are recognised equitably in terms of remuneration. |
| | Effective systems to ensure the integrity of information, internal controls and risk management compliance with Laws and Regulations. | Compliant | Adequate systems and procedures are implemented to ensure the integrity of information, effectiveness of internal controls and the appropriateness of risk management procedures. The Internal and External Auditors, management team regularly review these systems.<br>Accordingly, the Board has set up the audit committee, investment committee, compliance and risk management committee, human resources and remuneration committee to ensure that the Company has proper systems and controls.<br>The risk management policy has been adopted on the basis of norms set by the IRCSL in terms of RBC, solvency, technical reserves, reinsurance arrangements, actuarial reviews, and also occasional inspection by the Insurance Regulatory Commission officers.<br>In the case of investment risk, the Company has adopted a policy of spreading investments in different institutions and commercial banks recognised by the Insurance Regulatory Commission so as to give a higher contribution to solvency levels.<br>The underwriting risks have been kept within the proper levels of adequate assets and also within the reinsurance arrangements. |

# Compliance Status

| Section | Corporate governance requirement | Compliance Status | CICL's level of compliance |
|---|---|---|---|
| | Compliance with Laws and Regulations. | Compliant | The Board ensures that all the applicable Laws and Regulations are complied with in the conduct of the affairs of the Company. The Company has submitted the regulatory returns and applicable payments to the IRCSL, Central Bank of Sri Lanka (CBSL), Department of Inland Revenue, Registrar General of Companies, National Council for Road Safety, Employees' Trust Fund Board, National Insurance Trust Fund and Commissioner of Motor Traffic, within the stipulated time period. |
| | Ensuring all stakeholder interests are considered in corporate decisions. | Compliant | The Board ensures that the interests of all stakeholders are considered and safeguarded in making corporate decisions. |
| | Recognising sustainable business development in corporate strategy, decisions and activities. | Compliant | The Board recognises the necessity of sustainable business development in the corporate strategy, decisions and activities. Please refer our sustainability impact from page No. 44 to 45 for more information on Company's sustainable business development plan. |
| | Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations. | Compliant | The Board ensures that the proper processes are in place and systems of control and procedures are implemented to review accounting policies annually to be in line with the changing business requirements. Company's accounting policies are fully in line with Sri Lanka Accounting Standards (SLFRS/LKAS). Please refer the Independent Auditor's Report, which evidence that the Company's Financial Statements are in line with Sri Lanka Accounting Standards, given on page 118. |
| | Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned. | Compliant | Through board meetings and board sub-committee all matters of concerns are properly addressed. The Board takes all its decisions paying due attention to the interests of all stakeholders and paying due attention to all matters of concern. |
| A.1.3 | The Board collectively, and Directors individually, must act in accordance with the laws of the Country, as applicable to the business enterprise. | Compliant | The Board recognises the importance of complying with all the applicable laws and regulations in Sri Lanka and the Board are in accordance with the laws of Sri Lanka as applicable to the insurance industry. |
| A.1.5 | All Directors should bring independent judgment to bear on issues of strategy, performance, resources (including key appointments) and standards of business conduct. | Compliant | All Directors exercise independent judgment in decisions made by the Board on issues of strategy, performance, resource allocation and the conduct of business. The Board is conscious of its obligation to ensure that the Directors avoid conflicts between their duty towards the Company and towards their other interests. All Directors are expected to make decisions objectively, avoiding conflicts of interest and in the best interests of the Company. |
| A.1.6 | Dedicating adequate time and effort by the Directors. | Compliant | All Directors ensure that they are able to render sufficient time and attention to the affairs of the Company. |
| **A.2** | **CHAIRMAN AND CHIEF EXECUTIVE OFFICER** | | |
| | Principle: Division of responsibilities at the Head of the Company. | Compliant | The posts of Chairperson and CEO were held separately. This segregation ensures a clear distinction between the Chairperson's responsibility to manage the Board and the CEO's responsibility to manage the Company's day to day business, and thereby ensures the balance of power and authority and accountability to the Board of Directors. |

| Section | Corporate governance requirement | Compliance Status | CICL's level of compliance |
|---|---|---|---|
| A.2.1 | Disclosure required if the positions of the Chairman and the CEO are combined, the position of the Chairperson and the CEO are separated. | N/A | - |
| **A.3** | **CHAIRPERSON'S ROLE** | | |
| | Principle: The Chairperson should preserve order and facilitate the effective discharge of Board functions. | Compliant | The Chairperson is responsible for leading the Board and ensuring that it operates under the highest standards of governance. The Chairperson is charged with encouraging the effective participation of all Directors in the decision making processes and thereby ensuring the effective performance of the Board. |
| A.3.1 | The Chairman should conduct Board proceedings in a proper manner and ensure,<br>Operations of the Board are managed effectively.<br>All key and relevant issues are discussed by the Board in a timely and constructive manner.<br>Taking appropriate steps to provide effective communication with shareholders and to ensure that shareholders' views are communicated to the Board as a whole. | Compliant | The role of the Chairman is to conduct Board meetings in a manner which ensures that there is effective participation of all Directors and that their individual contribution and concerns are objectively assessed prior to making key decisions and the balance of power is maintained. He ensures that the Board is in complete control of the Company's corporate affairs. Chairman also supports the Managing Director to manage day to day operations of the Company. Chairman is the ultimate point of contact to the shareholders at the AGM. |
| **A.5** | **BOARD BALANCE** | | |
| | Principle: The Board should have a balance of Executive and Non-Executive Directors. | Compliant | The Board comprises of an Executive Director and Non-Executive Directors, with expertise, experience and knowledge in the insurance industry. |
| A.5.1 | The Board should include at least two Non-Executive Directors or such number of Non-Executive Directors equivalent to one third of the total number of Directors, whichever is higher. | Compliant | The Board comprises twelve Non-Executive Directors and one Executive Director who functions as the Managing Director. Details of the Directors of each Category are given on page 111. |
| A.5.2 | Two or one-third of Non-Executive Directors appointed to the Board, should be 'Independent'. | Compliant | Five Directors out of thirteen total Directors are Independent Directors and it is complied with the requirement of the code. |
| **A.6** | **SUPPLY OF INFORMATION** | | |
| | Principle: The Board should be provided with timely information, in a form and of a quality appropriate, to enable it to discharge its duties. | | |

## Compliance Status

| Section | Corporate governance requirement | Compliance Status | CICL's level of compliance |
|---|---|---|---|
| A.6.1 | The Management has an obligation to provide the Board with appropriate and timely information. | Compliant | The Senior Management presents adequate information with regard to new developments, proposed strategies, financial operations, investment proposals, etc. to ensure clear communication of information. |
| A.6.2 | The minutes, agenda and papers required for Board Meetings should be provided at least seven days before the meeting. | Compliant | Comprehensive Board Papers are sent to Directors in advance (seven days prior to each meeting) of the Board Meetings giving them sufficient time to be prepared for the discussion. The Board Secretary maintains record of Board discussion Minutes of matters discussed by the Board. |
| **A.7** | **APPOINTMENTS TO THE BOARD** | | |
| | Principle: There should be a formal and transparent procedure for the appointment of new Directors to the Board. | Compliant | All new appointments to the Board are made following a formal and transparent procedure in AGM, annually. |
| A.7.3 | The Company should disclose information to the shareholders upon the new appointment of Directors. | Compliant | All appointments of new Directors are informed to the shareholders at AGM. In addition, new appointments to the board are done after obtaining the approval from Insurance Regulatory Commission of Sri Lanka (IRCSL) according to the terms of the Regulations of Insurance Act. |
| **A.8** | **RE-ELECTION** | | |
| | Principle: All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years. | | |
| A.8.2 | All Directors including Chairman of the Board should be subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than three years. | Compliant | Members of the Board of Directors are elected at the Annual Shareholders' Meeting, for a three-year term. One-fourth of the Directors (approximately three Directors) retire every year on a rotation basis. This arrangement allows the Company to retain experienced members and to induct new members in order to infuse new ideas. |
| **A.9** | **APPRAISAL OF BOARD PERFORMANCE** | | |
| | Principle: Boards should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged. | Compliant | The Board appraised itself on its performance in the discharge of its key responsibilities in the board meetings held during the year. |
| **A.10** | **DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS** | | |
| | Principle: Shareholders should be kept advised of relevant details in respect of Directors. | | |
| A.10.1 | Annual Report should contain details of all Directors. | Compliant | Information with respect to all Directors is disclosed in page 26 to page 32 in this Annual Report, where relevant. |

| Section | Corporate governance requirement | Compliance Status | CICL's level of compliance |
|---|---|---|---|
| **A.11** | **APPRAISAL OF CHIEF EXECUTIVE OFFICER (CEO)** | | |
| | Principle: The Board should be required, at least annually, to assess the performance of the CEO. | | |
| A11.1 | The Board should set, with consultation of the CEO, the Financial and Non-Financial targets to be achieved by the CEO during the year, in line with short, medium and long-term objectives of the Company. | Compliant | The Board sets targets (both Financial and Non-Financial) for each of the Financial Years based on the corporate plan, reviews them on a regular basis and discusses at the Board meetings. If such targets are not met, it also considers whether there are reasonable grounds for such departures and takes relevant action. |
| A.11.2 | The performance of the CEO should be evaluated by the Board at the end of each year. | Compliant | The Managing Director is responsible for day to day operations of CICL and accountable to the Board of Directors. The Board evaluates the CEOs performance through monitoring the achievement levels of set objectives during the year. |
| **B** | **DIRECTORS' REMUNERATION** | | |
| **B.1** | **REMUNERATION PROCEDURE** | | |
| | Principle: Companies should establish a formal and transparent procedure for developing policies on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration. | | |
| B.1.1 | Set up a Remuneration Committee to make recommendations to the Board. | Compliant | Human Resources and Remuneration Committee sets remuneration, per-requisites and allowances of the Directors, Management and other employees based on industry and market surveys. |
| B.1.2 | Remuneration Committees should consist exclusively of Non-Executive Directors, and should have a Chairman, who should be appointed by the Board. | Compliant | The Chairman of the Board also chairs the Human Resources and Remuneration Committee. Remuneration levels are designed to attract, retain and motivate persons who contribute to the achievement of the corporate plan. |
| B.1.3 | The Chairman and Members of the Remuneration committee should be listed in the Annual Report each year. | Compliant | Please refer the Annual Report of the Directors and the Members to the human resources and Remuneration Committee on page 86. |
| B.1.5 | The Remuneration Committee should consult the Chairperson and CEO about its proposals relating to the remuneration of other Executive Directors and have access to professional advice from within and outside the Company, in discharging their responsibilities. | Compliant | The Chairperson of the Board is also a member of the Human Resources and Remuneration Committee. The CEO attend meeting by invitation. Remuneration Committee obtain professional advice from within and outside the Company. |

# Compliance Status

| Section | Corporate governance requirement | Compliance Status | CICL's level of compliance |
|---|---|---|---|
| **B.2** | **THE LEVEL AND MAKE UP OF REMUNERATION** | | |
| B.2.1 | The Remuneration Committee should provide the packages needed to attract, retain and motivate Executive Directors. | | Human Resources and Remuneration Committee designed remuneration levels to attract, retain and motivate persons who contribute to the achievement of the corporate plan. |
| B.3 | DISCLOSURE OF REMUNERATION | | |
| | Principle: The Annual Report should contain a Statement of Remuneration Policy and details of Remuneration of the Board as a whole. | | |
| B.3.1 | Remuneration Policy and details of Remuneration of the Board should be stated in the Annual Report. | Compliant | The aggregate remuneration of the Managing Director and the other Directors is shown on page 170. |
| **C** | **RELATIONS WITH SHAREHOLDERS** | | |
| **C.1** | **CONTRACTIVE USE OF THE AGM** | | |
| | Principle: Boards should use the AGM to communicate with shareholders and should encourage their participation. | Compliant | The Company uses the AGM as a tool to effectively communicate with shareholders and to allow them a reasonable opportunity to ask questions from the Board of Directors.<br>As per the Companies Act No. 07 of 2007 Annual Report together with notice of meeting, form of proxy and any other document (if any) are circulated to the shareholders at least 15 working days prior to the date of Annual General meeting.<br>All members of the Board and the Senior Management make an effort to attend the AGM and answer questions and concerns raised by the shareholders. A representative (usually the engagement partner) of the External Auditors also attends the AGM and takes questions from shareholders relating to their audit of the Company's Financial Statements, if required. During the year 2018, the participation on the shareholders at the AGM was 65%. The Board members and Company representatives are available to clarify the matters raised by shareholders. The most recent shareholders' meeting was the 20th Annual General Meeting (AGM) of the Company held on 30th June 2018. |
| C.1.1 | Companies should count all Proxy Votes and should indicate the level of proxies lodged on each resolution. | Compliant | Company count all proxy votes and to indicate to the Chairperson the level of proxies lodged on each resolution and the number of votes for and against such resolutions. |
| C.1.2 | Separate resolution for each substantially separate issues. | Compliant | Each substantially separate issue is proposed as a separate resolution. The adoption of the Annual Report and the Financial Statements is proposed as a separate issue. |
| C.1.3 | Availability of Chairmen of Board Committees at the AGM. | Compliant | All members of the Board including chairman of sub committees and the Senior Management make an effort to attend the AGM and answer questions and concerns raised by the shareholders. A representative (usually the engagement partner) of the External Auditors also attends the AGM and takes questions from shareholders relating to their audit of the Company's Financial Statements, if required. |

| Section | Corporate governance requirement | Compliance Status | CICL's level of compliance |
|---|---|---|---|
| C.1.4 | Adequate notice of the AGM. | Compliant | The Annual Report, together with the Notice of Meeting and related documents and other resolutions, if any, is circulated to the shareholders at least 15 working days prior to the date of the AGM. |
| C.1.5 | Summary of procedures governing voting at the AGM. | Compliant | A summary of procedures governing voting at the AGM is provided in the Proxy Form which is circulated to the shareholders, fifteen working days prior to the AGM.<br>Please refer page 212 for the Notice of Meeting of the 21st AGM to be held on 7th July 2019. The proxy form which includes a summary of the procedures governing voting at the General Meetings, is circulated to all shareholders. |
| **C.2** | **COMMUNICATION WITH SHAREHOLDERS** | | |
| | Principle: The Board should implement effective communication with shareholders. | | |
| C.2.1 | There should be a channel to reach all shareholders of the Company in order to disseminate timely information. | Compliant | All financial information released to the shareholders is authorised by the Chief Executive Officer and/or Chief Financial Officer. Any other information released to the public is approved by the CEO and/or Chief Operating Officer and is communicated through the Head of Marketing. |
| C.2.2 | Disclose the policy and methodology for communication with shareholders. | Compliant | The Company keeps informed their shareholders via AGM, responding to inquiries from shareholders and provide feedback . |
| C.2.3 | Disclose how the Company has implemented the above policy and methodology. | Compliant | Company uses the Annual Report to inform its shareholders on the affairs of the Company including major Financial and Non-Financial information, regulatory requirements and other assurance reports issued by independent parties like external auditors and etc;<br>**Equal treatments for shareholders**<br>The Company ensures the equal treatment of all shareholders. Accordingly Annual Report of the Company is translated to Sinhala and distributed among shareholders.<br>**Sustainability reporting**<br>Information on the our sustainability impact which are given on pages 44 to 45 in this Annual Report includes the ways in which the Company seeks to achieve sustained profits for shareholders, develop long-lasting customer relationships, value our employees and manage the social and environmental impacts of our business.<br>**Corporate website**<br>Our corporate website provides an additional channel for shareholders, customers and other stakeholders to access information about the Company. Financial Statements, details of the Company, names of the Board of Directors and the Executive Committee members, information on new products, which could be accessed at www.ci.lk |

# Compliance Status

| Section | Corporate governance requirement | Compliance Status | CICL's level of compliance |
|---|---|---|---|
| C.2.4 | Disclose the contact person for such communication. | Compliant | CEO and Company Secretary will be the main contact persons with regard to any public disclosures. Therefore, any clarification or further information with regard to any information published about the Company should be directed to the Chief Executive Officer.<br>Further, clarifications with regard to any Financial information published can also be directed to the Chief Financial Officer of CICL through the details given on page 8. |
| C.2.5 | A process to make all Directors aware of major issues and concerns of shareholders, and this process has to be disclosed by the Company. | Compliant | If there are any major issues and/or concerns raised by shareholders, they are brought to the attention of all Directors by the Company Secretary. No such issues and/or concerns were raised by the shareholders during the year. |
| C.2.7 | The process for responding to shareholder matters. | Compliant | The Company's aim is to provide an appropriate reply to written requests from shareholders, within a reasonable time. If those queries raise a matter of general interest to shareholders, the Company will take this into account and will address them in subsequent corporate communications to all shareholders. |
| **C.3** | **MAJOR AND MATERIAL TRANSACTIONS** | | |
| | Principle: Directors should disclose to shareholders all proposed material transactions. | | The Company's future strategies and their potential impact, if any, have been disclosed in the Chairman's Message and the Managing Director's Review. |
| C.3.1 | Proposed major transactions. | N/A | There were no major transactions during the year. |
| **D** | **ACCOUNTABILITY AND AUDIT** | | |
| **D.1** | **FINANCIAL REPORTING** | | |
| | Principle: Board responsibility for statutory and regulatory reporting. | | |
| D.1.1 | Board's responsibility for interim and other price-sensitive public reports, statutory and regulatory reporting. | Compliant | The respective responsibilities of Board of Directors and the External Auditors are described in the Statement of the Directors' Responsibilities, and the External Auditors' Report on page 116 and 118 respectively.<br>The Annual Report, which is the main communication tool between the Company and the shareholders, is prepared and presented in compliance with the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Regulation of Insurance Industry Act No. 43 of 2000 and other rules and regulations of the Sri Lanka Insurance Regulatory Commission and other applicable rules and regulations of the country.<br>The Annual Financial Statements and Regulatory Reports are submitted to the Authorities on a timely basis.<br>The Compliance Officer is appointed by the Board of Directors. |
| D.1.2 | Declarations by Directors in the Directors' Report. | Compliant | The Annual Report of the Board of Directors on the affairs of the Company is presented on pages 110 to 113. |

| Section | Corporate governance requirement | Compliance Status | CICL's level of compliance |
|---|---|---|---|
| D.1.3 | Statements by Directors and Auditors. | Compliant | The Annual Report of the Board of Directors on the affairs of the Company is presented on pages 110 to 113.<br>The Auditor's Report is provided on page 118. |
| D.1.4 | The Annual Report should contain a 'Management Discussion and Analysis' | Compliant | The Management Discussion and Analysis is given on pages 54 to 82 of this Annual Report, which covers the disclosure requirement under this Code. |
| D.1.5 | Declaration of going concern by the Directors. | Compliant | The Board after conducting necessary reviews and inquiries decided to apply the 'going concern' assumption in presenting the Company's Financial Statements.<br>The declaration of the Company as a 'going concern' is given in the Statement of Directors' Responsibility on page 116. |
| D.1.6 | Summon an Extraordinary General Meeting (EGM) | N/A | There has not been any requirement to summon an Extraordinary General Meeting (EGM) to notify serious loss of capital. Although the likelihood of such a situation is remote, if it arises, an EGM would be called to inform shareholders. |
| **D.2** | **INTERNAL CONTROL** | | |
| | Principle: The Board should maintain a sound system of internal controls to safeguard shareholders' investments and the Company's assets. | | The Board is ultimately responsible for the Company's system of Internal Controls and the continuous review of their effectiveness. Some of these responsibilities are delegated to Audit committee. |
| D.2.1 | Directors to conduct an annual review of the risks facing the Company and the effectiveness of the system of internal controls. | Compliant | Investment Committee, Human Resources and Remuneration Committee, Purchasing & Selling Committee and Business Development Committee to ensure effectiveness of internal controls. |
| D.2.2 | Internal audit function. | Compliant | The internal audit function is carried out by the team of Internal Auditors headed by a person well experienced and competent to carry out the internal audit functions. The Internal Auditor directly reports to the Chairman and the Board of Directors. The Board is of the opinion that the function of the Internal Auditor would provide a more independent view on the Company's system of internal controls. |
| D.2.3 | Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls. | Compliant | Effective internal control system is ensured by the audit committee. It reviews the effectiveness of the internal control system through the Internal Audits. Risk management committee decisions are discussed audit committee meeting reviews since the Audit Committee carries the responsibility over the Company's risk management practices. |
| D.2.4 | Statement of internal control | Compliant | A statement on internal control is given on pages 84 to 90. |
| **D.3** | **AUDIT COMMITTEE** | | |
| | Principle: The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies, financial reporting and internal control principles and maintain an appropriate relationship with the Company's Auditors. | | The Audit Committee is a sub-committee of the Board and comprises of four (04) Non-Executive Directors. The Audit Committee is chaired by a Chartered Accountant who is a professional Director. The term of reference under which the Committee has been appointed sets out its scope and responsibilities and enables it to operate with appropriate authority, independence and objectivity. |

# Compliance Status

| Section | Corporate governance requirement | Compliance Status | CICL's level of compliance |
|---|---|---|---|
| D.3.1 | Composition of the Audit Committee. | Compliant | Please refer the Report of the Audit Committee on page 117 for details on the functions of the Audit Committee. |
| D.3.2 | Duties of the Audit Committee on the review of objectivity of the External Auditor. | Compliant | The Audit Committee monitors and reviews the External Auditor's independence, objectivity and the effectiveness of the audit process, taking into account the relevant professional and regulatory requirements.<br>Deloitte Sri Lanka, (SJMS Associates), the Auditors of the Company, has given a declaration of its independence to the Audit Committee, as per the relevant rules. |
| D.3.3 | Terms of reference of the Audit Committee. | Compliant | The Audit Committee operates with clearly defined terms of reference which are reviewed annually. Key areas of focus are;<br>- Composition<br>- Meetings<br>- Internal audit<br>- External audit<br>- Financial reporting<br>- Compliance and litigation<br>- Risk management and internal control<br>- Reporting responsibilities<br>- Related party transactions<br>- Other responsibilities |
| D.3.4 | Disclosures required by the Audit Committee in the Annual Report. | Compliant | Audit committee report on page 117 includes Names of the Directors in audit committee and other disclosure. |
| **D.5** | **CORPORATE GOVERNANCE DISCLOSURES** | | |
| | Principle: Directors should be required to disclose the extent to which the Company adheres to established principles and practices of good corporate governance. | | |
| D.5.1 | Disclosure of Compliance with the Corporate Governance Code. | Compliant | Company has included corporate governance report from pages 84 to 101, setting out the manner and extent to which the Company has complied with the principles and provisions of the Code of Best Practice on Corporate Governance issued jointly by the SEC and the CA Sri Lanka. |
| **E** | **INSTITUTIONAL INVESTORS** | | |
| **E.1** | **SHAREHOLDER VOTING** | | |
| | Principle: Should ensure institutional shareholders' voting intentions are translated into practice. | | |
| E.1.1 | Communication with Shareholders. | Compliant | Please refer details on shareholder communication under C.2.1 and C.2.2 on page 97. |

| Section | Corporate governance requirement | Compliance Status | CICL's level of compliance |
|---|---|---|---|
| **F** | **OTHER INVESTORS** | | |
| F.1 | Principle: Individual shareholders, investing directly in shares of companies, should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions. | Compliant | Individual shareholders are encouraged to carry out adequate analysis or seeking dependent advice on their investing, holding or divesting decisions. The Annual Report contains sufficient information to make an informed decision. |
| **F.2** | **SHAREHOLDER VOTING** | | |
| F.2 | Principle: The Company must encourage individual shareholders to participate in General Meetings and exercise voting rights. | Compliant | All shareholders are encouraged to participate at General Meetings and cast their votes. |
| **G** | **SUSTAINABILITY REPORTING** | | |
| G.1 | Principle: of sustainability reporting. | Compliant | The Company, having identified the importance of sustainability reporting, provides a detailed review of its sustainability initiatives.<br>Please refer our Sustainability impact on page 44 to 45. |

# Risk Management

CICL is staunch in our approach to managing risks across all our internal processes. With a 360 degree approach to mitigating risk and countering them with the least amount of impact, we constantly review and re-evaluate our approaches to all risk elements, ensuring that our stakeholder interests are safeguarded throughout the Financial Year, bearing in mind the volatile nature of the industry and the external environment.

A small player in an increasingly competitive industry, we are also challenged by risks that arise due to determinants that prevail in the macro-economic and regulatory environments. In addition, the nature of our risk-based business compels us to take highly prudent and stringent measures to risk management and mitigation. Our focus on risk mitigation and control is to ensure that the Company's capital base is safeguarded while ensuring sustainable value creation for all stakeholders. Fundamental in its purpose, CICL's Risk Management Framework is a core aspect of the Company's operational processes.

The macro-economic environment in the Financial Year exposed CICL to various risk exposures that was at times inconsistent with our strategies and objectives.

### TAX REVISIONS

The tax hikes of various imported vehicles posed a greater threat to the Motor Insurance Business, creating uncertainty given the potentially negative ramifications of the decline in newly registered vehicles. The increasing cost of vehicle insurance in light of the increased taxation of imported vehicles, impacted vehicles which were in high demand over the previous years.

The increments in VAT, added more risk exposure, posing negatively on business growth and expansion objectives. The changes introduced to the Inland Revenue Act, posed a greater risk in lowering the net profit of life insurers. Surplus distributions from policyholder funds to shareholders from are required to be taxed at 28%. According to the 'investment income minus management fees' method life insurers were subjected to lower taxation. In addition, a 14% tax is now levied on distributions made to participating life policyholders.

### INDUSTRY CONSOLIDATIONS

In the Financial Year, another acquisition took place within the industry: part of a series of mergers and acquisitions that took place since 2014. These alliances within the domestic market created greater synergies with stronger competitive advantages and economies of scale for competing insurers. The acquisitions that occur between local insurance companies and subsidiaries of global insurers create far higher cost advantages. The reinsurance funds of these foreign companies bring in greater potentials and benefits that can be transferred to customers.

### POSITIVE PERFORMANCE

This overall competitive environment created challenging environment, amidst which, CICL still retained an increase in its market share, reporting a positive and progressive financial performance, proving the stealth and vitality of our financial health.

### REGULATORY IMPACTS

In 2018, the Risk Based Capital (RBC) adequacy level increased to 160. Nevertheless, CICL has complied with the mandatory level, maintaining the RBC at 178%. However, the increase is expected to lower availability of capital needed for expansion plans in the future.

### FUTURE OUTLOOK

The new tax changes imposed on CIF values of vehicles that exceed Rs. 3.5 Mn. is expected to deter imports, while increasing cost of insurance for vehicle owners. This brings in the risk of lowered growth of GWP in the Motor segment. However, the increasing per capita income and the positive perspective on insurance by the general public is expected to maintain industry growth.

CICL currently waits to fulfill the requirement of listing the Company on the Colombo Stock Exchange, in compliance with insurance regulations. However, the non-conducive market conditions compelled the Company to obtain a deferral from authorities in 2018. This prevailing condition has yet to dissipate allowing us to attract potential investors and in providing the right guarantee of returns to fulfill the full capital requirement.

Impacts of tax revisions especially the effect of compounding cost on businesses is expected to weaken demand for motor and other general insurance segments with customers choosing to acquire third party or basic insurance policies, opting out of choosing comprehensive cover policies.

Nevertheless, despite the market volatilities and regulatory changes, CICL is on a progressive path of creating a leaner work culture and efficient operations, while rapidly expanding across the country through a strategy of cost optimization while enhancing brand image through the strategy of expansion. Simultaneously, CICL's diverse and strong team of field advisers are spearheading promotion of our solutions, creating awareness on insurance at grass-root levels, including rural and urban market holds.

## RISK MANAGEMENT FRAMEWORK

Our Risk Management Framework ensures risk mitigation through inclusive strategies that are developed for our core processes. Key Risk Areas identified under the Risk Management Framework have a spillover effect that impacts each process. The framework has been adopted based on the areas implied by IRCSL and overlaps with our Governance and Internal Control Processes.

The Risk Management Framework provides the management the necessary direction and protocols in managing risk adversities amidst other core objectives which include: avoiding or mitigating losses from magnifying beyond the forecasted impact, to provide a cohesive and thorough policy framework that does not overlook crucial aspects across key risk areas, to provide the proper tools to allow management to identify risks and evaluate them according to their risk potentials and impact on the Business. However, the most important objective is to maintain the consistent creation of earnings and to enhance business potentials without little or no disruptions to the value creation process and expected outcomes.

## THE THREE TIERS OF RISK MANAGEMENT

CICL's Risk Management structure includes Three Lines of Defense that enable the structured management of risks and proper execution of strategies when risk adversities do arise. Ultimate responsibility rests within the Board of Directors, responsible for the prudent management of the risk framework across all our processes and activities. The Risk Management Framework corresponds with the nature of activities performed by the Company and is embedded into the internal control system of Co-operative Insurance.

## THE THREE TIER FRAMEWORK

| 1st Line of Defence | 2nd Line of Defence | 3rd Line of Defence |
|---|---|---|
| **Business Unit Heads** | **Internal audits &external audits** | **Compliance Officer/Audit Committee Board of Directors** |
| Monitor external environment for risks and impacts through feedback from field staff, business partners and customers. | Internal Audit reports directly to the Audit Committee, which reports to the Board. | Monitor effectiveness of risk management methods. |
| Observe variations in business volumes and inform Top Management. | Conduct regular audits to measure the adequacy of accounting and internal systems, efficiency of operations and reliability and the accuracy of the accounting records and recommend improvements. | Recommend risk controlling measures to the Board. |
| Risk management committee formed at the level of operational management - identifies, evaluates and assesses the potential risks. | Conduct investigations for reported and revealed mal-practices for recovery of losses, strengthen control systems and deterrents | Empower the responsible personnel to take appropriate actions to control risks. |
| | **External Audits:** | |
| | These are conducted by Messrs Deloitte Sri Lanka (SJMS Associates) - Chartered Accountants and reported to shareholders.<br>They report on the strength of the accounting and internal control systems and recommend improvements. | |

# Risk Management

## KEY RISK AREAS AND RISK CONTROL MECHANISM

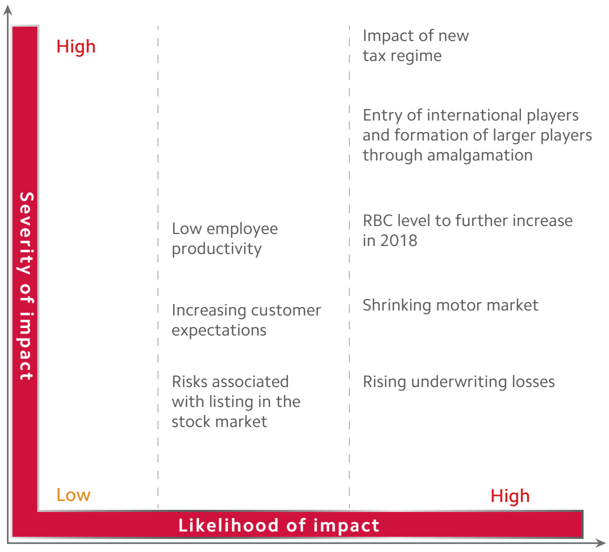
Risk areas under the Risk Management Framework address all potential risks that could emanate from regulatory, market and macroeconomic changes and developments. (For key risk areas please refer pages 105-109)

## RISK CONTROL MECHANISM

CICL and Cooplife follow a thorough and comprehensively devised risk management framework that incorporates Control Mechanisms across all risk exposures. These risk exposures are frequently revisited and steps are taken to realign them with further exposures that may result with macroeconomic and regulatory changes that could affect the insurance business adversely.

The Control Mechanisms are structured to ensure effective monitoring and mitigation of risks. Responsibility for effectively managing risk is shared across the Risk Management Committee, Internal Audit, Audit Committee and Compliance officer, alongside Business Unit Heads and External Audit (Messrs Deloitte Sri Lanka (SJMS Associates).

CICL's Risk Profile 2018-19



## KEY RISK AREAS AND RESPONSES

| Risk Area | Description of Risk | Control Mechanisms |
|---|---|---|
| **STRATEGIC RISK** | | |
| **Strategic risk** | Inability to implement agreed strategies and action plans due to conditions such as activities of rivals, insufficient capacities to meet the requirements of the market, resource constraints etc. | CICL has a five year strategic plan approved by the Board. |
| | | The Board regularly reviews actual performance against the budget and adjustments action plans in line with the external changes. |
| | | For closer monitoring the corporate budget is subdivided among each line of business and at branch level and the performance of the management team is linked to the divisional/branch goals. |
| **UNDERWRITING RISK** | | |
| **Exposure Risk** | Holding risks beyond the Company's net retention capacity and not having sufficient reinsurance arrangements. | The Company Financial Authority Manual, in its sections on underwriting and claims settlements, defines the limits of authority applicable in making decisions relating to the underwriting of risks and settlement of claims. |
| | | Underwriting is done on a selective basis considering the appropriateness of the return to compensate the risk associated with. Whilst not undertaking loss making businesses the Company maintains records of statistics of transactions of clients. |
| | | All risks exceeding the Company's retention levels are reinsured with reinsurers who meet the criteria specified by the regulator, the Insurance Regulatory Commission of Sri Lanka. |
| | | The Company conducts training programmes for staff involved in underwriting and claims settlements. |
| | | The Company regularly seeks advice from the Consultant Actuary on terms, conditions and benefits included in insurance policies to ensure appropriate pricing. |
| | | Review the wording of the policies and promotional materials to prevent claims from causes that are not anticipated. |
| | | Product prices are set through a financial analysis including review of past experiences of the Company and the industry. |
| | | Reinsurance is managed to reduce net liability on large individual risks, to have greater diversification of insurance risk and to provide protection against large losses. |
| | | Underwriting is carried out by trained dedicated staff. The experience and merits of the staff are applied on individual basis in underwriting each and every risk. |

# Risk Management

| Risk Area | Description of Risk | Control Mechanisms |
|---|---|---|
| **Credit risk** | Policyholders who obtain insurance covers on credit basis, may fail to meet their obligations to the Company on time. | The Company implements the Premium Payment Warranty (PPW) and ceases the liability of policies for which premium settlements are not received within the stipulated period. |
| | | All premium receivables are monitored and every possible action is taken to collect premiums within the given period and to minimise policy cancellations. |
| | | Managing Director and the other respective officers meet regularly to review the status of outstanding premiums and monitor collections. |
| | | The ultimate authority of credit approval is held by the Managing Director. Credit approval authority is delegated to different levels of management as appropriate. |
| **Reinsurance risk** | Retaining risks beyond the Company's net retention capacity as against having adequate reinsurance arrangements. This risk also includes the inability of reinsurers to meet their commitments due to insufficient financial strength. | No insurance cover is issued for risks above treaty limits, without a confirmed reinsurance arrangement. |
| | | We deal with reputed and rated reinsurance brokers to reduce the reinsurance risk in reinsurance placement and claims recovery. |
| | | Risks relating to riot and terrorism are placed with the Government controlled National Insurance Trust Fund (NITF). |
| | | Continuously monitor the reinsurance agreements and the credit risk of the reinsurers. |
| **Claims settlement risk** | False or undue claims. | Training for claims management team to verify the genuineness of claims. |
| | | Claims are assessed periodically and appropriate actuarial reserves are established to reflect up to date experience and any anticipated future events. This includes reserves for claims incurred but not yet reported. |
| | | The Company consults professional loss adjusters and independent assessors. |
| | | There is a claim panel (non-life) for significant and/or complicated claims and appeals are also reviewed by the claim panel. |
| | | The Company's Legal Officers attend to disputes and other legal matters relating to claims and also for third party related claims. |

| Risk Area | Description of Risk | Control Mechanisms |
|---|---|---|
| **Reserving risk** | Inadequacy of reserves made to meet future obligations arising from claims. | Standard claim reserves are made as soon as the required information is received for intimated claims. There is a 24 hour customer care center set up for customers to intimate their claims. |
| | | Claims are assessed and reserves are made at the earliest, upon claim intimation. A claim is made active for processing for six months in order to ensure the optimality in making provisions. |
| | | The services of a qualified Independent Actuary is obtained to assess the adequacy of reserves made in relation to incurred but not reported (IBNR) and incurred but not enough reported (IBNER) claims in the general insurance business. |
| | | The service of a qualified Independent Actuary is obtained to review reserving in the life insurance business. |
| | | Liability Adequacy Test (LAT) is carried out by an Independent Actuary. |
| | | The Company conducts regular training for the staff on the reserving process for underwriting and claims. |
| **Investment risk** | The possibility of the outcome of investments being lower than expected. | The Investment Committee, headed by the Chairman, evaluates the investment opportunities in detail and recommends to the Board. The Company considers different types of risks in investments. |
| **Market risk** | Impairment in the value of investments due to factors that affect the overall performance on the financial market due to incidents such as natural disasters or conditions such as recessions, political turmoil, interest rate changes and commotions etc. | The Investment Committee keeps a close track on possible occurrences that would have impact on the value of the investments and the market rates. Possible actions are taken to reduce any adverse impact on the value of the investment portfolio within the regulatory limits. |
| | | The investment portfolio is reviewed by the Investment Committee on a timely basis and analyses the vulnerability of individual investments to market risk. |
| | | Investment opportunities are analysed in terms of nature of investment and the quality of the investee organisation. |
| **Liquidity risk** | The inability to meet contractual obligations (claims and reinsurers' payments) due to a shortfall of liquid assets in the investment portfolio. | The Investment Committee reviews the maturity mix of the investment portfolio on regular basis to ensure that the liquidity levels and other regulatory requirements are maintained. |
| | | Cash flow movements are studied in advance and monitored on a daily basis. Investment opportunities are selected to meet the short term and long term cash flow requirements. |
| | | Life Insurance policies with guaranteed returns are secured by investments with higher returns with similar tenure. |

# Risk Management

| Risk Area | Description of Risk | Control Mechanisms |
|---|---|---|
| **Credit risk** | The risk of being unable to recover the capital and/or the interest relating to the investment from the investee organisation due to declining financial strength. | The credit worthiness of investee organisations is assessed by the Investment Committee via the ratings awarded by the Rating Agencies to the issuing institution as well as the instrument. |
| | | The Company follows a conservative policy of investing in Government Securities in preference to corporate instruments. |
| | | All investments in Government Securities are made through primary dealers approved by the Central Bank of Sri Lanka. |
| | | Single party exposure limits are decided based on the credibility of the issuing institutions whilst adhering to single party exposure limit rules required by the Regulator. |
| **OPERATIONAL RISK** | | |
| **Human resources risk** | Human resources risk refers to the possibility that lack of competent personnel and key employees leaving the organisation. Human resources risk is considered as the most significant element of the operational risk as it ramifies to the other risks within the operation. | Remuneration packages for the staff are set in line with the industry to retain and attract staff with necessary qualifications and experience. |
| | | Professional and personnel development programs are provided to the staff. The Company encourages continuous education whilst providing relevant training and development opportunities and fosters a culture where all employees can actively contribute to the business. |
| | | Continuous training and education of staff are further encouraged through the provision of financial and other support. |
| | | Opportunity is given to the employees to meet the higher level of management to discuss their grievances or matters they wish to deal with confidentiality. |
| **Economic and political risk** | Outcome of the socio-economic and political factors have an impact on the expected status of performance of the Company. The impact can directly and mainly affect the insurance business, the investment income and the investment value. The management takes necessary action to mitigate the impact on possible events whilst absorbing the others. | Closely monitor the changes and their trends in the external environment due to political and economic factors and assess their potential risks. |
| | | Facilitate the relevant staff to attend to educational and training programs on economic trends, developments and their consequences. |
| | | Seek experts' opinion on outcomes of possible political and economic changes, when necessary. |
| | | Ensure that the Company follows a politically neutral policy. |

| Risk Area | Description of Risk | Control Mechanisms |
|---|---|---|
| **Information technology risk** | Possible losses due to use of inadequate technology, inappropriate use of technology, technical mishaps and disaster situations. | The Company assesses the status of information technology infrastructure to ensure their appropriateness to manage the needs and the scale of operation of the Company. |
| | | Policy on the security of information and information technology infrastructure is implemented and updated timely. |
| | | Disaster recovery methods are planned and ready for implementation on urgent situations. |
| **Fraud risk** | Fraudulent acts that could take place due to inadequate internal controls. | Internal Audit Team, to report on the strength of the internal control systems with their recommendations on areas that need further strengthening. The Internal Audit Team reports to the Internal Audit Committee that includes four Directors. |
| | | In cases of frauds, mal-practices and discrepancies etc., immediate investigations are carried out followed by corrective actions to recover any losses. Corrective actions are taken to prevent recurrence. |
| | | A Procurement Committee comprising five Directors have been appointed. Goods and services that are significant in terms of value and complicated in terms of nature are procured on the approval of the Procurement Committee. |
| | | Staff is educated about the laid down internal control systems in order for them to execute transactions in the transparent manner and prompt to the management of any doubts. Any such references are investigated and appropriate actions are taken immediately. |
| | | Provisions in the Anti- Money Laundering Act are followed up strictly. |
| **Regulatory risk** | Regulatory risk refers to the possibility of being non-compliant to the regulatory requirements laid down from time to time to govern the insurance industry. In addition, there can be risk of non-compliance to the other common laws and accounting standards in relation to presentation of financial status of the Company. | Company culture insists on the achievement of full compliance with legal and regulatory requirements. |
| | | Internal Auditors review the status of compliance to regulatory requirements and refer any non-compliance to the Board through Audit Committee. Their findings are discussed and addressed on a timely basis. |
| | | Experts are appointed to review changes to the regulatory regime and assess impact on the business as well as to advise on compliance requirements. |
| | | A Compliance Officer is tasked with ensuring that regulatory requirements are observed and complied. |

# Annual Report of the Directors

The Board of Directors has pleasure in presenting their report to the members together with the Audited Financial Statements for the year ended December 31, 2018 and the Auditor's Report thereon of Co-operative Insurance Company Ltd., a limited liability company incorporated in Sri Lanka on August 11, 1997 under the Companies Act No. 17 of 1982 and re-registered on December 31, 2008 as required under the provisions of the Companies Act No. 07 of 2007.

## PRINCIPAL ACTIVITIES

There was no significant change in the nature of the principal activities of the Company during the year and general insurance remained to be the principal activity of the company. The Company has not engaged in any activity which contravenes the Laws and Regulations of the country.

## REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

A review of the financial and operational performance and future developments of the Company is contained in the Chairman's Report, the Managing Director's Review and the Management Discussion and Analysis of the Annual Report. These reports form an integral part of the Report of the Directors' and together with the audited Financial Statements reflect the state of affairs of the Company.

## FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The financial statements of the Company are prepared in conformity with the Sri Lanka Accounting Standards laid down by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and comply with the requirements of the Companies Act No. 07 of 2007 and the Regulation of the Insurance Industry Act No. 43 of 2000 and other rules issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL).

The financial statements duly signed by the Directors are provided on pages 120 to 199 and Auditor's Report on financial statements is provided on page 118 and 119 of this annual report.

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Statement of Directors' Responsibilities for Financial Reporting is given on page 116 which forms an integral part of the Annual Report of the Board of Directors.

## TURNOVER/GROSS WRITTEN PREMIUM (GWP)

The total turnover measured by the Gross Written Premium (GWP) of the group of companies for the financial year under review amounted to Rs. 3,750.83 Mn (Rs. 3,055.83 Mn in 2017).

| | Group | | Company | |
|---|---|---|---|---|
| | 2018<br>Rs. '000' | 2017<br>Rs. '000' | 2018<br>Rs. '000' | 2017<br>Rs. '000' |
| Net profit before tax | 414,748 | 453,991 | 405,776 | 399,111 |
| Income tax | (3,102) | (83,222) | (137,622) | (97,678) |
| **Net profit after tax** | **411,646** | **370,769** | **268,154** | **301,433** |
| Profits attributable to NCI | 33,469 | 13,787 | - | - |
| Unappropriated profit brought forward | 614,178 | 398,581 | 553,311 | 398,065 |
| **Funds available for appropriation** | **992,355** | **755,563** | **821,465** | **700,038** |
| Effect on partial investment in subsidiary | - | 1,306 | - | - |
| Changes in holding without changing in control | (36) | - | - | - |
| Other comprehensive income | 5,038 | 2,307 | 4,832 | (1,729) |
| Dividend paid | (170,134) | (144,998) | (170,134) | (144,998) |
| **Unappropriated profits carried forward** | **827,223** | **614,178** | **656,163** | **553,311** |
| **Earnings per share (Rs.)** | **2.93** | **2.77** | **2.08** | **2.34** |

## THE BOARD OF DIRECTORS

The Board of Directors consists of 13 Directors and their names and status are stated in the table below. The following Directors held office as at the Balance Sheet date and their profiles are given on pages 26 to 29 of the annual report.

| Name of the Director | Status |
|---|---|
| Mr. W. Lalith A. Peiris (Chairman) | Non-Executive Director |
| Mr. K.R.K.N. Jayasinghe (Vice-Chairman) | Non-Executive Director |
| Mr. K.R.W. Ranasinghe (Managing Director) | Executive Director |
| Mr. D.P. Amaradeva | Non-Executive Director |
| Mr. K.J. Sesiri | Non-Executive Director |
| Mr. R. Sooriyaarachchi | Non-Executive Director |
| Mr. C.P. Jayasinghe | Non-Executive Director |
| Mr. R.G.K. Rankothge | Non-Executive Director |
| Mr. A.D.T.S. Palitha | Non-Executive Director |
| Mr. J.M.V.P. Jayasooriya | Non-Executive Director |
| Mr. P.P.D.S. Kularathna | Non-Executive Director |
| Mr. K.S.S. Weerasekara | Non-Executive Director |
| Mr. D.L. Samarawickrama | Non-Executive Director |

## DIRECTORS' MEETINGS

The number of Directors' meetings which comprises Board meetings, Audit Committee meetings, Investment Committee meetings and Remuneration Committee meetings together with the attendance of each Director at these meetings during the year are tabulated below:

| | Name of Director | Board Meetings | | Audit Committee Meetings | | Investment Committee Meetings | | Human Resources Committee Meetings | | Business Development Committee | | Purchasing Committee | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | A | B | A | B | A | B | A | B | A | B | A | B |
| 1 | Mr. W. Lalith A. Peiris – Chairman | 12 | 12 | - | - | 03 | 02 | 11 | 08 | 03 | 02 | 10 | 06 |
| 2 | Mr. K.R.K.N. Jayasinghe – Vice Chairman | 12 | 12 | - | - | - | - | 11 | 06 | - | - | 10 | 07 |
| 3 | Mr. K.R.W. Ranasinghe – Managing Director | 12 | 12 | - | - | 03 | 03 | 11 | 07 | 03 | 02 | 10 | 09 |
| 4 | Mr. D.P. Amaradeva | 12 | 12 | 16 | 16 | - | - | - | - | - | - | - | - |
| 5 | Mr. R. Sooriyaarachchi | 12 | 10 | - | - | 03 | 03 | - | - | - | - | 10 | 10 |
| 6 | Mr. K.J. Sesiri | 12 | 12 | - | - | - | - | 11 | 11 | - | - | - | - |
| 7 | Mr. C.P. Jayasinghe | 12 | 12 | - | - | - | - | - | - | 03 | 03 | 10 | 10 |
| 8 | Mr. R.G.K. Rankothge | 12 | 12 | 16 | 16 | - | - | - | - | - | - | - | - |
| 9 | Mr. A.D.T.S. Palitha | 12 | 12 | 16 | 16 | - | - | - | - | - | - | - | - |
| 10 | Mr. J.M.V.P. Jayasooriya | 12 | 12 | 16 | 13 | - | - | - | - | - | - | - | - |
| 11 | Mr. R.M.B.M. Bandara (Retired on 30.06.2018) | 07 | 07 | - | - | - | - | - | - | 01 | 01 | - | - |
| 12 | Mr. P.P.D.S. Kularathna | 12 | 12 | - | - | 03 | 03 | 11 | 10 | - | - | - | - |
| 13 | Mr. K.S.S. Weerasekara | 12 | 11 | - | - | - | - | - | - | 03 | 03 | - | - |
| 14 | Mr. D.L. Samarawickrama (Appointed on 02.08.2018) | 05 | 05 | - | - | - | - | - | - | 02 | 02 | - | - |

A – Number of Meetings held during the period while the director was holding office
B – Number of meetings attended

# Annual Report of the Directors

## DIRECTORS' INTEREST WITH CONTRACTS AND RELATED PARTY TRANSACTIONS

The Directors have no direct or indirect interest in contracts with the Company other than those disclosed in Note 34 to the Financial Statements.

## DIRECTORS AND THEIR SHAREHOLDINGS

Directors and their shareholdings as at December 31, 2018 are as follows:

| Name of Director | Number of Shares |
|---|---|
| Mr. W. Lalith A. Peiris - Chairman | 13,790 |
| Mr. K.R.K.N. Jayasinghe - Vice-Chairman | Nil |
| Mr. K.R.W. Ranasinghe – Managing Director | Nil |
| Mr. R. Sooriyaarachchi | 33,381 |
| Mr. K.J. Sesiri | 8,384 |
| Mr. D.P. Amaradeva | 7,783 |
| Mr. C.P. Jayasinghe | 2,894 |
| Mr. R.G.K. Rankothge | 1,038 |
| Mr. A.D.T.S. Palitha | Nil |
| Mr. P.P.D.S. Kularathna | Nil |
| Mr. J.M.V.P. Jayasooriya | Nil |
| Mr. K.S.S. Weerasekara | Nil |
| Mr. D.L. Samarawickrama | Nil |

## DIVIDENDS

The board of directors recommended a dividend of Rs. 1.25 per share as the final dividend for the financial year 2018 to be paid as follows.

- 50% to be paid by cash
- 50% to be paid by distribution of ordinary shares of Rs. 15/- each as provided in clause 122 of the Articles of Association

## INVESTMENTS

The details of investments held by the Company are disclosed in Note 6 to the Financial Statements.

## PROPERTY, PLANT & EQUIPMENT

The book values of the Property, Plant & Equipment were Rs. 1,138.59 Mn as at the Balance Sheet date. Details of the Property, Plant & Equipment and movement during the year are disclosed in Note 4 to the Financial Statements.

## MAJOR SHAREHOLDERS

Major shareholders of the Company as at December 31, 2018 are as follows:

| Name of the Shareholder | Number of Ordinary Shares |
|---|---|
| Wennappuwa Multi-Purpose Co-operative Society Ltd. | 18,798,821 |
| Post & Telecom Employees Co-operative Bank Society Ltd. | 15,039,057 |
| Wayamba Co-operative Rural Bank Union Ltd. | 9,742,788 |
| Gampaha District Co-operative Rural Bank Union Ltd. | 9,611,325 |
| Public Service Co-operative Credit & Thrift Society Ltd. | 8,421,872 |
| Matara District Co-operative Tea Producers' Co-operative Society Ltd. | 7,068,083 |
| Beliatta Multi-Purpose Co-operative Society Ltd. | 6,049,500 |
| Matara District Co-operative Rural Bank Union Ltd. | 4,688,431 |
| Beralapanathara Multi-Purpose Co-operative Society Ltd. | 2,925,049 |
| Homagama Multi-Purpose Co-operative Society Ltd. | 2,775,390 |
| Colombo District Co-operative Rural Bank Union Ltd. | 2,571,065 |
| Kotapola Multi-Purpose Co-operative Society Ltd. | 2,553,078 |
| Hambantota District Co-operative Rural Bank Union Ltd. | 2,419,800 |
| Sri Lanka Co-operative Rural Bank Federation Ltd. | 2,419,800 |
| Panduwasnuwara Multi-Purpose Co-operative Society Ltd. | 2,269,530 |
| Central Province Co-operative Rural Bank Union Ltd. | 2,240,577 |
| Puttalam Salt Limited | 2,159,398 |
| Bingiriya Multi-Purpose Co-operative Society Ltd. | 2,050,781 |
| Mirigama Multi-Purpose Co-operative Society Ltd. | 1,902,670 |
| Kolonnawa Multi-Purpose Co-operative Society Ltd. | 1,754,168 |

## PROVISIONS

The Directors' have taken reasonable steps to ensure adequate provisioning for all known liabilities and insurance related reserves i.e. Unearned premiums reserves, Claims outstanding reserve and provisions for Claims Incurred But Not Reported (IBNR) and Claims Incurred But Not Enough Reported (IBNER) in Non-Life Insurance. The Directors also have consulted an Independent Actuary in this process of valuing IBNR and IBNER reserves and his report is given on page 114.

## STATED CAPITAL

The Company's issued and fully paid stated capital as of the year end was Rs. 1,430,194,585/-

## STATUTORY PAYMENTS

The Directors, to the best of their knowledge, are satisfied that all statutory payments in relation to the Government, the Insurance Regulatory Commission of Sri Lanka (IRCSL) and related to employees have been made on time.

## CONTINGENCIES AND EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Details of contingencies and events occurring after the Balance Sheet date are disclosed in Note 35 and Note 36 respectively to the Financial Statements.

## AUDITORS

A resolution to be paused to appoint Jayasinghe and Company, Chartered Accountants as auditors for the financial year ending December 31, 2019 and to authorise the directors to fix their remuneration will be proposed at the Annual General Meeting.

## ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on July 07, 2019 "Grand Monarch Hotel, 527/7, Borella Road, Thalawathugoda at 10.00 a.m. The Notice of Meeting relating to the 21st Annual General Meeting is given on page 212.

By Order of the Board of Directors,

Business Management Services Ltd.

Secretaries to the Company

May 23, 2019

# Certification of IBNR & LAT

23 May 2019

**To the shareholders of Co-operative Insurance Company Limited**

Co-operative Insurance Company Limited 31 December 2018 Net IBNR and LAT Certification

I hereby certify that the undiscounted Central Estimate IBNR provision, including an allowance for CHE of LKR 178,566,242 is adequate in relation to the Claim Liability of Co-operative Insurance Company Limited as at the 31 December 2018, net of reinsurance. This IBNR provision, together with the Case Reserves held by the Company, is expected to be adequate at a 50th percentile to meet the future liabilities in respect of the Company's incurred claims obligations as at 31 December 2018, in many but not all scenarios of future experience. (The undiscounted IBNR provision, gross of reinsurance, including an allowance for CHE is LKR 202,878,384).

At the end of each reporting period, companies are required to carry out a Liability Adequacy Test (LAT) as laid out in SLFRS 4. The LAT is performed to assess the adequacy of the carrying amount of the Unearned Premium Reserve (UPR). I hereby certify that the UPR provision of LKR 1,654,770,901 set by the Company, net of reinsurance, is adequate at a 50th percentile in relation to the unexpired risks of Co-operative Insurance Company Limited as at 31 December 2018, in many but not all scenarios of future experience. As such, there is no premium deficiency to be recognised by the Company. (The UPR provision, gross of reinsurance, is LKR 1,918,425,938).

The results have been determined in accordance with internationally accepted actuarial principles.

I have relied upon information and data provided by the management of the Company and I have not independently verified the data supplied, beyond applying checks to satisfy myself as to the reasonability of the data.

Sivaraman Kumar
Fellow of the Institute and Faculty of Actuaries
For and on behalf of NMG Consulting
Dated 23 May 2019

T: +65 6325 9855 F: +65 6325 4700 E: contact@NMG-Group.com
www.NMG-Group.com
30 Hill Street, #03-02A, Singapore 179360

# Financial Reports

# Statement of Directors' Responsibilities

The responsibility of Directors in relation to Financial Statements of the company prepared in accordance with the Companies Act No. 07 of 2007 is set out in the following statement. These differ from the responsibilities of the External Auditors in relation to Financial Statements, which are set out in Report of the External Auditors given on pages 118 and 119.

1. The Directors are required by the Companies Act No. 07 of 2007 to prepare Financial Statements for each financial year, which gives a true and fair view of
    - the state of affairs of the Company as at the Balance Sheet date; and
    - the Profit or Loss of the Company for the financial year ended on the Balance Sheet date.

2. The Directors consider that these Financial Statements have been prepared using appropriate accounting policies consistently applied and material departure, if any, have been disclosed and supported by reasonable and prudent judgments and estimates and in compliance with the applicable Accounting Standards and Directions issued by the Insurance Regulatory Commission of Sri Lanka.

3. The Directors are responsible for ensuring that the Company keeps sufficient accounting records which disclose the financial position of the Company with reasonable accuracy and to enable them to ensure that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards, provide the information required by the Companies Act No. 07 of 2007 and comply with the requirements of the Regulation of Insurance Industry Act No. 43 of 2000.

4. They are also responsible for taking measures to safeguard the assets of the Company and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.

5. The Directors are required to prepare the Financial Statements to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspection they may consider appropriate to enable them to give their audit opinion.

6. The Directors continue to adopt the Going Concern basis in preparing the Financial Statements. The Directors, after making inquiries and review of the Company's budget for 2018, including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

7. The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to all relevant regulatory and statutory authorities which were due and payable by the Company as at the Balance Sheet date have been paid or sufficiently provided for.

By Order of the Board,

Business Management Services Ltd.
Secretaries to the Company

May 23, 2019

# Audit Committee Report

## ROLE AND OBJECTIVES

Audit Committee oversees the financial reporting system with an aim of safeguarding the interest of all the stakeholders of the Co-operative Insurance Company Limited. As defined in the Terms of Reference of Audit Committee, the Committee assist the Board of Directors in carrying out its responsibilities in the areas of financial reporting system, business risk management, internal controls and internal audit, related party transactions, compliance in specially with Sri Lanka Financial Reporting Standards, Companies Act No. 07 of 2007 and Regulation of Insurance Industry Act No. 43 of 2000 and External Audit and Auditor's independence.

## COMPOSITION AND PROCEEDINGS

### Composition and proceedings

Mr. A. D. T. S. Palitha (Chairman)
Mr. D. P. Amaradeva
Mr. R. G. K. Rankothge
Mr. J. M. V. P. Jayasuriya

Chairman of the Audit Committee is an Associate Member of the Institute of Chartered Accountants of Sri Lanka. Managing Director, Chief Operating Officer and Heads of Finance, Marketing, Human Resources, Information Technology attend the meeting on invitation. Manager Internal Audit functions as the Secretary to the Audit Committee. During the Financial Year 2018, sixteen meetings have been conducted and all the matters material have been reported to the Board. Audit Committee held two meetings with the External Auditors, Deloitte (S J M S Associates), Chartered Accountants in relation to the audit of financial statements of 2018.

## FINANCIAL REPORTING

Audit Committee reviews annual and quarterly financial statements along with their disclosure requirements. Extent of disclosures is discussed and reported to the Board of Directors.

## INTERNAL CONTROLS AND INTERNAL AUDIT

Internal control framework is regularly reviewed and Manager Internal Audit is requested to report on areas of importance. Internal Audit reports were discussed in detail with the presence of respective Heads of Departments and branch level management. Further, a mechanism is in place to follow up actions and feedback. Related Parties and transactions with related parties were also identified and discussed at the meetings.

## EXTERNAL AUDIT

The Audit Committee perused the independent auditor's report and Management Letters and other communications during the course of the audit of financial statements 2018. Management Responses are followed up as well in implementing Auditor's recommendations.

## CONCLUSION AND RECOMMENDATION

The Committee, together with the management reviewed the system of internal controls, risk management procedures and appropriateness and application of accounting policies of the Company and is satisfied with them. Further improvements are also encouraged to meet emerging challenges.

The Company's Internal Audit has been effective and External Auditors have been independent throughout the year.

A. D. T. S. Palitha
Chairman - Audit Committee

Colombo
23rd May 2019

# Independent Auditor's Report

SJMS Associates
Chartered Accountants
No. 11, Castle Lane,
Colombo 04
Sri Lanka

Tel: +94 11 2580409, 5444400
Fax: +94 11 2582452
www.deloitte.com

**TO THE SHAREHOLDERS OF CO-OPERATIVE INSURANCE COMPANY LIMITED**

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Co-operative Insurance Company Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 December 2018, and of their financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements of the Code of Ethics issued by CA Sri Lanka ("Code of Ethics") that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

P.E.A. Jayewickreme, M. B. Ismail, Ms. S. L. Jayasuriya, G. J. David, Ms. F. M. Marikkar, Ms. M. S. J. Henry, R. H. M. Minfaz, Ms. S. Y. Kodagoda

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on Other Legal and Regulatory Requirements**

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

As required by Section 47(2) of the Regulation of Insurance Industry Act, No.43 of 2000, as far as appears from our examination, the accounting records of the Company have been maintained in the manner required by the rules issued by the Insurance Board of Sri Lanka, so as to clearly indicate the true and fair view of the financial position of the Company.

**SJMS Associates**

Chartered Accountants

Colombo
23 May 2019

# Statement of Financial Position

| | | Group | | Company | |
|---|---|---|---|---|---|
| As at 31 December | Note | 2018 Rs. | 2017 Rs. | 2018 Rs. | 2017 Rs. |
| **Assets** | | | | | |
| Property, plant and equipment | 4 | 1,138,599,047 | 1,102,086,765 | 856,627,241 | 827,891,117 |
| Intangible assets | 5 | 5,331,334 | 2,141,769 | 2,861,955 | 2,136,028 |
| Deferred tax asset | 20 | 130,316,665 | 30,250,575 | - | 30,250,575 |
| Financial investments | 6 | 4,864,354,265 | 4,175,076,019 | 2,887,575,982 | 2,365,950,814 |
| Investments in subsidiaries | 7 | - | - | 445,260,050 | 410,000,040 |
| Loans to life policy holders | 8 | 20,629,674 | 19,039,109 | - | - |
| Reinsurance receivables | 9 | 340,059,225 | 256,107,387 | 331,971,907 | 245,140,054 |
| Premium receivables | 10 | 758,588,418 | 602,794,567 | 750,717,081 | 594,509,280 |
| Related party receivables | 34 | - | - | 11,535,904 | 7,956,942 |
| Other assets | 11 | 140,820,074 | 138,027,170 | 85,488,497 | 68,785,430 |
| Cash at bank and in hand | 12 | 140,830,613 | 138,643,622 | 120,708,829 | 114,938,092 |
| Total assets | | 7,539,529,315 | 6,464,166,983 | 5,492,747,446 | 4,667,558,372 |
| **Equity and liabilities** | | | | | |
| **Equity attributable to equity holders of the parent** | | | | | |
| Stated capital | 13 | 1,430,194,585 | 1,260,251,770 | 1,430,194,585 | 1,260,251,770 |
| Revaluation reserve | | 382,768,644 | 381,932,353 | 322,407,068 | 333,597,638 |
| Available for sale reserves | | (82,409,685) | (78,884,689) | (48,607,352) | (67,029,162) |
| Retained earnings | | 827,222,541 | 614,177,830 | 656,163,366 | 553,311,052 |
| | | 2,557,776,085 | 2,177,477,264 | 2,360,157,667 | 2,080,131,298 |
| Non-controlling interest | 16 | 142,828,874 | 111,368,634 | - | - |
| Total equity | | 2,700,604,959 | 2,288,845,898 | 2,360,157,667 | 2,080,131,298 |
| **Liabilities** | | | | | |
| Retirement benefit obligations | 17 | 54,230,085 | 51,876,087 | 40,738,427 | 37,993,692 |
| Interest bearing borrowings | 14 | 3,051,458 | 11,586,461 | 1,763,819 | 8,414,249 |
| Insurance liabilities | 15 | 3,838,045,290 | 3,391,079,301 | 2,229,943,843 | 1,900,064,983 |
| Reinsurance creditors | 18 | 302,532,420 | 216,873,106 | 291,709,148 | 196,593,170 |
| Deferred tax liability | 20 | 51,698,297 | - | 51,698,297 | - |
| Other liabilities | 19 | 494,858,519 | 433,937,937 | 422,227,958 | 374,392,787 |
| Bank overdrafts | 12 | 94,508,287 | 69,968,193 | 94,508,287 | 69,968,193 |
| Total liabilities | | 4,838,924,356 | 4,175,321,084 | 3,132,589,779 | 2,587,427,074 |
| Total equity and liabilities | | 7,539,529,315 | 6,464,166,983 | 5,492,747,446 | 4,667,558,372 |

These financial statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

**Laksiri Nawaratne**
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements.
Signed for and on behalf of the Board on 23 May 2019.

**W.L.A. Pieris**
Chairman

**K.R.W. Ranasinghe**
Managing Director

The notes to the financial statements from 1 to 37 form an integral part of these financial statements.

# Statement of Profit or Loss
## and Other Comprehensive Income

| | | Group | | Company | |
|---|---|---|---|---|---|
| For the year ended 31 December | Note | 2018 Rs. | 2017 Rs. | 2018 Rs. | 2017 Rs. |
| Gross written premium | 21 | 4,368,316,886 | 3,677,800,345 | 3,750,838,457 | 3,055,835,664 |
| Less premium ceded to reinsurers | 22 | (604,773,448) | (584,283,012) | (558,940,279) | (544,355,201) |
| Net written premium | | 3,763,543,438 | 3,093,517,333 | 3,191,898,178 | 2,511,480,464 |
| Net change in reserves for unearned premium | 23 | (347,458,112) | (160,160,321) | (347,458,112) | (160,160,321) |
| Net earned premium | | 3,416,085,326 | 2,933,357,012 | 2,844,440,066 | 2,351,320,142 |
| **Other revenue** | | | | | |
| Investment income | 24 | 510,646,589 | 428,566,994 | 344,570,627 | 258,669,236 |
| Unrealised changes in losses of financial Instruments | 25 | (251,200) | (199,920) | - | - |
| Net realised gain in financial investment | 6.4 | 4,326 | 18,346,169 | - | - |
| Policy administration fees | 26 | 161,535,448 | 123,073,337 | 161,535,448 | 123,073,337 |
| Other income | 27 | 25,730,268 | 21,296,657 | 25,154,337 | 22,030,734 |
| | | 697,665,431 | 591,083,237 | 531,260,412 | 403,773,307 |
| Total net revenue | | 4,113,750,757 | 3,524,440,249 | 3,375,700,478 | 2,755,093,449 |
| **Net benefits and claims** | | | | | |
| Gross benefits and claims incurred | 28 | 2,404,324,730 | 1,952,311,212 | 2,181,895,843 | 1,830,737,958 |
| Claims ceded to reinsurers | | (272,922,102) | (314,478,998) | (255,028,531) | (301,891,061) |
| Change in life contract liabilities | | 110,736,893 | 249,255,888 | - | - |
| | | 2,242,139,521 | 1,887,088,102 | 1,926,867,312 | 1,528,846,897 |
| **Other expenses** | | | | | |
| Underwriting and policy acquisition cost | 29 | 238,951,866 | 170,610,120 | 140,612,881 | 93,500,473 |
| Other operating and administrative expenses | 30 | 1,217,911,302 | 1,012,751,129 | 902,443,863 | 733,634,684 |
| Profit before income tax | 31 | 414,748,068 | 453,990,898 | 405,776,422 | 399,111,395 |
| Income tax expenses | 32 | (3,102,128) | (83,222,314) | (137,622,275) | (97,677,827) |
| Profit for the year | | 411,645,940 | 370,768,584 | 268,154,147 | 301,433,568 |
| **Other comprehensive income** | | | | | |
| **Items that will not be reclassified subsequently to profit or loss ;** | | | | | |
| Revaluation of land and buildings | | 66,023,329 | 76,608,536 | 44,101,987 | 61,829,307 |
| De-recognition of revaluation reserve | | - | 90,984 | - | 90,984 |
| Actuarial gains / (loses) on defined benefit plan | | 5,332,800 | 777,116 | 4,584,095 | (997,237) |
| **Items that may be reclassified subsequently to profit or loss;** | | | | | |
| Net change in fair value of available-for-sale financial assets | | (4,536,866) | 86,813,932 | 18,805,805 | 23,843,539 |
| Tax on other comprehensive income | | (66,514,968) | (16,944,141) | (55,428,491) | (1,298,100) |
| | | 304,295 | 147,346,427 | 12,063,396 | 83,468,493 |
| Total comprehensive income for the year, net of tax | | 411,950,235 | 518,115,010 | 280,217,544 | 384,902,061 |
| **Profit attributable to:** | | | | | |
| Equity holders of the company | 16 | 378,176,880 | 356,981,365 | 268,154,147 | 301,433,568 |
| Non controlling interest | | 33,469,060 | 13,787,219 | - | - |
| Profit for the year | | 411,645,940 | 370,768,584 | 268,154,147 | 301,433,568 |
| **Total comprehensive attributable to :** | | | | | |
| Equity holders of the company | | 380,620,157 | 491,625,707 | 280,217,544 | 384,902,061 |
| Non controlling interest | | 31,330,079 | 26,489,303 | - | - |
| | | 411,950,235 | 518,115,010 | 280,217,544 | 384,902,061 |
| **Earnings per share** | | | | | |
| Basic earnings per share | 33 | 2.93 | 2.77 | 2.08 | 2.34 |

The notes to the financial statements from 1 to 37 form an integral part of these financial statements.

# Statement of Changes in Equity
## - GROUP

| Group | Stated capital Rs. | Revaluation reserve Rs. | Available for sale reserve Rs. | Retained earnings Rs. | Non-controlling interests Rs. | Total Rs. |
|---|---|---|---|---|---|---|
| Balance as at 01 January 2017 | 1,115,367,950 | 305,431,791 | (135,636,652) | 398,581,474 | 97,100,338 | 1,780,844,902 |
| Effect on partial investment in subsidiary - (Note 16) | - | 1,149,320 | (234,422) | 1,306,108 | (12,221,007) | (10,000,000) |
| | 1,115,367,950 | 306,581,111 | (135,871,074) | 399,887,583 | 84,879,332 | 1,770,844,901 |
| **Total comprehensive income** | | | | | | |
| Profit for the year | - | - | - | 356,981,365 | 13,787,219 | 370,768,584 |
| **Other comprehensive income for the year** | | | | | | |
| - Net change in revaluation of land and buildings | - | 73,793,478 | - | - | 2,938,839 | 76,732,318 |
| - De-recognition of revaluation reserve | - | (335,898) | - | 303,100 | - | 90,984 |
| - Net change in fair value of available for sale financial assets | - | - | 74,292,313 | - | 12,521,619 | 86,813,932 |
| - Actuarial gains / (losses) on defined benefit plan | - | - | - | 424,287 | 352,829 | 777,116 |
| Tax on other comprehensive income | | 1,893,662 | (17,305,928) | 1,579,330 | (3,111,204) | (16,944,141) |
| | - | 75,351,242 | 56,986,385 | 2,306,717 | 12,702,083 | 147,346,427 |
| Total comprehensive income for the year | - | 75,351,242 | 56,986,385 | 359,288,081 | 26,489,303 | 518,115,011 |
| Issue of shares | 144,883,820 | - | - | - | - | 144,883,820 |
| Ordinary dividends - 2016 | - | - | - | (144,997,834) | - | (144,997,834) |
| Balance as at 31 December 2017 | 1,260,251,770 | 381,932,353 | (78,884,689) | 614,177,830 | 111,368,634 | 2,288,845,898 |
| Balance as at 01 January 2018 | 1,260,251,770 | 381,932,353 | (78,884,689) | 614,177,830 | 111,368,634 | 2,288,845,898 |
| Changes in holding without changing in control | - | (110,665) | 16,907 | (36,403) | 130,161 | - |
| **Total comprehensive income** | | | | | | |
| Profit for the year | - | - | - | 378,176,880 | 33,469,060 | 411,645,940 |
| **Other comprehensive income for the year** | | | | | | |
| - Net change in revaluation of land and building | - | 62,035,837 | - | - | 3,987,492 | 66,023,329 |
| - De-recognition of revaluation reserve | - | (1,810,833) | - | 1,810,833 | - | - |
| - Net change in fair value of available for sale financial assets | - | - | (290,834) | - | (4,246,032) | (4,536,866) |
| - Actuarial gains/ (losses) on defined benefit plan | - | - | - | 5,196,611 | 136,189 | 5,332,800 |
| Tax on other comprehensive income | - | (59,278,047) | (3,251,069) | (1,969,222) | (2,016,630) | (66,514,968) |
| | - | 946,957 | (3,541,903) | 5,038,222 | (2,138,979) | 304,296 |
| Total comprehensive income for the year | - | 946,957 | (3,541,903) | 383,215,102 | 31,330,079 | 411,950,236 |
| Issue of shares | 169,942,815 | - | - | - | 9,000,000 | 178,942,815 |
| Ordinary dividends - 2017 | - | - | - | (170,133,989) | (9,000,000) | (179,133,989) |
| Balance as at 31 December 2018 | 1,430,194,585 | 382,768,644 | (82,409,685) | 827,222,541 | 142,828,874 | 2,700,604,961 |

The notes to the financial statements from 1 to 37 form an integral part of these financial statements.

# Statement of Changes in Equity
## - COMPANY

| Company | Stated capital Rs. | Revaluation reserve Rs. | Available for sale reserve Rs. | Retained earnings Rs. | Total Rs. |
|---|---|---|---|---|---|
| Balance as at 01 January 2017 | 1,115,367,950 | 268,847,038 | (87,476,248) | 398,604,509 | 1,695,343,249 |
| **Total comprehensive income** | | | | | |
| Profit for the year | - | - | - | 301,433,568 | 301,433,568 |
| **Other comprehensive income for the year** | | | | | |
| - Net change in revaluation of land and buildings | - | 61,953,089 | - | - | 61,953,089 |
| - De-recognition of revaluation reserve | - | (335,898) | - | 303,100 | (32,798) |
| - Net change in fair value of available for sale financial assets | - | - | 23,843,539 | - | 23,843,539 |
| - Actuarial gains / (losses) on defined benefit plan | - | - | - | (997,237) | (997,237) |
| Tax on other comprehensive income | - | 3,133,409 | (3,396,454) | (1,035,055) | (1,298,100) |
| | - | 64,750,600 | 20,447,086 | (1,729,192) | 83,468,493 |
| Total comprehensive income for the year | - | 64,750,600 | 20,447,086 | 299,704,376 | 384,902,061 |
| Issue of shares | 144,883,820 | - | - | - | 144,883,820 |
| Ordinary dividends - 2016 | - | - | - | (144,997,834) | (144,997,834) |
| Balance as at 31 December 2017 | 1,260,251,770 | 333,597,638 | (67,029,162) | 553,311,052 | 2,080,131,297 |
| Balance as at 01 January 2018 | 1,260,251,770 | 333,597,638 | (67,029,162) | 553,311,052 | 2,080,131,297 |
| **Total comprehensive income** | | | | | |
| Profit for the year | - | - | - | 268,154,147 | 268,154,147 |
| **Other comprehensive income for the year** | | | | | |
| - Net change in revaluation of land and building | - | 44,101,987 | - | - | 44,101,987 |
| - Net change in fair value of available for sale financial assets | - | - | 18,805,805 | - | 18,805,805 |
| - Actuarial gains / (losses) on defined benefit plan | - | - | - | 4,584,095 | 4,584,095 |
| - De-recognition of revaluation reserve | | (1,810,833) | - | 1,810,833 | - |
| Tax on other comprehensive income | - | (53,481,723) | (383,995) | (1,562,773) | (55,428,491) |
| | - | (11,190,569) | 18,421,811 | 4,832,156 | 12,063,397 |
| Total comprehensive income for the year | - | (11,190,569) | 18,421,811 | 272,986,303 | 280,217,544 |
| Issue of shares | 169,942,815 | - | - | - | 169,942,815 |
| Ordinary dividends - 2017 | - | - | - | (170,133,989) | (170,133,989) |
| Balance as at 31 December 2018 | 1,430,194,585 | 322,407,068 | (48,607,352) | 656,163,366 | 2,360,157,667 |

The notes to the financial statements from 1 to 37 form an integral part of these financial statements.

# Statement of Cash Flows

As at 31 December

| | Group | | Company | |
|---|---|---|---|---|
| | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Profit Before taxation | 414,748,068 | 453,990,898 | 405,776,422 | 399,111,399 |
| **Adjustments for:** | | | | |
| Interest income | (512,067,951) | (432,329,293) | (345,556,661) | (261,652,873) |
| Interest expense | 1,421,362 | 3,762,299 | 986,035 | 2,983,636 |
| Depreciation on property, plant and equipment | 122,536,062 | 99,271,691 | 91,647,523 | 77,202,128 |
| Impairment loss on premium receivable | 19,272,100 | 6,269,255 | 5,819,807 | 6,269,255 |
| Impairment loss on other assets | - | - | - | 1,301,348 |
| Impairment loss on property, plant and equipment | - | (218,341) | - | - |
| Amortisation of intangible assets | 2,227,436 | 2,333,661 | 1,401,573 | 2,159,070 |
| Fair value gains or losses | - | (18,146,249) | - | - |
| (Profit) / loss on sale of tangible assets | 171,511 | 534,413 | (171,511) | 472,084 |
| Write off of intangible assets | 995,582 | - | 995,582 | - |
| Provision for employee benefits | 12,971,876 | 12,385,582 | 9,797,036 | 7,881,602 |
| | 62,276,046 | 127,853,916 | 170,695,805 | 235,727,648 |
| Change in operating assets | (273,823,158) | (402,925,643) | (263,321,684) | (359,532,362) |
| Change in operating liabilities | 250,835,181 | 284,425,583 | 142,951,151 | 275,453,248 |
| Change in general insurance reserves | 329,878,860 | 669,906,970 | 329,878,861 | 246,180,595 |
| Cash flows from operating activities | 383,698,451 | 679,260,826 | 380,204,134 | 397,829,129 |
| Gratuity paid | (5,285,078) | (1,433,214) | (2,468,206) | (3,015,537) |
| Taxation paid | (109,453,847) | (23,290,713) | (100,367,391) | (23,290,713) |
| Net cash from operating activities | 268,959,527 | 654,536,899 | 277,368,537 | 371,522,879 |
| **Cash flows from investing activities** | | | | |
| Purchase of investments net of sale proceeds | (693,658,787) | (735,020,876) | (513,405,727) | (503,084,394) |
| Investment in subsidiary | - | (10,000,000) | - | (10,000,000) |
| Interest received | 507,085,834 | 220,719,339 | 268,798,493 | 220,719,339 |
| Dividend received | 4,982,117 | 1,385,637 | 35,682,061 | 1,385,637 |
| Interest paid | (1,421,362) | (2,983,636) | (986,035) | (2,983,636) |
| Proceeds on sale of tangible assets | 2,709,314 | 5,171,597 | 2,330,527 | 1,583,599 |
| Purchase of intangible assets | (6,412,580) | (1,221,418) | (3,123,082) | (1,221,418) |
| Purchase of tangible assets | (96,062,161) | (99,340,929) | (78,783,699) | (61,180,080) |
| Net cash used in from investing activities | (282,777,625) | (621,290,286) | (289,487,462) | (354,780,952) |
| **Cash flows from financing activities** | | | | |
| Repayment of finance lease | (8,535,002) | (8,354,109) | (6,650,430) | (6,227,534) |
| Net cash used in from financing activities | (8,535,002) | (8,354,109) | (6,650,430) | (6,227,534) |
| Decrease in cash and cash equivalents | (22,353,100) | 24,892,505 | (18,769,355) | 10,210,282 |
| Cash and cash equivalents at the beginning of the year | 68,675,427 | 43,782,923 | 44,969,898 | 34,759,616 |
| Cash and cash equivalents at the end of the year | 46,322,327 | 68,675,428 | 26,200,543 | 44,969,898 |

**Note A**

| | | | | |
|---|---|---|---|---|
| Cash and cash equivalents at the end of the year | | | | |
| Cash at bank | 134,585,846 | 135,767,458 | 114,990,385 | 112,359,428 |
| Cash in hand | 6,020,944 | 2,876,164 | 5,718,444 | 2,578,664 |
| Cash in transit | 223,823 | - | - | - |
| Bank overdrafts | (94,508,287) | (69,968,193) | (94,508,288) | (69,968,193) |
| | 46,322,327 | 68,675,428 | 26,200,542 | 44,969,898 |

# Notes to the Financial Statements

## 1. REPORTING ENTITY

### 1.1 Corporate information

Co-operative Insurance Company Limited is a Company incorporated on 11 August 1997 with limited liability and domiciled in Sri Lanka. The registered office and the principal place of business of the Company is situated at 74/5, Grandpass Road, Colombo 14. Registered office of its subsidiary is situated at 455, Co-op House, Galle Road Colombo 03.

### 1.2 Consolidated financial statements

The Consolidated Financial Statements for the year ended and as at 31st December 2018 comprise "the Company" referring to Co-operative insurance company limited as the holding company and "the Group" referring to Co-operative insurance company limited and its Subsidiaries listed in note 3.11.

The financial statements of all Companies within the Group are prepared for a common financial year, with uniform accounting policies, which ends on 31 December.

### 1.3 Principal activities and nature of operations

The Group is primarily involved in the Non-life and Life insurance business. In compliance with the requirements of the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011, the Company completed the segregation of the life and non-life insurance businesses on 1 January 2015.

Co-operative Insurance Company Limited, provides General Insurance solutions for both individual and corporate customers. Insurance other than 'Life Insurance' falls under the category of General Insurance Fire, Motor, Marine and miscellaneous insurance are the main categories under General Insurance.

Coop life Insurance Company limited provides Life Insurance solutions for both individual and corporate customers.

Co-operative Insurance Training Academy is providing Insurance Education Training mostly to the employees and also for the external parties.

There were no significant changes in the nature of the principal activities during the financial year under review.

### 1.4 Number of employees

The staff strength of the Company as at 31 December 2018 is 1093 (2017 – 859) and the Group is 1354 (2017 – 1150).

### 1.5 Approval of financial statements

The financial statements for the year ended 31 December 2018 were authorised for issue by the Directors on 23 May 2019.

### 1.6 Responsibility of Financial Statements

The Board of Directors is responsible for these financial statements as per the provisions of the Companies Act, No. 07 of 2007, the Sri Lanka Accounting Standards and Regulation of Insurance Industry Act, No. 43 of 2000. The responsibility of the Directors in relation to these financial statements is set out in detail in the Annual Report of the Board of Directors, Directors' Responsibility for financial position appearing in this Annual Report.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

The financial statements have been prepared in accordance with Sri Lanka Accounting Standards (here in after referred to as SLFRS/LKAS)as issued by the Institute of Chartered Accountants of Sri Lanka, the requirements of Companies Act No 7 of 2007 and the Regulation of Insurance Industry Act, No. 43 of 2000 with subsequent amendment.

The financial statements have the following components:

| Components | Page/s |
|---|---|
| Statement of financial position | 120 |
| Statement of profit or loss and other comprehensive income | 121 |
| Statement of changes in equity | 122-123 |
| Statement of cash flows | 124 |
| Notes to the financial statements | 125-195 |

### 2.2 Materiality and aggregation

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

# Notes to the Financial Statements

### 2.3 Going concern

The management has made an assessment of the parent company's ability to continue as a going concern and is satisfied that the parent company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the parent company's ability to continue as a going concern. Therefore, consolidated financial statements continue to be prepared on a going concern basis.

### 2.4 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items which are measured on an alternative basis at the reporting date:

| Item | Measurement Basis | Note No. |
|---|---|---|
| Land and buildings | Fair value | 4 |
| Motor vehicles | Fair value | 4 |
| Held to maturity instruments | Amortised cost | 6.1 |
| Loan and receivable investments | Amortised cost | 6.2 |
| Available for sale financial assets | Fair value | 6.3 |
| Non derivative financial instruments at fair value through profit or loss | Fair value | 6.4 |
| Policy holder liabilities | Actuarial valuation | 15 |
| Defined benefit liabilities | Actuarially valued and recognised at present value | 17 |

### 2.6 Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees (LKR), which is the company's functional currency and the Group's presentation currency. Except where indicated, financial information presented in Sri Lankan Rupees has been rounded to the nearest value.

### 2.7 Comparative information

The Consolidated financial statements provide comparative amended, where relevant for better presentation and to be comparable with those of the current year.

### 2.8 Use of estimates and judgments

The preparation of financial statements in conformity with Sri Lanka Accounting Standard requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

| Critical Accounting Estimate/Judgment | Disclosure Note | Page |
|---|---|---|
| Useful lives of property and equipment | 3.5.7 | 133 |
| Impairment of non-financial assets | 3.3.8 | 131 |
| Classification of financial instruments | 3.3 | 127 |
| Unearned premium | 3.9.3a | 135 |
| Insurance provision – Life | 3.9.1 | 135 |
| Liability adequacy | 3.9.2 | 135 |
| Provision for IBNR/IBNER | 3.9.3b | 135 |
| Employee benefits | 3.12 | 136 |
| Deferred taxation | 3.19.2 | 139 |

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated. The accounting policies of the company have been consistently applied by the Group entities where applicable and deviations if any, have been disclosed accordingly.

#### 3.1 Basis of consolidation

The consolidated financial statements comprise the Financial Statements of the Parent and its investees that are considered as subsidiaries as at 31st December 2018.

#### 3.1.1 Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiary is included in the consolidated financial statement from the date on which control commences until the date on which control ceases.

**Critical judgments in applying the entity's control**

The directors have concluded that the Group controls all subsidiaries as it has majority control and voting rights over its subsidiaries as depicted in Note 3.1.4 below:

**Interest in subsidiaries**

Set out below is the Group's principal subsidiary as at 31st December 2018.

| Name of entity | Place of business/ country of incorporation | Percentage of ownership | | Principal activities |
|---|---|---|---|---|
| | | 2018 | 2017 | |
| CoopLife Insurance Limited | Colombo/ Sri Lanka | 82% | 82% | Life insurance |
| Co-operative Insurance Training Academy | Colombo/ Sri Lanka | 100% | - | Insurance Training Education |

**Acquisition**

NCI are measured at their proportionate share of acquiree's identifiable net assets at the date of acquisition.

**Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

#### 3.2 Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined.

Foreign currency differences arising on retranslation are recognised in Profit or Loss, except for the difference arise on the retranslation of Available For Sale equity instruments, which are recognised in other comprehensive income.

#### 3.3 Financial instruments

The Group classifies non-derivative financial assets into the following categories:

- Financial assets at fair value through profit or loss
- Held-to-maturity financial assets
- Loans and receivables
- Available-for-sale financial assets.

Judgments are made in the classification of financial instruments based on the management's intentions on acquisition.

The company classifies non-derivative financial liabilities into the other financial liabilities category.

### 3.3.1 Non-derivative financial assets and financial liabilities – Recognition and de-recognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets (including assets designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset is measured initially at fair value plus, for an asset not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

The Group de-recognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such de-recognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

### 3.3.2 Non-derivative financial assets – Subsequent Measurement

#### (a) Available-for-sale financial assets (AFS)

Available-for-sale financial investments are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement at fair value, available-for-sale financial investments are subsequently measured at fair value and changes therein are recognised in other comprehensive income and accumulated in the available-for-sale reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term would still be appropriate. In the case where the Group is unable to trade these financial assets due to inactive markets and management's intention significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to held-to-maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

Available for sale financial investments of the Group comprise equity and debt securities, which are neither classified as held for trading nor designated at fair value through profit or loss.

#### (b) Financial assets at fair value through profit or loss (FVTPL)

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

The assets and liabilities are part of a Group's financial assets, financial liabilities, or both, which are managed and their performance evaluated on a fair value basis, in accordance with the Group's investment strategy. Financial assets at fair value through profit or loss of the Group comprise listed equity investments.

#### (c) Held to maturity financial assets (HTM)

These are non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has both the intention and ability to hold until maturity. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Held to maturity financial assets comprise treasury bills and treasury bonds investments made by the Group.

**(d) Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

Loans and receivables comprise investments in unquoted corporate debt, term deposits, asset backed securities, development bonds, commercial papers, other loans and receivables, cash and cash equivalents.

- **Reinsurance Receivable**

Group cedes insurance risk in the normal course of business to recognised reinsurers through formal reinsurance arrangements.

Reinsurance assets include the balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance is recorded gross in the statement of financial position unless a right to offset exists.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss, if any is recorded in profit and loss.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Collectability of premiums is reviewed on an ongoing basis.

According to the Premium Payment Warranty (PPW) directive issued by the Insurance Board of Sri Lanka (IBSL), Non-Life insurance policies are issued subject to PPW and are cancelled upon the expiry of 90 days if not settled.

The Company decided to account for life insurance premiums on accrual basis in accordance with Sri Lanka Accounting Standards. Accordingly, due Life Insurance premiums (only the premiums due in the 30 day grace period) are recognised at each reporting date and will be reversed if the premiums are not settled during the subsequent month, and thus the policies will be lapsed as per the company policy.

- **Other Receivables and Dues from Related Parties**

Other receivables and dues from related parties are recognised at cost less allowances for bad and doubtful receivables.

- **Cash and cash equivalents**

Cash and cash equivalents comprise reverse repurchase agreements, cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

### 3.3.3 Non-derivative financial liabilities - Measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest rate method.

### 3.3.4 Fair value measurement

SLFRS 13 defines fair value as the price that would be received to sell and asset or paid to transfer a liability in an orderly transactions between market participants at the measurement date.

A Fair value measurement requires an entity to determine all the following:

1. The particular asset or liability that is the subject of the measurement.
2. For a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use).
3. The principal (or most advantageous) market for the asset or liability.
4. The valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorised.

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

When a price for an identical asset or liability is not observable, an entity measures fair value using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

When an asset is acquired or a liability is assumed in an exchange transaction for that asset or liability, the transaction price is the price paid to acquire the asset or received to assume the liability (an entry price). In contrast, the fair value of the asset or liability is the price that would be received to sell the asset or paid to transfer the liability (an exit price).

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

### 3.3.5 Determination of fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumption and other risks affecting the specific instrument.

Level 1 – Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly
(i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

### 3.3.6 Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

### 3.3.7 Reclassification

Reclassifications of financial assets, other than as set out below, or of financial liabilities between measurements categories are not permitted following initial recognition.

Held for trading non-derivative financial assets are transferred out of the held at fair value through profit or loss category in the following circumstances: to the available-for-sale category, where, in rare circumstances, they are no longer held for the purpose of selling or repurchasing in the near term; or to the loan and receivables category, where they are no longer held for the purpose of selling or repurchasing in the near term and they would have met the definition of a loan and receivable at the date of reclassification and the company has the intent and ability to hold the assets for the foreseeable future or until maturity.

Financial assets are transferred out of the available for-sale category to the loan and receivables category where they would have met the definition of a loan and receivable at the date of reclassification and the company has the intent and ability to hold the assets for the foreseeable future or until maturity.

Held-to-maturity assets are reclassified to the available-for sale category if the portfolio becomes tainted following the sale of other than an insignificant amount of held-to-maturity assets prior to their maturity.

Financial assets are reclassified at their fair value on the date of reclassification. For financial assets reclassified out of the available-for-sale category into loans and receivables, any gain or loss on those assets recognised in shareholder's equity prior to the date of reclassification is amortised to the profit or loss over the remaining life of the financial asset, using the effective interest method.

### 3.3.8 Impairment

#### (a) Non-derivative financial assets

Financial assets not classified at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the company on terms that the company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, the disappearance of an active market for a security; or observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

- **Financial assets measured at amortised cost**

  The company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment.

- **Available-for-sale financial assets**

  Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through statement of profit or loss; otherwise, it is reversed through OCI.

**(b) Non-financial assets**

At each reporting date, the company reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 3.4 Insurance contracts

As permitted by SLFRS 4 Insurance Contracts, the company continues to apply the existing accounting policies for Insurance Contracts that were applied prior to the adoption of SLFRS.

#### 3.4.1 Product classification

SLFRS 4 requires contracts written by insurers to be classified as either "insurance contracts" or "investment contracts" depending on the level of insurance risk transferred.

Insurance contracts are those contracts when the company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

All the products sold by the company are insurance contracts and therefore classified as Insurance contracts under the SLFRS 4 – Insurance Contracts. Thus, the Company does not have any investment contracts within its product portfolio as at the reporting date.

### 3.5 Property plant and equipment

#### 3.5.1 Recognition and measurement

An item of Property, Plant and Equipment that qualifies for recognition as an asset is initially measured at its cost.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that asset.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property plant and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and is recognised in other income/other expenses in profit or loss.

### 3.5.2 Cost model

The Group applies cost model to property, plant and equipment except for freehold land, buildings and motor vehicles and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

### 3.5.3 Revaluation model

The Group applies the revaluation model to the entire class of freehold land, buildings and motor vehicle. Such properties are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land and buildings are revalued annually on a roll over basis to ensure that the carrying amounts do not differ materially from the fair values at the reporting date. On revaluation of an asset, any increase in the carrying amount is recognised in Other Comprehensive Income and accumulated in equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to profit or loss. In this circumstance, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in profit or loss or debited in the Other Comprehensive Income to the extent of any credit balance existing in the capital reserve in respect of that asset. The decrease recognised in Other Comprehensive Income reduces the amount accumulated in equity under capital reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to Retained Earnings on retirement or disposal of the asset.

### 3.5.4 Subsequent costs

The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

### 3.5.5 Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The assets are depreciated from the month it is available for use and cease to depreciate from the month of disposal.

The estimated useful lives for the current and comparative years are as follows:

| | 2018 | 2017 |
|---|---|---|
| Buildings | 60 years-40Years | 60 years-40Years |
| Building improvements | 10 years | 10 years |
| Office equipment | 8 years | 8 years |
| Computers | 6 years | 6 years |
| Motor vehicles | 5 years | 5 years |
| Furniture and fittings | 8 years | 8 years |
| Motor vehicles – Lease hold | 4 years | 4 years |

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

### 3.5.6 De-recognition

The carrying amount of an item of Property, Plant and Equipment is de-recognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from de-recognition of an item of Property, Plant and Equipment is included in profit or loss when the item is de-recognised.

### 3.5.7 Useful lives of property and equipment

As described in accounting policies the Group reviews the estimated useful lives over which its property and equipment's are depreciated. The Group's management is satisfied that the estimates of useful lives are appropriate.

### 3.5.8 Gains and losses on disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within "other income/other expenses" in the Statement of profit or loss and other comprehensive income.

### 3.5.9 Capital work-in-progress

Capital work in progress are carried at cost, in respect of the incomplete projects. Once the project is over and ready for use, it will be transferred to property, plant and equipment and depreciated over the useful life time of the asset.

### 3.5.10 Leased assets – Lessee

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

For operating leases, the leased assets are not recognised on the Group's Statement of Financial Position.

### 3.5.11 Operating leases

Leases that do not transfer to the company substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

## 3.6 Intangible assets – Software

### 3.6.1 Basis of recognition

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

All computer software cost incurred, licensed to be used by the Company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the balance sheet under the category intangible assets and carried at cost less accumulated amortisation and any accumulated impairment losses.

### 3.6.2 Subsequent expenditure

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

### 3.6.3 Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is three years.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### 3.6.4 De-recognition

An Intangible Asset is de-recognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from the de-recognition of such intangible assets is included in profit or loss when the item is derecognised.

#### Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

## 3.7 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle. Value of inventories includes expenditure incurred in acquiring, conversion costs and other costs incurred in bringing them to their existing location and condition.

Salvage inventory is recognised based on the salvage value on the claim reporting date supported by realisable values from independent sources or value subsequently sold.

### 3.8 Stated capital

#### 3.8.1 Ordinary share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

#### 3.8.2 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approvedby the Company's Board of Directorsin accordance with the Articles of Association. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

### 3.9 Insurance contract and liabilities

#### 3.9.1 Insurance provision – Life insurance

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium method as specified by the Insurance Regulatory Commission of Sri Lanka (IRCSL) based on the recommendation of the Independent Actuary. The liability is determined as the sum of the discounted value of the expected future benefits, less the discounted value of the expected future premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is computed based on IRCSL specified guidelines and current assumptions which vary based on the contract type.

Furthermore, adjustments are performed to capture the likely liabilities that may arise due to currently lapsed contracts reviving in the future

#### 3.9.2 Liability adequacy test (LAT) – Long term Insurance

As required by SLFRS 4 –Insurance Contracts, the company performed a Liability Adequacy Test (LAT) in respect of Life Insurance contract liabilities with the assistance of an External Actuary. In performing the LAT, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used.

#### 3.9.3 Insurance provision – Non life insurance

Non-life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities, known as the Policy Liability provisions include the Premium and Claim Liabilities. The Premium Liabilities relate to policies for which the premium has been received but the exposure has not fully expired, while the Claim Liabilities relate to that have been incurred but not yet reported (IBNR) / incurred but not enough reported (IBNER).

##### (a) Unearned Premium

The provision for Unearned Premiums represents premiums received or receivable for risks that have not yet expired at the reporting date. Generally the reserve is released over the term of the contract and is recognised as premium income. The provision is recognised when contracts are entered and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided underthe contract. Provision for unearned premium is calculated on a 1/24 basis except for marine / cargo class which is subject to 60 / 40 basis.

At each reporting date the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. If these calculations show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the Statement of profit or loss and other comprehensive income by setting up a provision for premium deficiency.

##### (b) Claims payable including IBNR

The Claim Liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, with a reduction for the expected value of salvage and other recoveries.

Delays can be experienced in the notification and settlement of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

IBNR reserve is decided by an independent external Actuary.

### 3.9.4 Liability adequacy test (LAT) – Non life insurance

At each reporting date the Group reviews its unexpired risk and a liability adequacy test is performed as laid out under SLFRS 4 to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the Statement of profit or loss and other comprehensive income by setting up a provision for liability adequacy.

### 3.9.5 Insurance contract liabilities – Non-life insurance

Non - Life Insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty. The main assumption underlying estimating the amounts of outstanding claims is the past claims development experience.

### 3.10 Reinsurance assets

The Company cedes insurance risk in the normal course of business to recognised reinsurers through formal reinsurance arrangements. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts

Reinsurance assets represents balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance is recorded gross in the statement of financial position unless a right to offset exists.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss, if any is recorded in profit or loss.

### 3.11 Reinsurance liabilities

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Ceded reinsurance arrangements do not relieve the company from its obligations to policyholders.

Reinsurance assets or liabilities are de-recognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

### 3.12 Employee benefits

#### 3.12.1 Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### 3.12.2 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in profit and loss when incurred.

#### (a) Employee Provident Fund

All employees of the company are member of the Employees' Provident Fund (EPF). The Company and employees contribute 12% and 8% respectively of the salary to EPF.

#### (b) Employees Trust Fund

All employees of the company are members of the Employees' Trust Fund (ETF). The company contributes 3% of the salary of each employee to ETF.

### 3.12.3 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by an independent actuary using Projected Unit Credit method as recommended by LKAS 19 "Employee Benefits" The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the yield on government bonds at the reporting date and have maturity dates approximating to the terms of the Company's obligations.

The Group recognises actuarial gains and losses that arise in calculating the Company's obligation in respect of a plan in other comprehensive income.

The present value of the defined benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 17. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

### 3.12.4 Defined benefit plan

Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 "Employee Benefits". However, under the Payment of Gratuity Act No.12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The obligation is not externally funded.

### 3.13 Provisions (Other than insurance provision)

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

### 3.14 Capital commitments and contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. The Company's share of any contingencies and capital commitments and of its Subsidiary for which the Company is also liable severally or otherwise are also included with appropriate disclosures.

### 3.15 Revenue recognition –non life insurance

### 3.15.1 Gross premiums

Gross written premiums comprise the total premiums received/ receivable for the whole period of cover provided by contracts entered into during the accounting period. GWP is generally written upon inception of the policy. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross written premium.

### 3.15.2 Unearned Premium Reserve (UPR)

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. UPR represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premiums are calculated on the 1/24 basis except for the marine and title policies which are computed on a 60-40 basis. The proportion attributable to subsequent period is deferred as a provision for unearned premiums.

### 3.15.3 Reinsurance premiums

Gross reinsurance premiums on insurance contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective. Reinsurance premiums are decided based on rates agreed with reinsurers.

### 3.15.4 Unearned reinsurance premiums

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are calculated on the 1/24 basis except for the marine policies which are computed on a 60-40 basis.

### 3.15.5 Unexpired risk

Provision is made where appropriate for the estimated amount required over and above unearned premiums to meet future caims and related expenses on the business in force as at the reporting date.

#### 3.15.6 Acquisition costs

Acquisition costs comprise commissions and other variable costs directly connected with acquisition or renewal of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

#### 3.15.7 Reinsurance commission income

Reinsurance commission income on outwards reinsurance contracts are recognised as revenue when receivable. Subsequent to initial recognition, reinsurance commission income on outwards reinsurance contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable.

#### 3.15.8 Gross benefits and claims

Gross benefits and claims for non-life insurance include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims expenses and liabilities for outstanding claims are recognised in respect of direct and inward reinsurance business. The liability covers claims reported but not yet paid, Incurred But Not Reported claims (IBNR), Incurred But Not Enough Reserved(IBNER) and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims. The provision in respect of IBNR, IBNER is actuarially valued on an annual basis to ensure a more realistic estimation of the future liability based on past experience and trends.

While the Directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustment to the amounts provided. Such amounts are reflected in the financial statements for that period. The methods used and the estimates made are reviewed regularly.

Recoveries from salvage sales and the movement in salvage inventory are netted off against claims expense.

#### 3.15.9 Reinsurance claims recoveries

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract. This includes reinsurance exposure of IBNR also.

### 3.16 Revenue recognition -Life insurance

#### 3.16.1 Gross premiums

Gross written premiums on life insurance contracts are recognised as revenue when payable by the policyholders (policies within one month grace period are considered as due premium, subject to a provision for premium default).

For single premium business, revenue is recognised on the date on which the policy is effective.

#### 3.16.2 Reinsurance premiums

Gross reinsurance premiums on insurance contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective. Reinsurance premiums are decided based on rates agreed with reinsurers.

#### 3.16.3 Acquisition costs

All acquisition cost are recognised as an expense when incurred.

#### 3.16.4 Reinsurance commission income

Gross reinsurance premiums on insurance contracts are recognised as an income on the earlier of the date when premiums are payable or when the policy becomes effective. Reinsurance premiums are decided based on rates agreed with reinsurers.

#### 3.16.5 Gross benefits and claims expense

Claims by death and maturity are charged against revenue on notification of death or on expiry of the term. The interim payments and surrenders are accounted for only at the time of settlement.

Expenses on Life Insurance relates to the acquisition expenses and expenses for maintenance of Life Insurance business, investment related expenses not treated as a part of the capital cost of investment, etc. which are accounted on accrual basis.

### 3.16.6 Reinsurance claims recoveries

Reinsurance claims recoveries are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

## 3.17 Other revenue

### 3.17.1 Interest income

Finance income comprises interestincome on funds invested (including available-for-sale financial assets) and dividend income. Interest income is recognised in the Income Statement as it accrues and is calculated by using the effective interest rate method (EIR). Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

### 3.17.2 Dividends

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities.

### 3.17.3 Finance expense

Finance expenses consist of costsrelating to investment such as custodial fees, bank guarantee fee and brokerage fee etc. These expenses are recognised on an accrual basis.

### 3.17.4 Realised gains and losses

Realised gains and losses recorded in the Income Statement on investments include gains and losses on financial assets.

Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

### 3.17.5 Fair value gains and losses

Fair value gains and losses recorded in the Income Statement on investments include fair value gains on financial assets at fair value through profit or loss.

### 3.17.6 Other income

Other income comprises fees charged for policy administration services, disposal gains on property, plant and equipment, gains on foreign currency translations, and miscellaneous income.

Gains on foreign currency translations are recognised on a net basis.

## 3.18 Expenses recognition

Other expenses are recognised on accrual basis. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment has been charged to profit or loss.

(a) Expenses are recognised in the profit or loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to Statement of profit or loss and other comprehensive income inarriving at the profit for the year.

(b) For the purpose of presentation of the statement of profit or loss and other comprehensive income the directors are of the opinion that function of expenses method presents fairly the elements of the Company's performance, and hence such presentation method is adopted.

## 3.19 Income tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in items recognised directly in equity or in Income Statement and Statement of Profit or Loss and Other Comprehensive Income.

### 3.19.1 Current taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised or profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or other comprehensive income.

Provisions for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto and the Inland Revenue Act No. 24 of 2017 at the rates specified in Note 22.

### 3.19.2 Deferred taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences:

- Temporary difference on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- Temporary difference related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax is not recognised for the undistributed profits of subsidiaries as the parent company has control over the dividend policy of its subsidiaries and distribution of those profits. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 3.19.3 Tax exposures

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities and such changes to tax liabilities will impact tax expense in the period that such a determination is made.

### 3.20 Crop Insurance Levy (CIL)

The Crop Insurance Levy was introduced under the provisions of the Section 14 of the Finance Act No. 12 of 2013, and came into effect from 1 April 2013. It is payable to the National Insurance Trust Fund and liable at 1% of the Profit after tax.

### 3.21 Economic Service Charge (ESC)

ESC is payable on the liable turnover at specified rates. As per the provision of the Economic Service Charge Act No. 13 of 2006 and subsequent amendments thereto, ESC is deductible from the income tax liability. Any unclaimed payment can be carried forward within specific time period mentioned in the Act and set off against the income tax payable as per the relevant provision in the Act.

### 3.22 Cash flow statement

The Cash flow statement has been prepared using the "indirect method" of preparing cash flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7, Cash flow statements.

Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents include cash in-hand, balances with banks and short term deposits with banks.

For cash flow purposes, cash and cash equivalents are presented cash at bank and in hand net of bank overdrafts.

### 3.23 Events occurring after the reporting date

All material subsequent events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the financial statements.

### 3.24 Earnings per share (EPS)

The Company presents basic and diluted Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

### 3.25 New accounting standards issued but not effective as at the reporting date

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued the following new Sri Lanka Accounting Standards. However, these standards have not been applied in preparing these financial statements as those were not effective as of the reporting date.

#### SLFRS 9 – Financial instruments: Classification &measurement

SLFRS 9, as issued, reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets & liabilities, depending on the entity's business model for managing contractual cash flows characteristics of the financial asset.

SLFRS 9 will be effective for financial periods beginning on or after 1 January 2018.

#### Temporary Exemption from SLFRS 9

An insurer that meets the criteria in paragraph 20B of SLFRS 4 (amended) provides a temporary exemption that permits, but does not require, the insurer to apply LKAS 39 – Financial Instruments: Recognition and Measurement rather than SLFRS 9 for annual periods beginning before 1st January 2022.

An insurer may apply the temporary exemption from SLFRS 9 if, and only if:

- It has not previously applied any version of SLFRS 9, other than only the requirements for the presentation of gains and losses of financial liabilities designated as at Faire value through profit or loss and;
- Its activities are predominantly connected with insurance, at its annual reporting date that immediately precedes 1st April 2016, or at a subsequent annual reporting date.

Having considering the above criteria, Co-operative Insurance Company limited and Cooplife Insuracne Limited are predominantly connected with Insurance activities, both the companies may continue to apply LKAS 39 – Financial Instruments: Recognition and Measurement rather than SLFRS 9 for annual periods beginning before 1st January 2022.

#### SLFRS 16 – Leases

SLFRS 16 – Leases eliminates the current dual accounting model for lessees which distinguishes between on-balance sheet finance leases and off - balance sheet operating leases. Instead there will be a single on balance sheet accounting model that is similar to the current finance lease accounting. The Company is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16. This standard is effective from 1 January 2019.

# Notes to the Financial Statements

As at 31 December

**4. PROPERTY, PLANT AND EQUIPMENT - GROUP**

| Cost | Land Rs. | Buildings Rs. | Building improvements Rs. | Partition Rs. | Computers Rs. |
|---|---|---|---|---|---|
| Balance as at 01 January 2017 | 202,550,000 | 406,012,640 | 64,437,360 | 2,061,739 | 200,367,227 |
| Additions during the year | - | - | - | 5,030,149 | 29,122,942 |
| Disposals during the year | - | - | - | - | - |
| Impairments | - | - | - | - | - |
| Revaluation | 20,770,000 | 1,817,166 | 14,272,310 | - | - |
| Depreciation reversal on revaluation | - | (7,404,806) | (8,054,670) | - | - |
| **Balance as at 31 December 2017** | **223,320,000** | **400,425,000** | **70,655,000** | **7,091,888** | **229,490,170** |
| Balance as at 01 January 2018 | 223,320,000 | 400,425,000 | 70,655,000 | 7,091,888 | 229,490,170 |
| Additions during the year | - | - | - | 12,698,961 | 28,747,846 |
| Disposals during the year | - | - | - | - | - |
| Impairments | - | - | - | - | - |
| Revaluation | - | 17,465,037 | 10,949,571 | - | - |
| Depreciation reversal on revaluation | - | (7,421,037) | (10,093,571) | - | - |
| **Balance as at 31 December 2018** | **224,420,000** | **410,469,000** | **71,511,000** | **19,790,849** | **258,238,016** |
| **Depreciation** | | | | | |
| Balance as at 01 January 2017 | - | - | - | 53,455 | 112,356,649 |
| Depreciation for the year | - | 7,404,806 | 8,054,670 | 534,465 | 22,173,499 |
| Depreciation on disposal | - | - | - | - | - |
| Depreciation on Impairment | - | - | - | - | - |
| Depreciation on revaluation | - | (7,404,806) | (8,054,670) | - | - |
| **Balance as at 31 December 2017** | **-** | **-** | **-** | **587,921** | **134,530,148** |
| Balance as at 01 January 2018 | - | - | - | 587,921 | 134,530,148 |
| Depreciation impact on impairment | - | - | - | - | - |
| Depreciation for the year | - | 7,421,037 | 10,093,571 | 1,731,303 | 27,571,780 |
| Depreciation on disposal | - | - | - | - | - |
| Depreciation on revaluation | - | (7,421,037) | (10,093,571) | - | - |
| **Balance as at 31 December 2018** | **-** | **-** | **-** | **2,319,224** | **162,101,928** |
| **Carrying value as at 31 December 2018** | **224,420,000** | **410,469,000** | **71,511,000** | **17,471,625** | **96,136,088** |
| **Carrying value as at 31 December 2017** | **223,320,000** | **400,425,000** | **70,655,000** | **6,503,967** | **94,960,021** |

| Office equipment | Furniture and fittings | Motor vehicles | Lease hold Equipment | Lease hold Motor vehicles | Working-in progress - Furniture and fittings | Total |
|---|---|---|---|---|---|---|
| Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| 99,750,041 | 208,841,879 | 91,376,770 | 7,588,800 | 42,050,000 | 16,723,261 | 1,341,759,717 |
| 41,369,580 | 39,639,720 | 6,850,400 | (948,600) | (5,000,000) | 4,918,652 | 120,982,843 |
| (1,893,000) | (798,475) | (5,521,000) | - | - | (21,641,913) | (29,854,388) |
| - | - | (617,299) | - | - | - | (617,299) |
| - | - | 39,872,841 | - | - | - | 76,732,318 |
| - | - | (41,722,512) | - | - | - | (57,181,989) |
| 139,226,621 | 247,683,124 | 90,239,200 | 6,640,200 | 37,050,000 | - | 1,451,821,202 |
| 139,226,621 | 247,683,124 | 90,239,200 | 6,640,200 | 37,050,000 | - | 1,451,821,202 |
| 21,624,366 | 24,027,932 | 27,163,060 | - | (18,200,000) | - | 96,062,165 |
| - | (701,594) | (3,373,000) | - | - | - | (4,074,594) |
| - | - | (295,046) | - | - | - | (295,046) |
| - | - | 36,508,721 | - | - | - | 66,023,329 |
| - | - | (46,085,976) | - | - | - | (63,600,584) |
| 160,850,987 | 271,009,461 | 104,156,959 | 6,640,200 | 18,850,000 | - | 1,545,936,472 |
| | | | | | | |
| 52,087,888 | 99,603,122 | 24,678,422 | 1,501,950 | 22,348,235 | - | 312,629,722 |
| 10,096,422 | 21,002,725 | 24,886,420 | 800,766 | 4,317,916 | - | 99,271,691 |
| (1,893,000) | (598,856) | (1,690,824) | - | - | - | (4,182,680) |
| - | - | (802,307) | - | - | - | (802,307) |
| - | - | (41,722,512) | - | - | - | (57,181,989) |
| 60,291,310 | 120,006,991 | 5,349,199 | 2,302,716 | 26,666,151 | - | 349,734,437 |
| 60,291,310 | 120,006,991 | 5,349,199 | 2,302,716 | 26,666,151 | - | 349,73 |
| - | - | (138,720) | - | - | - | (138,720) |
| 14,737,532 | 24,457,561 | 28,717,095 | 800,766 | 7,005,417 | - | 122,536,062 |
| - | (369,822) | 17,376,052 | - | (18,200,000) | - | (1,193,769) |
| - | - | (46,085,976) | - | - | - | (63,600,584) |
| 75,028,842 | 144,094,729 | 5,217,650 | 3,103,482 | 15,471,568 | - | 407,337,425 |
| 85,822,144 | 126,914,732 | 98,939,309 | 3,536,718 | 3,378,432 | - | 1,138,599,047 |
| 78,935,311 | 127,676,133 | 84,890,001 | 4,337,484 | 10,383,849 | - | 1,102,086,765 |

# Notes to the Financial Statements

As at 31 December

**4. PROPERTY, PLANT AND EQUIPMENT - COMPANY**

| Cost | Land Rs. | Buildings Rs. | Building improvements Rs. | Partition Rs. | Computers Rs. |
|---|---|---|---|---|---|
| Balance as at January 01, 2017 | 182,325,000 | 273,237,640 | 64,437,360 | 2,061,739 | 191,088,022 |
| Additions during the year | - | - | - | 5,030,149 | 22,741,127 |
| Disposals during the year | - | - | - | - | - |
| Write off | - | - | - | - | - |
| Revaluation | 16,575,000 | (81,646) | 14,272,310 | - | - |
| Depreciation reversal on revaluation | - | (4,710,994) | (8,054,670) | - | - |
| **Balance as at 31 December 2017** | **198,900,000** | **268,445,000** | **70,655,000** | **7,091,888** | **213,829,149** |
| Balance as at 01 January 2018 | 198,900,000 | 268,445,000 | 70,655,000 | 7,091,888 | 213,829,148 |
| Additions during the year | - | - | - | 12,698,961 | 21,254,347 |
| Disposals during the year | - | - | - | - | - |
| Revaluation | 1,100,000 | 4,672,362 | 10,949,571 | - | - |
| Depreciation reversal on revaluation | - | (4,628,362) | (10,093,571) | - | - |
| **Balance as at 31 December 2018** | **200,000,000** | **268,489,000** | **71,511,000** | **19,790,849** | **235,083,496** |
| **Depreciation** | | | | | |
| Balance as at 01 January 2017 | - | - | - | 53,456 | 108,182,136 |
| Depreciation for the year | - | 4,710,994 | 8,054,670 | 534,466 | 20,635,084 |
| Depreciation on disposal | - | - | - | - | - |
| Reversal on write off | - | - | - | - | - |
| Depreciation on revaluation | - | (4,710,994) | (8,054,670) | - | - |
| **Balance as at 31 December 2017** | **-** | **-** | **-** | **587,921** | **128,817,220** |
| Balance as at 01 January 2018 | - | - | - | 587,921 | 128,817,220 |
| Depreciation for the year | - | 4,628,362 | 10,093,571 | 1,731,303 | 24,642,639 |
| Depreciation on disposal | - | - | - | - | - |
| Transfers | - | - | - | - | - |
| Depreciation on revaluation | - | (4,628,362) | (10,093,571) | - | - |
| **Balance as at 31 December 2018** | **-** | **-** | **-** | **2,319,225** | **153,459,859** |
| **Carrying value as at 31 December 2018** | **200,000,000** | **268,489,000** | **71,511,000** | **17,471,625** | **81,623,637** |
| **Carrying value as at 31 December 2017** | **198,900,000** | **268,445,000** | **70,655,000** | **6,503,967** | **85,011,930** |

| Office equipment Rs. | Furniture and fittings Rs. | Motor vehicles Rs. | Lease hold Equipment Rs. | Lease hold Motor vehicles Rs. | Working-in progress - Furniture and fittings Rs. | Total Rs. |
|---|---|---|---|---|---|---|
| 87,350,684 | 155,159,860 | 58,852,470 | 7,588,800 | 34,825,000 | - | 1,056,926,575 |
| 24,146,471 | 8,760,783 | 6,450,150 | (948,600) | (5,000,000) | - | 61,180,080 |
| (1,893,000) | (798,475) | (471,000) | - | - | - | (3,162,475) |
| - | - | (573,000) | - | - | - | (573,000) |
| - | - | 31,187,426 | - | - | - | 61,953,089 |
| - | - | (32,090,046) | - | - | - | (44,855,710) |
| **109,604,155** | **163,122,168** | **63,356,000** | **6,640,200** | **29,825,000** | **-** | **1,131,468,559** |
| 109,604,155 | 163,122,168 | 63,356,000 | 6,640,200 | 29,825,000 | - | 1,131,468,559 |
| 17,657,905 | 19,019,776 | 26,352,710 | - | (18,200,000) | - | 78,783,699 |
| - | (245,558) | (3,093,000) | - | - | - | (3,338,558) |
| - | - | 27,380,054 | - | - | - | 44,101,987 |
| - | - | (36,060,764) | - | - | - | (50,782,697) |
| **127,262,060** | **181,896,385** | **77,935,000** | **6,640,200** | **11,625,000** | **-** | **1,200,232,990** |
| | | | | | | |
| 48,169,925 | 82,697,009 | 13,768,489 | 1,501,950 | 20,180,735 | - | 274,553,700 |
| 7,657,267 | 12,783,589 | 19,152,376 | 800,766 | 2,872,916 | - | 77,202,128 |
| (1,893,000) | (598,856) | (291,153) | - | - | - | (2,783,009) |
| - | - | (539,667) | - | - | - | (539,667) |
| - | - | (32,090,046) | - | - | - | (44,855,710) |
| **53,934,192** | **94,881,742** | **-** | **2,302,716** | **23,053,651** | **-** | **303,577,442** |
| 53,934,192 | 94,881,742 | - | 2,302,716 | 23,053,651 | - | 303,577,442 |
| 11,051,617 | 14,574,945 | 18,563,903 | 800,766 | 5,560,417 | - | 91,647,523 |
| - | (133,381) | (703,139) | - | - | - | (836,520) |
| - | - | 18,200,000 | - | (18,200,000) | - | - |
| - | - | (36,060,764) | - | - | - | (50,782,697) |
| **64,985,808** | **109,323,306** | **-** | **3,103,482** | **10,414,068** | **-** | **343,605,749** |
| **62,276,252** | **72,573,079** | **77,935,000** | **3,536,718** | **1,210,932** | **-** | **856,627,241** |
| **55,669,963** | **68,240,426** | **63,356,000** | **4,337,484** | **6,771,349** | **-** | **827,891,117** |

#### 4. Property, Plant and Equipment - (Contd.)

#### Revaluation Land and Building

Land and building of the Group was valued by Mr. Asoka G.D. AIV a professional valuer on 31 December 2018 on "Contractors Basis" and the excess of Rs. 16.72Mn-company over the net book value as at 31 December 2018 has been credited to the revaluation reserve.

The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties. The fair value measurement for all the lands has been categorised as a Level 3 fair value based on the inputs to the valuation technique used. A significant increase in the market value per perch used in arriving at fair value would result in a significant increase in fair value, and vice versa.

| As at 31 December | Land Extent | Building Area | No. of Buildings | Date of Valuation | Fair value (Rs.) |
|---|---|---|---|---|---|
| Property at Grandpass | 33.15Perches | 28262 sq ft | 1 | 26.12.2018 | 540,000,000 |
| Property at Ambalanthota | 4.27 Perches | 2304 sq ft | 1 | 31.12.2018 | 16,400,000 |
| Property at Nikaveratiya | 39.7 Perches | 17775 sq ft | 1 | 30.12.2018 | 150,000,000 |
| | | | | | 706,400,000 |

#### Fair value Hierarchy

The table below analyse non financial instruments measured at fair value at the end of the reporting period, by the level of the fair value hierarchy.

| Land and Buildings | Level 1 (Rs.) | Level 2 (Rs.) | Level 3 (Rs.) | Total (Rs.) |
|---|---|---|---|---|
| 2018 | - | - | 706,400,000 | 706,400,000 |
| 2017 | - | - | 694,400,000 | 694,400,000 |

The fair value measurement has been categorised as level 3 fair value based on the inputs to the valuation techniques used.

#### Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring the fair value of Land and buildings, as well as the significant unobservable input used.

| Location | Valuation technique | Significant unobservable inputs | Significant unobservable inputs - Valued at |
|---|---|---|---|
| Property at Grandpas | Open market | Price per perch and sq.ft | 6,100,000/- per perch and 9,500/- per Sq.ft |
| Property at Ambalanthota | Open market | Price per perch and sq.ft | 2,000,000/- per perch and 4,000 per Sq.ft |
| Property at Nikaveratiya | Open market | Price per perch and sq.ft | 400,000/- per perch and 7,500/- per Sq.ft |

If the revalued land and buildings under property, plant and equipment were stated on the historical cost basis, the carrying amount would be as follows:

| Class of Asset | Property at Grandpass (Rs.) | Property at Ambalanthota (Rs.) | Property at Nikaveratiya (Rs.) |
|---|---|---|---|
| **Land** | | | |
| Cost | 160,064,000 | 1,120,415 | 8,217,758 |
| Accumulated depreciation | - | - | - |
| Net book value as at 31 December 2018 | 160,064,000 | 1,120,415 | 8,217,758 |
| Net book value as at 31 December 2017 | 160,064,000 | 1,120,415 | 8,217,758 |
| **Buildings** | | | |
| Cost | 175,796,923 | 10,423,590 | 88,712,132 |
| Accumulated depreciation | 35,116,471 | 3,468,506 | 9,027,257 |
| Net book value as at 31 December 2018 | 140,680,452 | 6,955,084 | 79,684,875 |
| Net book value as at 31 December 2017 | 147,921,132 | 7,143,059 | 81,380,298 |

### Fully depreciated assets

Company's property, plant and equipment includes fully depreciated assets having a gross carrying amount of Rs.155,200,115 (2017 - 155,200,115).

### Security

There were no items of property, plant and equipment in the Group and Company, pledged as securities for liabilities during the year (2017 - Nill).

### Useful life of the property, plant and equipment as follows:

| For the year ended 31 December | 2018 | 2017 |
|---|---|---|
| **Buildings** | | |
| Grandpass | 60 years | 60 years |
| Ambalanthota | 40 years | 20 years |
| Nikaveratiya | 50 years | 20 years |
| | | |
| Office equipment | 8 years | 8 years |
| Computers | 6 years | 6 years |
| Motor vehicles | 5 years | 5 years |
| Furniture and fittings | 8 years | 8 years |
| Partitions | 8 years | 8 years |
| Improvements to buildings | 10 years | 10 years |

# Notes to the Financial Statements

## 5. INTANGIBLE ASSETS

| Cost | Computer software Group | Computer software Company | Development costs Group | Development costs Company | Total Group | Total Company |
|---|---|---|---|---|---|---|
| Balance as at 1 January 2017 | 14,431,058 | 6,089,168 | 995,582 | 995,582 | 15,426,640 | 7,084,750 |
| Acquisitions - Internally developed | - | - | - | - | - | - |
| Additions | 1,221,418 | 1,221,418 | - | - | 1,221,418 | 1,221,418 |
| Balance as at 31 December 2017 | 15,652,476 | 7,310,586 | 995,582 | 995,582 | 16,648,058 | 8,306,168 |
| Balance as at 01 January 2018 | 15,652,476 | 7,310,586 | 995,582 | 995,582 | 16,648,058 | 8,306,168 |
| Acquisitions - Internally developed | - | - | - | - | - | - |
| Additions | 6,323,082 | 3,033,582 | 89,500 | 89,500 | 6,412,582 | 3,123,082 |
| Write off of discontinued developments | - | - | (995,582) | (995,582) | (995,582) | (995,582) |
| Balance as at 31 December 2018 | 21,975,558 | 10,344,168 | 89,500 | 89,500 | 22,065,058 | 10,433,668 |
| **Amortisation** | | | | | | |
| Balance as at 01 January 2017 | 12,172,628 | 4,011,070 | - | - | 12,172,628 | 4,011,071 |
| Amortisation for the year | 2,333,661 | 2,159,070 | - | - | 2,333,661 | 2,159,070 |
| Balance as at 31 December 2017 | 14,506,288 | 6,170,140 | - | - | 14,506,289 | 6,170,141 |
| Balance as at 01 January 2018 | 14,506,288 | 6,170,140 | - | - | 14,506,289 | 6,170,141 |
| Amortisation for the year | 2,227,436 | 1,401,573 | - | - | 2,227,436 | 1,401,573 |
| Balance as at 31 December 2018 | 16,733,725 | 7,571,712 | - | - | 16,733,725 | 7,571,713 |
| **Carrying amounts** | | | | | | |
| As at 31 December 2018 | | | | | 5,331,334 | 2,861,955 |
| As at 31 December 2017 | | | | | 2,141,769 | 2,136,028 |

### Intangible assets

Computer software represents cost incurred on insurance software development, website development and purchased of web designing and graphic designing tools.

### Amortisation

The amortisation of software and development costs included in the operating expenses.

## 6. FINANCIAL INVESTMENTS

| As at 31 December | Note | Group 2018 Rs. | Group 2017 Rs. | Company 2018 Rs. | Company 2017 Rs. |
|---|---|---|---|---|---|
| Held to maturity financial assets (HTM) | 6.1 | 1,582,420,859 | 1,067,084,925 | 1,212,893,387 | 1,067,084,925 |
| Loans and receivables (L&R) | 6.2 | 2,565,065,310 | 2,234,192,681 | 1,658,902,979 | 1,283,372,747 |
| Available for sale financial assets (AFS) | 6.3 | 716,136,646 | 872,876,163 | 15,779,616 | 15,493,142 |
| Financial assets at fair value through profit or loss (FVTPL) | 6.4 | 731,450 | 922,250 | - | - |
| | | 4,864,354,265 | 4,175,076,019 | 2,887,575,982 | 2,365,950,814 |

### 6.1 Held to maturity financial assets (HTM)

| Amortised Cost | Note | Group 2018 | Group 2017 | Company 2018 | Company 2017 |
|---|---|---|---|---|---|
| Treasury bonds | 6.1(a) | 797,257,950 | 425,470,628 | 427,730,478 | 425,470,628 |
| Quoted debentures | 6.1(b) | 785,162,909 | 641,614,297 | 785,162,909 | 641,614,297 |
| | | 1,582,420,859 | 1,067,084,925 | 1,212,893,387 | 1,067,084,925 |

### 6.1 (a) Treasury Bonds

| As at 31 December 2018 | Group | | Company | |
|---|---|---|---|---|
| Maturity Date | Face Value Rs. | Amortised Cost Rs. | Face Value Rs. | Amortised Cost Rs. |
| 2019 | 73,308,307 | 74,936,228 | 73,308,307 | 74,936,228 |
| 2022 | 26,279,623 | 26,764,723 | 26,279,623 | 26,764,723 |
| 2024 | 130,000,000 | 132,172,408 | 130,000,000 | 132,172,408 |
| 2026 | 50,000,000 | 43,748,344 | 50,000,000 | 43,748,344 |
| 2029 | 144,511,428 | 150,108,775 | 144,511,428 | 150,108,775 |
| 2028 | 50,000,000 | 55,210,741 | - | - |
| 2030 | 300,000,000 | 314,316,731 | - | - |
| | 774,099,358 | 797,257,950 | 424,099,358 | 427,730,478 |

| As at 31 December 2017 | Group | | Company | |
|---|---|---|---|---|
| Maturity Date | Face Value Rs. | Amortised Cost Rs. | Face Value Rs. | Amortised Cost Rs. |
| 2019 | 80,572,933 | 74,136,929 | 80,572,933 | 74,136,929 |
| 2022 | 26,279,623 | 26,553,435 | 26,279,623 | 26,553,435 |
| 2024 | 130,000,000 | 131,471,002 | 130,000,000 | 131,471,002 |
| 2026 | 50,000,000 | 43,073,613 | 50,000,000 | 43,073,613 |
| 2029 | 137,700,724 | 150,235,649 | 137,700,724 | 150,235,649 |
| | 424,553,280 | 425,470,628 | 424,553,280 | 425,470,628 |

### 6.1 (b) Quoted Debentures - Group and Company

As at 31 December 2018

| Issuer | Maturity Date | No. of Debentures | Carrying Value Amortised Cost Rs. | Interest Rate |
|---|---|---|---|---|
| Sampath Bank PLC | 15/12/2022 | 800,000 | 85,276,013 | 12.89% |
| Nations Trust Bank PLC | 08/11/2021 | 383,300 | 38,537,604 | 12.65% |
| DFCC Bank PLC | 09/11/2021 | 1,300,000 | 130,513,180 | 12.15% |
| Commercial Bank of Ceylon PLC | 27/10/2021 | 890,500 | 89,519,262 | 12.00% |
| National Development Bank PLC | 19/12/2025 | 250,000 | 26,326,691 | 14.00% |
| National Development Bank PLC | 19/12/2023 | 100,000 | 10,639,885 | 13.90% |
| Bank of Ceylon | 24/10/2023 | 26,800 | 2,547,272 | 13.75% |
| Hatton National Bank PLC | 29/08/2023 | 120,000 | 11,332,021 | 8.00% |
| Pan Asia Banking Corporation PLC | 31/10/2019 | 440,000 | 43,235,269 | 9.75% |
| Peoples Leasing & Finance PLC | 16/11/2021 | 987,500 | 100,093,742 | 12.60% |
| Janashakthi PLC | 19/11/2019 | 180,000 | 19,300,591 | 10.75% |
| Citizen Development Business Finance PLC | 28/03/2023 | 1,100,000 | 121,698,921 | 14.20% |
| Lanka Orix Finance PLC | 31/07/2023 | 1,000,000 | 106,142,459 | 14.75% |
| | | | 785,162,909 | |

As at 31 December 2017

| Issuer | Maturity Date | No. of Debentures | Carrying Value Amortised Cost Rs. | Interest Rate |
|---|---|---|---|---|
| Sampath Bank PLC | 15/12/2022 | 800,000 | 80,266,121 | 12.89% |
| Nations Trust Bank PLC | 08/11/2021 | 383,300 | 38,405,856 | 12.65% |
| DFCC Bank PLC | 09/11/2021 | 1,300,000 | 130,078,653 | 12.15% |
| Commercial Bank of Ceylon PLC | 27/10/2018 | 890,500 | 89,152,642 | 12.00% |
| HDFC Bank Ltd. | 23/10/2018 | 50,000 | 5,709,277 | 15.50% |
| HDFC Bank Ltd. | 23/10/2018 | 150,000 | 17,087,969 | 15.50% |
| HDFC Bank Ltd. | 23/10/2018 | 20,000 | 2,278,396 | 15.50% |
| National Development Bank PLC | 19/12/2025 | 250,000 | 26,164,434 | 14.00% |
| National Development Bank PLC | 10/12/2023 | 100,000 | 10,545,979 | 13.90% |
| Nations Trust Bank PLC | 19/12/2023 | 50,000 | 5,227,301 | 13.00% |
| Bank of Ceylon | 24/10/2023 | 26,800 | 2,521,572 | 13.75% |
| Hatton National Bank PLC | 29/08/2023 | 120,000 | 11,174,843 | 8.00% |
| Pan Asia Banking Corporation PLC | 31/10/2019 | 440,000 | 41,695,268 | 9.75% |
| Peoples Leasing & Finance PLC | 16/11/2021 | 987,500 | 100,049,017 | 12.60% |
| Peoples Leasing & Finance PLC | 26/03/2018 | 100,000 | 10,847,457 | 16.75% |
| Alliance Finance Company PLC | 30/09/2018 | 50,000 | 5,351,899 | 16.50% |
| Senkadagala Finance | 10/12/2018 | 50,000 | 5,148,948 | 15.00% |
| Abans Ltd. | 20/12/2018 | 50,000 | 5,281,889 | 14.50% |
| Alliance Finance Company PLC | 30/09/2018 | 200,000 | 21,356,629 | 16.50% |
| Senkadagala Finance Company PLC | 10/12/2018 | 50,000 | 5,132,394 | 15.00% |
| Abans Ltd. | 20/12/2018 | 90,000 | 9,477,840 | 14.50% |
| Janashakthi PLC | 19/11/2019 | 180,000 | 18,659,914 | 10.75% |
| | | | 641,614,297 | |

### 6.2 Loans and receivables (L&R)

| | Group | | Company | |
|---|---|---|---|---|
| As at 31 December | 2018 Rs. | 2017 Rs. | 2018 Rs. | 2017 Rs. |
| Fixed deposits | 1,779,692,628 | 1,483,128,304 | 1,151,321,324 | 879,750,778 |
| Investment in repos | 342,132,541 | 608,470,883 | 250,746,698 | 319,631,641 |
| Commercial papers | 443,240,141 | 142,593,494 | 256,834,957 | 83,990,328 |
| | 2,565,065,310 | 2,234,192,681 | 1,658,902,979 | 1,283,372,747 |

### 6.3 Available for sale (AFS)

| | | Group | | | | | |
|---|---|---|---|---|---|---|---|
| As at 31 December | | 2018 | | | 2017 | | |
| | Note | Cost/Face Value | Amortised Cost | Fair value | Cost/Face Value | Amortised Cost | Fair value |
| **Unquoted equity instrument** | | | | | | | |
| Co-operative Leasing Company Ltd | | 4,086,720 | - | 5,823,576 | 3,971,920 | - | 5,109,542 |
| **Quoted equity instrument** | | | | | | | |
| Peoples Leasing Company PLC | | 10,322,520 | - | 9,956,040 | 10,322,520 | - | 10,383,600 |
| Treasury bonds | 6.3(a) | 366,898,962 | 410,075,023 | 375,531,498 | 408,898,962 | 457,526,832 | 445,866,891 |
| Quoted debentures | 6.3(b) | 307,369,124 | 327,002,743 | 324,825,532 | 389,846,975 | 412,372,448 | 411,516,130 |
| | | 688,677,326 | 737,077,766 | 716,136,646 | 813,040,377 | 869,899,280 | 872,876,163 |

| | Company | | | | | |
|---|---|---|---|---|---|---|
| As at 31 December | 2018 | | | 2017 | | |
| | Cost | Amortised Cost | Fair value | Cost | Amortised Cost | Fair value |
| **Unquoted equity instrument** | | | | | | |
| Co-operative Leasing Company Ltd. | 4,086,720 | - | 5,823,576 | 3,971,920 | - | 5,109,542 |
| **Quoted equity instrument** | | | | | | |
| Peoples Leasing Company PLC | 10,322,520 | - | 9,956,040 | 10,322,520 | - | 10,383,600 |
| | 14,409,240 | - | 15,779,616 | 14,294,440 | - | 15,493,142 |

### 6.3 (a) Treasury bonds

| As at 31 December 2018 | | Group | | Company | |
|---|---|---|---|---|---|
| Face Value | Year of Maturity | Amortised Cost | Fair Value | Amortised Cost | Fair Value |
| 89,442,231 | 2019 | 94,152,854 | 92,324,060 | - | - |
| 23,720,377 | 2022 | 27,326,956 | 24,795,124 | - | - |
| 70,000,000 | 2024 | 81,075,646 | 73,309,460 | - | - |
| 83,736,354 | 2029 | 103,551,107 | 90,340,054 | - | - |
| 100,000,000 | 2030 | 103,968,460 | 94,762,800 | - | - |
| 366,898,962 | | 410,075,023 | 375,531,498 | - | - |

# Notes to the Financial Statements

| As at 31 December 2017 | | Group | | Company | |
|---|---|---|---|---|---|
| Face Value | Year of Maturity | Amortised Cost | Fair Value | Amortised Cost | Fair Value |
| 42,000,000 | 2018 | 42,104,780 | 42,841,764 | - | - |
| 89,442,231 | 2019 | 96,748,767 | 93,992,962 | - | - |
| 23,720,377 | 2022 | 27,872,053 | 26,073,225 | - | - |
| 70,000,000 | 2024 | 82,171,296 | 78,048,320 | - | - |
| 83,736,354 | 2029 | 104,541,093 | 99,748,420 | - | - |
| 100,000,000 | 2030 | 104,088,843 | 105,162,200 | - | - |
| 408,898,962 | | 457,526,832 | 445,866,891 | - | - |

### 6.3 (b) Quoted debentures - Group

### Debentures

| As at 31 December2018<br>Issuer | Maturity Date | No. of Debentures | Cost | Amortised Cost | Fair Value |
|---|---|---|---|---|---|
| Hatton National Bank PLC | 29/08/2023 | 324,832 | 21,995,999 | 26,737,042 | 33,514,444 |
| Hatton National Bank PLC | 28/03/2021 | 300,000 | 30,000,000 | 32,532,336 | 32,831,130 |
| National Development Bank PLC | 19/12/2023 | 87,500 | 12,063,125 | 11,847,550 | 8,613,553 |
| Bank of Ceylon | 21/09/2019 | 330,000 | 33,000,000 | 33,700,632 | 32,884,500 |
| Pan Asia Bank Corporation PLC | 30/10/2019 | 330,000 | 33,000,000 | 33,524,970 | 32,765,832 |
| DFCC Vardana Bank Ltd. | 10/06/2020 | 263,100 | 26,310,000 | 27,660,201 | 26,699,072 |
| Sampath Bank PLC | 10/06/2021 | 680,000 | 68,000,000 | 72,704,829 | 73,421,028 |
| Janashakthi PLC | 19/11/2019 | 330,000 | 33,000,000 | 36,557,987 | 32,116,623 |
| Siyapatha Finance PLC | 20/10/2019 | 500,000 | 50,000,000 | 51,737,196 | 51,979,350 |
| | | 3,145,432 | 307,369,124 | 327,002,743 | 324,825,532 |

### Debentures

| As at 31 December 2017<br>Issuer | Maturity Date | No. of Debentures | Cost | Amortised Cost | Fair Value |
|---|---|---|---|---|---|
| Hatton National Bank PLC | 29/08/2023 | 324,832 | 21,995,999 | 25,783,935 | 34,965,897 |
| Hatton National Bank PLC | 28/03/2021 | 300,000 | 30,000,000 | 32,534,426 | 31,721,987 |
| HDFC Bank of Sri Lanka | 23/10/2018 | 250,000 | 25,000,000 | 29,032,044 | 29,363,160 |
| HDFC Bank of Sri Lanka | 23/10/2018 | 50,000 | 5,000,000 | 5,781,867 | 5,872,632 |
| HDFC Bank of Sri Lanka | 23/10/2018 | 30,000 | 3,506,374 | 3,559,616 | 3,523,579 |
| National Development Bank PLC | 19/12/2023 | 87,500 | 12,063,125 | 12,143,443 | 10,317,905 |
| Bank of Ceylon | 21/09/2019 | 330,000 | 33,000,000 | 33,688,250 | 31,774,495 |
| Pan Asia Bank Corporation PLC | 30/10/2019 | 330,000 | 33,000,000 | 33,524,986 | 32,054,237 |
| DFCC Vardana Bank Ltd. | 10/06/2020 | 263,100 | 26,310,000 | 27,661,551 | 25,655,614 |
| Sampath Bank PLC | 10/06/2021 | 680,000 | 68,000,000 | 72,710,140 | 71,982,314 |
| People's Leasing & Finance PLC | 26/03/2018 | 200,000 | 20,000,000 | 21,695,174 | 21,870,465 |
| Senkadagala Finance Company PLC | 10/12/2018 | 250,000 | 28,971,477 | 25,970,287 | 25,444,581 |
| Janashakthi PLC | 19/11/2019 | 330,000 | 33,000,000 | 36,549,533 | 35,412,897 |
| Siyapatha Finance PLC | 20/10/2019 | 500,000 | 50,000,000 | 51,737,196 | 51,556,368 |
| | | 3,925,432 | 389,846,975 | 412,372,448 | 411,516,130 |

### 6.4 Fair value through profit or loss

| As at 31 December | Group 2018 Fair Value Rs. | Group 2017 Rs. | Company 2018 Fair Value Rs. | Company 2017 Rs. |
|---|---|---|---|---|
| Quoted shares | 731,450 | 922,250 | - | - |
| | 731,450 | 922,250 | - | - |

During the year, net realised gain of Rs. 4,326 (2017 - Rs. 18,346,169) has been recognised in the statement of profit or loss.

## 7. INVESTMENTS IN SUBSIDIARIES

| As at 31 December | Company 2018 Rs. | Company 2017 Rs. |
|---|---|---|
| Cooplife Insurance Limited (Note 7.1) | 445,260,040 | 410,000,040 |
| Co-operative Insurance Training Academy (Pvt) Limited (Note 7.2) | 10 | - |
| | 445,260,050 | 410,000,040 |
| **7.1 Cooplife Insurance Limited** | | |
| Balance as at 01 January | 410,000,040 | 400,000,040 |
| Add: Investments made during the year | 35,260,000 | 10,000,000 |
| Balance at 31st December | 445,260,040 | 410,000,040 |
| **7.2 Co-operative Insurance Training Academy (Pvt) Limited** | | |
| Balance as at 01 January | - | - |
| Add: Investment made during the year | 10 | - |
| Balance at 31st December | 10 | - |

During the year company has acquired CITA 100% shareholdings for Rs. 10 Consideration.

## 8. LOANS TO LIFE POLICYHOLDERS

| As at 31 December | Group 2018 Rs. | Group 2017 Rs. | Company 2018 Rs. | Company 2017 Rs. |
|---|---|---|---|---|
| Loans | 15,618,751 | 14,345,591 | - | - |
| Interest receivable | 5,010,923 | 4,693,518 | - | - |
| | 20,629,674 | 19,039,109 | - | - |

## 9. REINSURANCE RECEIVABLES

| As at 31 December | Group 2018 Rs. | Group 2017 Rs. | Company 2018 Rs. | Company 2017 Rs. |
|---|---|---|---|---|
| Reinsurance receivables on claims | 315,747,083 | 246,194,482 | 307,659,765 | 235,227,149 |
| Reinsurance recoveries on IBNR | 24,312,142 | 9,912,905 | 24,312,142 | 9,912,905 |
| Balance at 31 December | 340,059,225 | 256,107,387 | 331,971,907 | 245,140,054 |

# Notes to the Financial Statements

### Fair value of reinsurance receivables

The carrying values disclosed above approximate the fair value at the reporting date.

### Impairment of reinsurance receivables

No impairment observed for the reinsurance receivables.

### Collateral details

The Company does not hold any collateral as security against potential default by reinsurance counter parties.

## 10. PREMIUM RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| As at 31 December | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Premium receivable - Non life insurance | 764,713,045 | 602,685,436 | 764,713,045 | 602,685,436 |
| Premium receivable - Life insurance | 13,147,473 | 10,925,663 | - | - |
| Impairment allowance on premium receivables | (19,272,100) | (10,816,532) | (13,995,964) | (8,176,157) |
| | 758,588,418 | 602,794,567 | 750,717,081 | 594,509,280 |
| **Movement in impairment allowance on premium receivables** | | | | |
| Balance at 1st January | 10,816,532 | 20,813,680 | 8,176,157 | 18,049,834 |
| Impairment losses recognised during the year | 19,272,100 | 10,816,532 | 13,995,964 | 8,176,157 |
| Amounts written off during the year as uncollectable | 7,753,584 | (1,097,238) | 7,753,584 | (945,297) |
| Amounts recovered during the year | (18,570,116) | (19,716,442) | (15,929,741) | (17,104,537) |
| Balance as at 31 December | 19,272,100 | 10,816,532 | 13,995,964 | 8,176,157 |

### Fair value of premium receivable

The carrying amount disclosed above approximates the fair value at the reporting date.

### Impairment of premium receivable

Impairment charges for the year are recognised in other operating and administrative expenses.

### Collateral details

The Company does not hold any collateral as security against potential default by policyholders or intermediaries.

## 11. OTHER ASSETS

| | Group | | Company | |
|---|---|---|---|---|
| As at 31 December | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Deposits, advances and prepayments | 40,755,733 | 38,342,211 | 40,755,733 | 38,342,211 |
| Withholding tax receivable | 19,427,437 | 29,849,335 | - | - |
| Staff loans | 28,054,353 | 34,783,567 | 16,477,333 | 21,946,292 |
| Salvage inventory | 14,445,874 | 7,900,000 | 14,445,874 | 7,900,000 |
| Inventory - complementary items | 8,918,124 | 7,117,632 | 456,946 | 567,016 |
| Other receivables | 29,218,553 | 21,335,772 | 13,352,611 | 1,331,259 |
| (-) Impairment - Other assets | - | (1,301,348) | - | (1,301,348) |
| | 140,820,074 | 138,027,169 | 85,488,497 | 68,785,430 |

### Fair value

The fair value of staff loans are based on cash flow discounting rate. Discount rate is equal to AWPLR plus appropriate risk margin.

## 12. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| As at 31 December | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Cash at bank | 134,585,846 | 135,767,458 | 114,990,385 | 112,359,428 |
| Cash in hand | 6,020,944 | 2,876,164 | 5,718,444 | 2,578,664 |
| Cash in transit | 223,823 | - | - | - |
| Cash at bank and in hand | 140,830,613 | 138,643,622 | 120,708,829 | 114,938,092 |
| Bank overdrafts | (94,508,287) | (69,968,193) | (94,508,288) | (69,968,193) |
| Cash and cash equivalents (net) in the statement of cash flows | 46,322,327 | 68,675,429 | 26,200,542 | 44,969,899 |

## 13. STATED CAPITAL

| | | Group | | Company | |
|---|---|---|---|---|---|
| As at 31 December | Note | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Ordinary shares | 13.1 | 1,430,194,585 | 1,260,251,770 | 1,430,194,585 | 1,260,251,770 |
| No. of shares | 13.2 | 137,354,891 | 126,025,177 | 137,354,891 | 126,025,177 |
| **13.1 Voting Ordinary Shares** | | | | | |
| Balance at 1st January | | 1,260,251,770 | 1,115,367,950 | 1,260,251,770 | 1,115,367,950 |
| Share issues | | 169,942,815 | 144,883,820 | 169,942,815 | 144,883,820 |
| Balance at 31st December | | 1,430,194,585 | 1,260,251,770 | 1,430,194,585 | 1,260,251,770 |
| **13.2 Reconciliation of Number of Shares - Voting Ordinary Shares** | | | | | |
| No of shares at 1st January | | 126,025,177 | 111,536,795 | 126,025,177 | 111,536,795 |
| Shares issued during the year | | 11,329,714 | 14,488,382 | 11,329,714 | 14,488,382 |
| No of shares at 31st December | | 137,354,891 | 126,025,177 | 137,354,891 | 126,025,177 |

### 13.3 Ordinary shares

All issued shares are fully paid. There is one class of ordinary shares. All shares issued carry equal voting rights. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

## 14. INTEREST BEARING BORROWINGS

| | Group | | Company | |
|---|---|---|---|---|
| | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Finance lease (Note 14.1) | 3,051,458 | 11,586,461 | 1,763,819 | 8,414,249 |
| | 3,051,458 | 11,586,461 | 1,763,819 | 8,414,249 |

### 14.1 Finance lease

Finance lease liabilities are payable as follows;

Group

| | Future minimum lease payments 2018 | Interest 2018 | Present value of future lease payments 2018 | Future minimum lease payments 2017 | Interest 2017 | Present value of future lease payments 2017 |
|---|---|---|---|---|---|---|
| Less than one year | 3,223,549 | 172,091 | 3,051,458 | 10,149,689 | 1,421,479 | 8,728,210 |
| Between one and five years | - | - | - | 3,030,342 | 172,091 | 2,858,251 |
| | 3,223,549 | 172,091 | 3,051,458 | 13,180,031 | 1,593,570 | 11,586,461 |

Company

| | Future minimum lease payments 2018 | Interest 2018 | Present value of future lease payments 2018 | Future minimum lease payments 2017 | Interest 2017 | Present value of future lease payments 2017 |
|---|---|---|---|---|---|---|
| Less than one year | 1,870,274 | 106,455 | 1,763,819 | 7,636,464 | 986,152 | 6,650,312 |
| Between one and five years | - | - | - | 1,870,392 | 106,455 | 1,763,937 |
| | 1,870,274 | 106,455 | 1,763,819 | 9,506,856 | 1,092,607 | 8,414,249 |

## 15. INSURANCE LIABILITIES

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| **Life insurance** | | | | | |
| Insurance provision | (Note 15.1) | 1,570,024,385 | 1,459,287,492 | - | - |
| Unclaimed benefits | | 38,077,062 | 31,726,826 | - | - |
| | | 1,608,101,447 | 1,491,014,318 | - | - |
| **Non Life insurance** | | | | | |
| Premium | | | | | |
| Unearned premium | (Note 15.2) | 1,654,770,901 | 1,307,312,789 | 1,654,770,901 | 1,307,312,789 |
| Net deferred acquisition cost | (Note 15.3) | (109,850,493) | (56,032,546) | (109,850,493) | (56,032,546) |
| Gross claims reserve | (Note 15.4) | - | - | - | - |
| Claims outstanding | | 482,145,051 | 481,310,252 | 482,145,051 | 481,310,252 |
| Claims incurred but not reported (IBNR) - Net | | 202,878,384 | 167,474,488 | 202,878,384 | 167,474,488 |
| | | 2,229,943,844 | 1,900,064,983 | 2,229,943,843 | 1,900,064,983 |
| | | 3,838,045,291 | 3,391,079,301 | 2,229,943,843 | 1,900,064,983 |

### 15.1 Long term insurance fund

The movement in the life insurance fund is as follows:

| | 2018<br>Rs. | 2017<br>Rs. |
|---|---|---|
| Balance as at 1 January | 1,459,287,492 | 1,210,031,604 |
| Increase in long term insurance fund | 111,925,893 | 249,255,888 |
| Transfer to shareholder fund | (1,189,000) | - |
| Balance as at 31st December | 1,570,024,385 | 1,459,287,492 |

The valuation of the long term insurance business as at 31 December 2018 was performed by Mr. M. Poopalanathan of Actuarial and Management Consultants (Private) Limited. In accordance with the Consultant Actuary's report, the fund for the year amounted to Rs. 1,584 Million (2017 - 1,459 Million). In the opinion of the Appointed Actuary, this is adequate to cover the liabilities pertaining to the life insurance business.

In the opinion of the Appointed actuary, the Company maintains a Capital Adequacy Ratio (CAR) and Total Available Capital (TAC) as at 31st December 2018, as per the Solvency Margin (Risk Based Capital) Rules 2015 requirement prescribed under section 26 (1) of the Regulation of Insurance Industry Act No. 43 of 2000.

### 15.2 Unearned premium

| | Group | | Company | |
|---|---|---|---|---|
| | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Balance as at 01 January | 1,307,312,789 | 1,147,152,468 | 1,307,312,789 | 1,147,152,468 |
| Transferred to income statement during the year | 347,458,112 | 160,160,321 | 347,458,112 | 160,160,321 |
| Balance as at 31st December | 1,654,770,901 | 1,307,312,789 | 1,654,770,901 | 1,307,312,789 |

### 15.3 Net deferred acquisition cost Deferred acquisition cost

| | | | | |
|---|---|---|---|---|
| Balance as at 01 January | 135,143,936 | 117,687,865 | 135,143,936 | 117,687,865 |
| Transfer during the year | 43,079,391 | 17,456,071 | 43,079,391 | 17,456,071 |
| Balance as at 31st December | 178,223,327 | 135,143,936 | 178,223,327 | 135,143,936 |

### Deferred reinsurance commission

| | | | | |
|---|---|---|---|---|
| Balance as at 01 January | (79,111,389) | (56,360,917) | (79,111,389) | (56,360,917) |
| Transfer during the year | 10,738,555 | (22,750,473) | 10,738,555 | (22,750,473) |
| Balance as at 31st December | (68,372,834) | (79,111,389) | (68,372,834) | (79,111,389) |
| Net deferred acquisition cost | 109,850,493 | 56,032,546 | 109,850,493 | 56,032,546 |

### 15.4 Gross claim reserve

| | Group | | Company | |
|---|---|---|---|---|
| | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Balance at 1 January | 481,310,252 | 437,168,188 | 481,310,252 | 437,168,188 |
| Increase/ (decrease) in outstanding claims | 834,799 | 44,142,064 | 834,799 | 44,142,064 |
| Balance at 31 December | 482,145,051 | 481,310,252 | 482,145,051 | 481,310,252 |
| | | | | |
| IBNR/IBNER balance at 1 January | 167,474,488 | 130,890,680 | 167,474,488 | 130,890,680 |
| Increase/ (decrease) in IBNR/IBNER | 35,403,896 | 36,583,808 | 35,403,896 | 36,583,808 |
| IBNR/IBNER balance at 31 December | 202,878,384 | 167,474,488 | 202,878,384 | 167,474,488 |
| Total reserve for gross outstanding claims | 685,023,435 | 648,784,740 | 685,023,435 | 648,784,740 |

### 15.5 Reconciliation between insurance provision and technical reserve

| | Company | |
|---|---|---|
| | 2018<br>Rs. | 2017<br>Rs. |
| Insurance provision - Non life | 2,229,943,844 | 1,900,064,983 |
| Reinsurance on claims reserves | (307,659,765) | (235,227,149) |
| | 1,922,284,079 | 1,664,837,834 |

Significant delays occur in the notification of claims and a substantial measure of experience and judgement is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the reporting date. The reserves are determined based on the information currently available. However, it is inherent to the nature of the business written that the ultimate liability may vary as a result of subsequent development.

The Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) claims reserve has been actuarially computed by Mr. Sivaraman Kumar for and on behalf of NMG Financial Services Consulting Pte Limited. The valuation is based on internationally accepted actuarial methods and is performed on an annual basis.

The Non life insurance technical reserve of Rs.1,922,284,079 as at 31 December 2018 includes the provision of IBNR claims of Rs.202,878,384 that has been certified by the independent consultants actuaries, NMG Financial Services Consulting Pte Limited.

### Liability adequacy test

As per the Liability adequacy test performed by Mr. Sivaraman Kumar for and on behalf of NMG Financial Services Consulting Pte Limited. It was concluded that the liability value is sufficient to meet future benefits and expenses. Hence no provision was made for premium deficiency.

### Cooplife Insurance Ltd.

A Liability Adequacy Test ("LAT") for life insurance contract liability was carried out by Mr. M. Poopalanathan of Actuarial and Management Consultants (Private) Limited as at 31 December 2018 as required by SLFRS 4 - Insurance Contracts. When performing the LAT, the Company discounted all contractual cash flows and compares this amount with the carrying value of the liability. According to the consultant actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31 December 2018. No additional provision was required against the LAT as at 31 December 2018.

### One-off surplus due to change in valuation method

The Insurance Regulatory Commission of Sri Lanka (IRCSL) implemented the Risk-Based Capital (RBC) framework for solvency purposes with effect from 1 January 2016, and as per the guideline issued by IRCSL the surplus created due to change in valuation method from Net Premium Valuation (NPV) to Gross Premium Valuation (GPV) is required to maintain within the long term insurance fund.

## 16. NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Parent Company that have a material non-controlling interests:

| Name of subsidiary | Country of incorporation and principal place of business | Proportion of ownership interests held by non-controlling interests at 31 December | | (Loss)/ profit allocated to non- controlling interests for the year ended 31 st December | | Accumulated non-controlling interests as at 31 December | |
|---|---|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Coop Life Insurance Ltd. | Sri Lanka | 18.19% | 18% | 33,469,060 | 13,787,219 | 142,828,874 | 111,368,634 |
| | | 18.19% | 18% | 33,469,060 | 13,787,219 | 142,828,874 | 111,368,634 |

During the year parent company has been received equity shares as scrip dividend from its subsidiary of Coop Life Insurance Ltd. Even though it has distributed existing ratio due to withholding tax impact parent company's ownership was decreased by 0.19% and this has adjusted through retained earnings.

Further, during the last year, the parent company had purchased 2% partial equity interest in its subsidiary of Coop Life Insurance Ltd., which has resulted in increase in ownership from 80% to 82% which lead to a net effect 12,221,007 which has been recorded in owners equity.

### 17. RETIREMENT BENEFIT OBLIGATIONS

Amounts recognised in the statement of financial position are made as follows;:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 Rs. | 2017 Rs. | 2018 Rs. | 2017 Rs. |
| Provision as at 1 January | 51,876,087 | 45,713,609 | 37,993,692 | 32,130,390 |
| Interest cost | 5,187,612 | 3,934,565 | 3,799,372 | 2,267,904 |
| Current service cost | 7,784,264 | 7,453,780 | 5,997,664 | 5,613,698 |
| Actuarial (gain)/ loss on obligation | (5,332,800) | (777,116) | (4,584,095) | 997,237 |
| Payments made during the year | (5,285,078) | (4,448,751) | (2,468,206) | (3,015,537) |
| Balance as at 31 December | 54,230,085 | 51,876,087 | 40,738,427 | 37,993,692 |
| **Expenses on retirement benefit obligation** | | | | |
| **Recognised in profit or loss** | | | | |
| Interest cost | 5,187,612 | 3,934,565 | 3,799,372 | 2,267,904 |
| Current service cost | 7,784,264 | 7,453,780 | 5,997,664 | 5,613,698 |
| **Recognised in other comprehensive income** | | | | |
| Net actuarial (gain)/ loss on obligation | (5,332,800) | (777,116) | (4,584,095) | 997,237 |
| | (5,332,800) | (777,116) | (4,584,095) | 997,237 |

As at 31 December 2018 the gratuity liability was actuarially valued under the Projected Unit Credit (PUC) method by Mr. M. Poopalanathan of Actuarial and Management Consultants (Private) Limited (Consultant and Actuaries) as required by LKAS 19 - Employee Benefits.

The liability is not externally funded. The valuation is performed on an annual basis.

#### Principal Assumptions as at reporting date

| As at 31 December | 2018 | 2017 |
|---|---|---|
| Discount rate | 11% | 10% |
| Future salary increase | 18% | 10% |
| Retirement age (years) | 55 | 55 |

Assumptions regarding future mortality are based on published statistics and mortality tables.

### Sensitivity of assumptions used in actuarial valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the statement of profit or loss and other comprehensive income statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

### Group

| 2018 | Effect on charge to the Statement profit or loss and other comprehensive income | | Effect on employee benefit obligation | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (change by 1%) | (2,933,005) | 3,272,287 | (2,933,005) | 3,272,287 |
| Salary increment rate (change by 1%) | 1,420,062 | (1,365,657) | 1,420,062 | (1,365,657) |

| 2017 | Effect on charge to the Statement profit or loss and other comprehensive income | | Effect on employee benefit obligation | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (change by 1%) | (2,873,945) | 3,211,976 | (2,873,945) | 3,211,976 |
| Salary increment rate (change by 1%) | 3,370,121 | (3,068,706) | 3,370,121 | (3,068,706) |

### Company

| 2018 | Effect on charge to the Statement profit or loss and other comprehensive income | | Effect on employee benefit obligation | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (change by 1%) | (2,430,828) | 2,730,499 | (2,430,828) | 2,730,499 |
| Salary increment rate (change by 1%) | 1,185,230 | (1,136,318) | 1,185,230 | (1,136,318) |

| 2017 | Effect on charge to the Statement profit or loss and other comprehensive income | | Effect on employee benefit obligation | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (change by 1%) | (2,341,379) | 2,634,928 | (2,341,379) | 2,634,928 |
| Salary increment rate (change by 1%) | 2,762,118 | (2,497,603) | 2,762,118 | (2,497,603) |

## 18. REINSURANCE CREDITORS

| | Group | | Company | |
|---|---|---|---|---|
| As at 31 December | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Local and foreign | 302,532,420 | 216,873,106 | 291,709,148 | 196,593,170 |
| | 302,532,420 | 216,873,106 | 291,709,148 | 196,593,170 |

# Notes to the Financial Statements

## 19. OTHER LIABILITIES

| | | Group | | Company | |
|---|---|---|---|---|---|
| As at 31 December | | 2018 Rs. | 2017 Rs. | 2018 Rs. | 2017 Rs. |
| Commission payable | | 44,615,892 | 35,335,624 | 39,484,809 | 32,463,802 |
| Government levies and taxes payables | (Note 19.1) | 106,229,385 | 93,397,544 | 106,033,097 | 93,334,921 |
| Dividends - Ordinary | | 53,649 | 53,649 | 53,649 | 53,649 |
| Accrued expenses | | 72,658,806 | 77,776,830 | 56,811,327 | 64,398,235 |
| Deposits and other funds | | 271,300,787 | 227,374,291 | 219,845,077 | 184,142,181 |
| | | 494,858,520 | 433,937,938 | 422,227,959 | 374,392,787 |

### 19.1 Government levies and taxes payable

| | | | | |
|---|---|---|---|---|
| Income tax payable | 69,605,793 | 58,680,117 | 69,605,793 | 58,680,117 |
| Value added tax payable | 30,651,340 | 30,123,245 | 30,651,340 | 30,123,245 |
| Economic service charge | 4,217,306 | 3,360,634 | 4,217,306 | 3,360,634 |
| PAYE payable | 161,264 | 410,548 | 91,921 | 347,926 |
| Withholding tax payable | 865,559 | - | 738,614 | - |
| Diesel tax payable | 728,123 | 823,000 | 728,123 | 823,000 |
| | 106,229,385 | 93,397,544 | 106,033,097 | 93,334,922 |

## 20. DEFERRED TAX ASSET / (LIABILITY)

The amount shown in the statement of financial position represents the following:

| | Group | | Company | |
|---|---|---|---|---|
| As at 31 December | 2018 Rs. | 2017 Rs. | 2018 Rs. | 2017 Rs. |
| **Deferred tax comprise of** | | | | |
| Deferred tax asset-Subsidiary company | 130,316,665 | - | - | - |
| Deferred tax liability-Parent company | (51,698,297) | 30,250,576 | (51,698,297) | 30,250,576 |
| | 78,618,368 | 30,250,576 | (51,698,297) | 30,250,576 |
| | | | | |
| Deferred tax liabilities | (107,266,829) | (36,921,379) | 34,009,649 | (1,878,347) |
| Deferred tax assets | 185,885,196 | 67,171,954 | (85,707,946) | 32,128,923 |
| | 78,618,368 | 30,250,576 | (51,698,297) | 30,250,576 |

The movement in the deferred tax account is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 Rs. | 2017 Rs. | 2018 Rs. | 2017 Rs. |
| As at 1 January | 30,250,576 | 39,207,757 | 30,250,576 | 39,207,757 |
| Recognised in profit or loss | 114,882,756 | 7,986,960 | (26,520,382) | (7,659,081) |
| Recognised in other comprehensive | (66,514,966) | (16,944,141) | (55,428,491) | (1,298,100) |
| As at 31 December | 78,618,365 | 30,250,576 | (51,698,298) | 30,250,576 |

## Differed tax assets / liabilities - Group

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| As at 31 December | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. | 2018 | 2017 |
| Property plant and equipment | - | - | (107,266,829) | (19,729,373) | (107,266,829) | (19,729,373) |
| Intangible assets | 184,968 | (46,059) | - | - | 184,968 | (46,059) |
| Reserve for available for sale financial assets | 18,499,052 | 50,206,548 | - | - | 18,499,052 | 50,206,548 |
| Employee benefits | 11,406,759 | 14,357,764 | - | - | 11,406,759 | 14,357,764 |
| Carry forward tax loss | 151,875,547 | - | - | (17,192,006) | 151,875,547 | (17,192,006) |
| Provisions | 3,918,870 | 2,653,701 | - | - | 3,918,870 | 2,653,701 |
| Net tax assets (liabilities) | 185,885,196 | 67,171,954 | (107,266,829) | (36,921,379) | 78,618,368 | 30,250,576 |

## Movement in deferred tax balances during the year - Group

| | Balance as at 1 January 2017 | Recognised in P/L | Recognised in OCI | Balance as at December 31 2017 | Balance as at 1 January 2018 | Recognised in P/L | Recognised in OCI | Balance as at December 31 2018 |
|---|---|---|---|---|---|---|---|---|
| Property plant and equipment | (19,253,865) | (9,101,772) | 1,893,662 | (26,461,975) | (26,461,975) | (20,238,029) | (60,566,827) | (107,266,829) |
| Intangible assets | 914,331 | (960,390) | - | (46,059) | (46,059) | 231,027 | - | 184,968 |
| Available for sale financial assets | 39,693,527 | - | (17,305,928) | 22,387,599 | 22,387,599 | - | (3,888,547) | 18,499,052 |
| Employee benefits | 12,799,809 | 3,257,368 | (1,531,874) | 14,525,303 | 14,525,303 | (1,058,952) | (2,059,592) | 11,406,759 |
| Carry forward tax loss | - | 17,192,006 | - | 17,192,006 | 17,192,006 | 134,683,541 | - | 151,875,547 |
| Provisions | 5,053,953 | (2,400,252) | - | 2,653,701 | 2,653,701 | 1,265,169 | - | 3,918,870 |
| | 39,207,756 | 7,986,960 | (16,944,141) | 30,250,575 | 30,250,575 | 114,882,756 | (66,514,966) | 78,618,367 |

## Deferred tax assets / liabilities - Company

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Property plant and equipment | - | - | (85,707,946) | (1,878,347) | (85,707,946) | (1,878,347) |
| Intangible assets | 184,968 | (46,059) | - | - | 184,968 | (46,059) |
| Available for sale financial assets | 18,499,052 | 18,883,047 | - | - | 18,499,052 | 18,883,047 |
| Employee benefits | 11,406,759 | 10,638,233 | - | - | 11,406,759 | 10,638,233 |
| Provisions | 3,918,870 | 2,653,701 | - | - | 3,918,870 | 2,653,701 |
| Net tax assets (liabilities) | 34,009,649 | 32,128,922 | (85,707,946) | (1,878,347) | (51,698,298) | 30,250,575 |

## Movements in deferred tax balances during the year - Company

| | Balance as at 1 January 2017 | Recognised in P/L | Recognised in OCI | Balance as at December 31 2017 | Balance as at 1 January 2018 | Recognised in P/L | Recognised in OCI | Balance as at December 31 2018 |
|---|---|---|---|---|---|---|---|---|
| Property plant and equipment | 1,963,462 | (6,975,218) | 3,133,409 | (1,878,347) | (1,878,347) | (30,347,876) | (53,481,723) | (85,707,946) |
| Intangible assets | 914,331 | (960,390) | - | (46,059) | (46,059) | 231,027 | - | 184,968 |
| Available for sale of financial assets | 22,279,501 | - | (3,396,454) | 18,883,047 | 18,883,047 | - | (383,995) | 18,499,052 |
| Employee benefits | 8,996,509 | 2,676,780 | (1,035,055) | 10,638,233 | 10,638,233 | 2,331,298 | (1,562,773) | 11,406,759 |
| Provisions | 5,053,953 | (2,400,252) | - | 2,653,701 | 2,653,701 | 1,265,169 | - | 3,918,870 |
| | 39,207,756 | (7,659,081) | (1,298,100) | 30,250,575 | 30,250,575 | (26,520,382) | (55,428,491) | (51,698,298) |

## 21. GROSS WRITTEN PREMIUM

| | Group | | Company | |
|---|---|---|---|---|
| For the year ended 31 December | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Life insurance | 619,881,069 | 625,573,542 | - | - |
| Non life insurance | | | | |
| Motor | 3,254,307,502 | 2,679,565,294 | 3,254,676,122 | 2,680,389,734 |
| Fire | 120,612,097 | 114,123,380 | 121,113,473 | 115,244,016 |
| Marine | 7,790,680 | 4,485,193 | 7,790,680 | 4,485,193 |
| Miscellaneous | 365,725,537 | 254,052,936 | 367,258,182 | 255,716,721 |
| | 4,368,316,886 | 3,677,800,345 | 3,750,838,457 | 3,055,835,664 |

## 22. PREMIUM CEDED TO REINSURERS

| | Group | | Company | |
|---|---|---|---|---|
| For the year ended 31 December | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Life insurance | 45,833,169 | 39,927,811 | | |
| Non life insurance | | | | |
| Motor | 303,374,550 | 277,157,406 | 303,374,550 | 277,157,406 |
| Fire | 75,816,077 | 62,021,163 | 75,816,077 | 62,021,163 |
| Marine | 2,463,399 | 3,192,735 | 2,463,399 | 3,192,735 |
| Miscellaneous | 119,142,608 | 112,828,133 | 119,142,608 | 112,828,133 |
| Riot and strike premium | | | | |
| Motor | 28,063,252 | 49,539,656 | 28,063,252 | 49,539,656 |
| Fire | 26,937,372 | 26,088,791 | 26,937,372 | 26,088,791 |
| Marine | 87,135 | 6,029,108 | 87,135 | 6,029,108 |
| Miscellaneous | 3,055,886 | 7,498,209 | 3,055,886 | 7,498,209 |
| | 604,773,448 | 584,283,012 | 558,940,279 | 544,355,201 |

## 23. NET CHANGE IN RESERVES FOR UNEARNED PREMIUM

| | Group | | Company | |
|---|---|---|---|---|
| For the year ended 31 December | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Unearned premium | | | | |
| Motor | 251,939,865 | 154,614,775 | 251,939,865 | 154,614,775 |
| Fire | 1,259,094 | 2,003,920 | 1,259,094 | 2,003,920 |
| Marine | 3,990,718 | (1,935,591) | 3,990,718 | (1,935,591) |
| Miscellaneous | 90,268,435 | 5,477,217 | 90,268,435 | 5,477,217 |
| | 347,458,112 | 160,160,321 | 347,458,112 | 160,160,321 |

## 24. INVESTMENT INCOME

| For the year ended 31 December | Group 2018 Rs. | Group 2017 Rs. | Company 2018 Rs. | Company 2017 Rs. |
|---|---|---|---|---|
| Available-for-sale | | | | |
| Treasury bonds | 39,483,294 | 34,894,558 | - | - |
| Debentures | 42,353,695 | 47,462,039 | - | - |
| Dividend income | 422,061 | 1,385,637 | 422,061 | 1,385,637 |
| Held to maturity | | | | |
| Treasury bonds | 71,305,204 | 45,339,789 | 41,071,166 | 45,339,789 |
| Debentures | 91,649,899 | 82,338,424 | 91,649,899 | 82,338,424 |
| Loans and receivables | | | | |
| Fixed deposits | 186,988,391 | 121,648,366 | 120,891,697 | 82,581,235 |
| Repo | 12,534,810 | 5,336,898 | 1,410,182 | 3,665,721 |
| Overnight deposit | 2,846,321 | 2,873,082 | 2,721,366 | 2,834,949 |
| Commercial papers | 58,377,419 | 84,791,908 | 50,149,089 | 41,450,534 |
| Money market | 1,117,588 | 1,550,336 | - | - |
| Fair value through profit or loss | | | | |
| Quoted shares - dividend | 7,151 | 24,394 | - | - |
| Dividend from subsidiary | - | - | 35,260,000 | - |
| Interest income on | | | | |
| Savings deposits | 122,976 | 187,976 | 122,976 | 187,976 |
| Policy loans | 2,230,401 | 1,966,693 | - | - |
| Staff loans | 2,628,741 | 2,529,192 | 1,858,226 | 1,868,607 |
| Total Finance income | 512,067,951 | 432,329,293 | 345,556,662 | 261,652,872 |
| Interest on lease agreements | 1,421,362 | 3,762,299 | 986,035 | 2,983,636 |
| Total Finance cost | 1,421,362 | 3,762,299 | 986,035 | 2,983,636 |
| Net finance income | 510,646,589 | 428,566,994 | 344,570,627 | 258,669,236 |

### 24.1 Notional tax credit for withholding tax on treasury bills and bonds

According to section 137 of the Inland Revenue Act No. 10 of 2006, a company which derives interest income from secondary market transactions in Government securities is entitled to a notional tax credit (being the one fourth of the net interest income) provided such interest income forms a part of the statutory income of the company for that year of assessment.

Accordingly, net interest income earned from secondary market transactions in Government securities for first quarter of the year by the Company has been grossed up in the financial statements and resulting notional tax credit amounted to Rs.1,199,714 (6,074,565 - 2017) for the year ended 31st December 2018.

# Notes to the Financial Statements

## 25. UNREALISED CHANGES IN FINANCIAL INSTRUMENTS

| | Group | | Company | |
|---|---|---|---|---|
| For the year ended 31 December | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Financial investments at fair value through profit or loss | | | | |
| Quoted shares | (251,200) | (199,920) | - | - |
| | (251,200) | (199,920) | - | - |

## 26. POLICY ADMINISTRATION FEES

| | Group | | Company | |
|---|---|---|---|---|
| For the year ended 31 December | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Motor | 154,378,579 | 116,906,820 | 154,378,579 | 116,906,820 |
| Fire | 1,302,260 | 1,077,965 | 1,302,260 | 1,077,965 |
| Marine | 248,423 | 103,781 | 248,423 | 103,781 |
| Miscellaneous | 5,606,186 | 4,984,771 | 5,606,186 | 4,984,771 |
| | 161,535,448 | 123,073,337 | 161,535,448 | 123,073,337 |

## 27. OTHER INCOME

| | Group | | Company | |
|---|---|---|---|---|
| For the year ended 31 December | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Gain on foreign currency transaction | 263,750 | 91,167 | 263,750 | 91,167 |
| Gain on sale of property, plant and equipment | (171,511) | 472,084 | (171,511) | 472,084 |
| Miscellaneous income (Note 27.1) | 25,638,029 | 20,733,406 | 25,062,098 | 21,467,483 |
| | 25,730,268 | 21,296,657 | 25,154,337 | 22,030,734 |

### 27.1 Miscellaneous income

| | Group | | Company | |
|---|---|---|---|---|
| For the year ended 31 December | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Other income | 4,188,737 | 2,016,888 | 4,135,004 | 3,606,888 |
| Sundry income | 1,291,223 | 855,923 | 769,025 | - |
| Policy fee charges | 731,273 | 809,100 | 731,273 | 809,100 |
| Unidentified receipts written back | 16,707,971 | 15,563,162 | 16,707,971 | 15,563,162 |
| Profit commission | 1,129,130 | - | 1,129,130 | - |
| Non refundable tender fees | 1,589,695 | 1,488,332 | 1,589,695 | 1,488,332 |
| | 25,638,029 | 20,733,406 | 25,062,098 | 21,467,483 |

## 28. GROSS BENEFITS AND CLAIMS INCURRED

| | Group | | Company | |
|---|---|---|---|---|
| For the year ended 31 December | 2018 Rs. | 2017 Rs. | 2018 Rs. | 2017 Rs. |
| Life insurance contracts | | | | |
| Death, disability and hospitalisation | 33,793,872 | 37,377,001 | - | - |
| Policy surrenders | 41,379,052 | 38,022,942 | - | - |
| Pension benefits | 2,739,406 | 1,883,036 | - | - |
| Policy maturity | 135,703,811 | 38,456,296 | - | - |
| Survival benefits | 8,812,746 | 5,833,981 | - | - |
| | 222,428,887 | 121,573,256 | - | - |
| Non life insurance contracts | | | | |
| Motor | 2,123,344,558 | 1,709,897,033 | 2,123,344,558 | 1,709,897,033 |
| Fire | 23,703,632 | 119,908,383 | 23,703,632 | 119,908,383 |
| Marine | 6,517,802 | 211,214 | 6,517,802 | 211,214 |
| Miscellaneous | 167,415,530 | 82,118,652 | 167,415,530 | 82,118,652 |
| | 2,320,981,523 | 1,912,135,282 | 2,320,981,522 | 1,912,135,282 |
| Less: Salvage income | (139,085,679) | (81,397,324) | (139,085,679) | (81,397,324) |
| Movement in salvage stock | - | - | - | - |
| | 2,181,895,844 | 1,830,737,958 | 2,181,895,843 | 1,830,737,958 |
| | 2,404,324,730 | 1,952,311,214 | 2,181,895,843 | 1,830,737,958 |

## 29. UNDERWRITING AND POLICY ACQUISITION COST

| | Group | | Company | |
|---|---|---|---|---|
| For the year ended 31 December | 2018 Rs. | 2017 Rs. | 2018 Rs. | 2017 Rs. |
| Net underwriting and policy acquisition cost | 458,158,219 | 329,417,718 | 353,386,235 | 239,413,802 |
| Increase/ (decrease) in deferred acquisition cost | (53,817,947) | 5,294,402 | (53,817,947) | 5,294,402 |
| Reinsurance commission | (165,388,408) | (164,102,000) | (158,955,409) | (151,207,731) |
| | 238,951,866 | 170,610,120 | 140,612,881 | 93,500,473 |

## 30. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

| | Group | | Company | |
|---|---|---|---|---|
| For the year ended 31 December | 2018 Rs. | 2017 Rs. | 2018 Rs. | 2017 Rs. |
| Staff expenses (Note 30.1) | 519,688,873 | 428,169,138 | 385,354,573 | 305,966,142 |
| Administrative and establishment expenses | 363,123,476 | 289,923,557 | 275,031,317 | 215,862,387 |
| Selling expenses | 195,647,601 | 193,271,422 | 149,008,875 | 132,444,956 |
| Depreciation | 122,536,063 | 99,446,282 | 91,647,524 | 77,202,129 |
| Amortisation of intangible assets | 2,227,435 | 2,159,070 | 1,401,573 | 2,159,070 |
| Reversal of impairment on motor vehicle | (19,354) | (322,651) | - | - |
| Impairment on motor vehicle | 175,680 | 104,310 | - | - |
| Notional tax write off | 14,531,528 | - | - | - |
| | 1,217,911,302 | 1,012,751,129 | 902,443,863 | 733,634,684 |

### 30.1 Staff expenses

| | Group | | Company | |
|---|---|---|---|---|
| For the year ended 31 December | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Salaries and wages | 405,532,046 | 328,832,162 | 294,995,024 | 230,265,754 |
| Contributions to defined contribution plans | 54,363,864 | 43,232,608 | 40,650,600 | 30,964,036 |
| Contributions to defined benefit plans | 12,884,825 | 11,388,345 | 9,709,985 | 7,881,602 |
| Contribution for staff group term assurance | 2,254,800 | 633,917 | 1,758,450 | 1,532,367 |
| Staff welfare | 8,734,876 | 6,568,608 | 6,176,710 | 4,431,294 |
| Staff bonus | 18,413,893 | 22,044,975 | 18,413,893 | 19,244,975 |
| Staff training and development | 4,431,781 | 5,061,428 | 2,849,628 | 3,885,859 |
| Other staff expenses | 13,072,788 | 10,407,095 | 10,800,284 | 7,760,254 |
| | 519,688,873 | 428,169,138 | 385,354,573 | 305,966,142 |

### 31. PROFIT BEFORE INCOME TAX

The profit from operations for the year is stated after charging the following expenses.

| | Group | | Company | |
|---|---|---|---|---|
| For the year ended 31 December | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Directors remuneration | 22,724,336 | 15,899,391 | 15,280,250 | 14,452,250 |
| Directors medical insurance | 133,617.44 | 133,617 | 133,617 | 133,617 |
| Auditor's remuneration | 2,531,600 | 1,767,210 | 1,335,180 | 1,257,210 |
| Impairment loss on premium receivable | 13,995,964 | 11,798,044 | 13,995,964 | 8,176,157 |
| Depreciation | 122,536,063 | 121,690,436 | 91,647,523 | 77,202,129 |
| Amortisation of intangible assets | 2,227,435 | 2,333,661 | 1,401,573 | 2,088,916 |

### 32. INCOME TAX EXPENSES

| | Group | | Company | |
|---|---|---|---|---|
| For the year ended 31 December | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Current tax expense | | | | |
| Current year | 106,857,705 | 91,209,275 | 105,714,714 | 90,018,746 |
| (Over)/under provision for the last year | 5,387,179 | - | 5,387,179 | - |
| Withholding tax on dividend | 5,740,000 | - | - | - |
| | 117,984,884 | 91,209,275 | 111,101,893 | 90,018,746 |
| Deferred tax expense | | | | |
| Origination/(reversal) of deferred tax assets | (135,120,784) | (18,049,122) | (3,827,494) | (276,528) |
| Origination/(reversal) of deferred tax liabilities | 20,238,028 | 10,062,162 | 30,347,876 | 7,935,608 |
| | (114,882,756) | (7,986,960) | 26,520,382 | 7,659,081 |
| Income tax expense | 3,102,128 | 83,222,314 | 137,622,275 | 97,677,827 |

### 32.1 Reconciliation of accounting profit and taxable income

| | Group | | Company | |
|---|---|---|---|---|
| For the year ended 31 December | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Profit for the year | 411,645,940 | 370,768,584 | 268,154,147 | 301,433,568 |
| Current tax expense | 117,984,885 | 91,209,275 | 111,101,893 | 90,018,746 |
| Origination/(reversal) of deferred tax assets | (135,120,784) | (18,049,122) | (3,827,494) | (276,528) |
| Origination/(reversal) of deferred tax liabilities | 20,238,028 | 10,062,162 | 30,347,876 | 7,935,608 |
| Profit before tax | 414,748,069 | 453,990,898 | 405,776,422 | 399,111,395 |
| At the statutory income tax rate of 28% (2017-28%) | 116,129,459 | 127,117,452 | 113,617,398 | 111,751,192 |
| Less: Exempted interest income | (8,790,851) | (41,671,568) | (5,599,017) | (23,054,759) |
| Less: Surplus transferred from long term insurance fund | (332,920) | - | - | - |
| Add: Disallowable expenses | 33,299,053 | 36,987,298 | 31,070,952 | 26,634,294 |
| Less: Allowable expenses | (9,684,086) | (30,703,745) | (17,784,625) | (24,791,819) |
| Less: Profit from life insurance | (8,172,956) | (42,474,216) | - | - |
| Less: Other income considered separately | (97,378,553) | (51,007,548) | (96,235,562) | (49,817,019) |
| Business income | 25,069,146 | (1,752,327) | 25,069,146 | 40,721,889 |
| Other sources of income | 81,788,559 | 50,487,386 | 80,645,568 | 49,296,857 |
| Assessable income | 106,857,705 | 48,735,059 | 105,714,714 | 90,018,746 |
| Less: Deductions | | | | |
| Tax loss/gain on long term insurance | - | 42,474,216 | - | - |
| Total current tax | 106,857,705 | 91,209,275 | 105,714,714 | 90,018,746 |

## 33. EARNINGS PER SHARE

Basic earning per share

The basic earnings per share is based on net profit attributable to ordinary shareholders for the year divided by the weighted average number of ordinary shares outstanding for the year and is calculated as follows;

| | Group | | Company | |
|---|---|---|---|---|
| For the year ended 31 December | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Profit attributable to ordinary shareholders (Rs.) | 378,176,880 | 356,981,365 | 268,154,147 | 301,433,568 |
| Weighted average number of ordinary shares in issue applicable to basic earnings per share (Nos.) | 129,075,485 | 129,075,485 | 129,075,485 | 129,075,485 |
| Earnings per share (Rs.) | 2.93 | 2.77 | 2.08 | 2.34 |

### 33.1 Weighted average number of ordinary shares

| | Group | | Company | |
|---|---|---|---|---|
| | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| No. of shares held as at 1 January | 126,025,177 | 126,025,177 | 126,025,177 | 126,025,177 |
| Add: Weighted average number of shares issued due to scrip dividend 2018 | 3,050,308 | 3,050,308 | 3,050,308 | 3,050,308 |
| No. of shares held as at 31 December | 129,075,485 | 129,075,485 | 129,075,485 | 129,075,485 |

## 34. RELATED PARTY TRANSACTIONS

### 34.1 Transactions with key management personnel

The board of directors of the Company have the authority and responsibility of planning, directing and controlling the activities of the Company. Accordingly, the Board of directors of the Company have been identified as the key management personnel. ("KMP") of the Company.

The emoluments paid to the KMP of the Company are disclosed as follows;

| For the year ended 31 December | 2018<br>Rs. | 2017<br>Rs. |
|---|---|---|
| Short term employee benefits | 15,039,973 | 15,037,064 |

Post employment benefits accrued are not included above as it cannot be identified separately due to the actuarial valuation.

**Loans given to Directors**

Company has not given any loans for the Directors of the Company during the year ended 31 December 2018.

**Loans obtained from Directors**

Company has not obtained any loans from the Directors of the Company during the year ended 31 December 2018.

**34.2** Directors and their directorships in other entities are listed below as the societies represented by the directors on the Board are considered as related parties.

| Director | Company | Relationship |
|---|---|---|
| Mr. W. Lalith A. Peiris | Wennappuwa MPCS Ltd. | Chairman |
| | National Co-operative Council Of Sri Lanka | Chairman |
| | Chilaw District Co-operative Council | Chairman |
| | Co-op life Insurance Company Ltd | Chairman |
| | Sri Lanka Co-operative Rural Bank Federation | Director |
| | National Institute of Co-operative Development - Polgolla | Director |
| | Co-operative Insurance Training Academy | Director |
| Mr. K.R.W Ranasinghe | Sirioya Hydro Power (Pvt) Ltd | Director |
| | Prime Engineering lanka (Pvt) Ltd | Director |
| | Co-op life Insurance Company Ltd | Managing Director |
| | Co-operative Insurance Training Academy | Director |
| Mr. K.J. Sesiri | Beralapanatara MPCS | Chairman |
| | Matara Dist. Co-operative Rural Bank Union | Director |
| | Matara Dist.Co-operative Council | Vice Chairman |
| | Matara Dist. Tea Producers Co-operative Society Union | Vice Chairman |
| | Co-op life Insurance Company Ltd | Director |
| Mr. R.G.K. Rankothge | Pujapitiya MPCS | Chairman |
| | Sri Lanka Marketing Federation | Chairman |
| Mr. K.R.K.N. Jayasinghe | Post & Telecom Employees Co-op Bank Society Ltd | Chairman |

| Director | Company | Relationship |
|---|---|---|
| Mr. C.P. Jayasinghe | Dambadeniya MPCS Ltd | Chairman |
| | Wayaba Co-operative Consumer Society LTD | Vice Chairman |
| | Wayaba Co-operative Rural Bank union LTD | Chairman |
| | Kurunegala District Co-operative Board | Director |
| | Co -operative Leasing Company Ltd | Vice Chairman |
| | Sri lanka Co-operative Rural bank Federation limited | Director |
| Mr. A.D.T.S. Palitha | TSP Associates | Partner |
| Mr. J.M.V.P. Jayasooriya | Galigamuwa MPCS | Chairman |
| | Kegalle Dist. Co-operative Rural Bank Union Ltd | Director |
| | District Cooperative Council of Kegalle | Director |
| | Lanka Electricity Company Ltd | Director |
| Mr. R.M.B.M. Bandara | Polonnaruwa Dist. Co-operartive Rural ank Union Ltd. | Chairman |
| | Polonnaruwa Dist. Co-operative Council | Director |
| K Susil Shantha Weerasekara | Weligama MPCS LTD | Chairman |
| | Matara District co-operative Council | Director |
| | CAPRO Coop Southern LTD | Chairman |
| | Matara District Tea Producers co-operative Society LTD | Chairman |
| | Sri lanka national Co-operative Council | Vice Chairman |
| D L Samarawikrama | Jayawardhanpura MPCS | Chairman |
| | Colombo District Rural Bank Federation | Director |
| | Colombo South Co-operative Society Ltd | Director |
| | Public Service Co-operative Credit & Thrift Society Ltd | Treasurer |
| | Public Service Cooperative Credit & Thrift Society Ltd | Treasurer |
| | Co-op life Insurance Company Ltd | Director |

### 34.3 Transactions and balances with related parties

The Multi-Purpose Co-operative Societies represented on the Board are considered as related parties due to the joint shareholdings and representation on the Board. Related party balances and transactions are listed bellow;

| Entity | Nature of Transaction | Transaction Amount Paid/(Received) | | Balance as at 31 December | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| | | Rs. | Rs. | Rs. | Rs. |
| Coop Life Insurance Ltd. | Equity investment | 35,260,000 | - | 445,260,040 | 410,000,040 |
| | Receiver for shared service expenses | (28,820,657) | (27,483,911) | 10,757,248 | 7,956,943 |
| | Insurance premiums | (708,342) | (3,608,861) | - | - |
| | Life GTA | 2,930,750 | 2,331,250 | - | - |
| | Vehicle rent | (3,305,350) | (3,030,000) | - | - |
| | Building rent | 2,760,437 | 2,811,888 | - | - |
| | Water and electricity | 445,153 | - | - | |
| | Claims | 60,705 | - | - | - |
| | Salary Deduction | 1,430,240 | 1,540,081 | - | - |
| | Others | 800,770 | - | - | - |

# Notes to the Financial Statements

| Entity | Nature of Transaction | Transaction Amount Paid/(Received) | | Balance as at 31 December | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| | | Rs. | Rs. | Rs. | Rs. |
| Co-operative Insurance Training Academy | Equity investment | 10 | - | 10 | - |
| | Payments reimbursement | 593,315 | - | 554,831 | - |
| MPCS Wennappuwa | Office rent | 1,022,450 | 943,800 | - | - |
| | Fuel | - | 3,800 | - | - |
| | Others | - | 31,300 | - | - |
| | Commission | 273,083 | 350,316 | - | - |
| | Claims | 256,723 | 170,322 | - | - |
| National Co-operative Council of Sri Lanka | Sales promotions | - | 45,000 | - | - |
| | Transport charges | 40,700 | - | - | - |
| | Others | - | 9,384 | - | - |
| | Rent advance | - | - | - | 483,819 |
| Sri Lanka Co-operative Marketing | Fuel | 474,839 | 624,696 | - | - |
| Federation | Transport | 104,620 | 1,005,790 | - | - |
| | Claims | 45,080 | 56,123 | - | - |
| | Others | 12,870 | 798,692 | - | - |
| Sri Lanka Co-operative Rural Bank Federation | Sales promotion | - | 16,667 | - | - |
| | Refunds and other | - | 25,000 | - | - |
| | Vehicle rental/Card machine rent | 7,636,465 | 1,786,155 | - | - |
| | Dividends | - | 2,886,000 | - | - |
| | Claims | 78,225 | 7,300 | - | - |
| | Lease payments | - | 9,142,843 | - | - |
| Dambadeniya MPCS Ltd. | Commission | 213,206 | 19,967 | - | - |
| | Incentive | - | 194,798 | - | - |
| | Claims | 9,840 | 72,771 | - | - |
| Post & Telecom Employees Co-op Bank Society Ltd. | Commission & Incentive | 3,118 | 26,270 | - | - |
| | Claims | 33,000 | | - | - |
| | Advertisement | 30,000 | 25,000 | - | - |
| Beralapanatara MPCS | Claims | 41,530 | 1,415,854 | - | - |
| | Commission | - | 331,889 | - | - |
| | Commission incentive | 306,605 | - | - | - |
| Matara Dist. Tea Producers Co-operative Society Union | Claims | 33,606 | 128,375 | - | - |
| Weligama MPCS | Claims | 54,470 | 31,055 | - | - |

| Entity | Nature of Transaction | Transaction Amount Paid/(Received) | | Balance as at 31 December | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| | | Rs. | Rs. | Rs. | Rs. |
| Galigamuwa MPCS | Dividends | - | - | - | - |
| | Claims | 138,151 | 19,250 | - | - |
| | Commission | - | 35,139 | - | - |
| | Commission incentive | - | 30,855 | - | - |
| | Others | 50,000 | - | - | - |
| Co-operative Leasing Company Ltd | Commission | 1,560,840 | - | - | - |
| Polonnaruwa Dist. Co operative Rural Bank Union | | | | | |
| | Commission | 98,684 | 97,190 | - | - |
| | Salary deductions | 104,400 | 104,400 | - | - |
| | Sales promotion | 25,000 | - | - | - |
| | Claims | 384,210 | 181,355 | - | - |
| | Others | 6,000 | - | - | - |
| Prime Engineering | Claims | - | 277,052 | - | - |
| Lanka Electricity Company Ltd | Claims | - | 1,967,515 | - | - |
| Wayamba Co operative Rural Bank Union | Sales promotion | 197,000 | - | - | - |
| | Claims | 107,693 | - | - | - |
| | Commission | 220,944 | - | - | - |

## 35. CONTINGENCIES

There were no material contingent liabilities outstanding as at the date of reporting.

## 36. EVENTS OCCURRING AFTER THE REPORTING DATE

There were no material events that occurred after the reporting date that required adjustment to or disclosure in the financial statements.

## 37. FINANCIAL RISK MANAGEMENT

Primary objective of the company's business and financial risk management frame work is to protect the company's shareholders from events that could hinder the delivery of financial objectives. The risk management process comprises the identification and evaluation of existing and potential risks associated with the company's operations and strategy, followed by appropriate management responses such as tolerance, mitigation, transfer, avoidance, termination or a combination of such responses. It is of paramount importance that the management identify the uncertainties that hinder achievement of financial objectives of the company and implement effective mitigating strategies to safeguard the financial expectations of the stakeholders.

## Financial Instruments – Fair values and risk management

### A. Accounting classification and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is reasonable approximation of fair value.

| Group<br>31 December 2018 | Note | FVTPL | Held to Maturity | Loans & Receivables and other Financial assets | Available for Sale | Other Financial Liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 |
| Financial assets measured at fair value/amortised cost | | | | | | | | | | | |
| Treasury bonds | 6.1 (a) & 6.3 (a) | - | 797,258 | - | 375,531 | - | 1,172,789 | 375,531 | - | - | 375,531 |
| Unquoted equity instrument | 6.3 | - | - | - | 5,824 | - | 5,824 | - | - | 5,824 | 5,824 |
| Quoted equity instrument | 6.4 | 731 | - | - | 9,956 | | 10,687 | 10,687 | - | - | 10,687 |
| Quoted debentures | 6.1 (b) & 6.3 (b) | - | 785,163 | - | 324,826 | - | 1,109,988 | 324,826 | - | - | 324,826 |
| Financial assets not measured at fair value | | | | | | | | | | | |
| Fixed deposits | 6.2 | - | - | 1,779,693 | - | - | 1,779,693 | - | - | - | - |
| Investments in Repo | 6.2 | - | - | 342,133 | - | - | 342,133 | - | - | - | - |
| Commercial papers | 6.2 | - | - | 443,240 | - | - | 443,240 | - | - | - | - |
| Reinsurance receivable | 9 | - | - | 340,059 | - | - | 340,059 | - | - | - | 340,059 |
| Premium receivable | 10 | - | - | 758,588 | - | - | 758,588 | - | - | - | - |
| Cash and cash equivalents | 12 | - | - | 140,831 | - | - | 140,831 | - | - | - | 140,831 |
| Total Assets | | 731 | 1,582,421 | 3,045,955 | 716,136 | - | 5,345,244 | 711,044 | - | 5,824 | 1,197,757 |
| Financial liabilities not measured at fair value | | | | | | | | | | | |
| Financial lease | 14 | - | - | - | - | 3,051 | 3,051 | - | - | - | |
| Re-insurance creditors | 18 | - | - | - | - | 302,532 | 302,532 | - | - | - | |
| Bank overdrafts | 12 | - | - | - | - | 94,508 | 94,508 | - | - | - | |
| Total Liabilities | | - | - | - | - | 400,092 | 400,092 | - | - | - | |

| **Group**<br>31 December 2017 | Note | FVTPL<br>Rs.000 | Held to Maturity<br>Rs.000 | Loans & Receivables and other Financial assets<br>Rs.000 | Available for Sale<br>Rs.000 | Other Financial Liabilities<br>Rs.000 | Total<br>Rs.000 | Level 1<br>Rs.000 | Level 2<br>Rs.000 | Level 3<br>Rs.000 | Total<br>Rs.000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Financial assets measured at fair value/ amortised cost | | | | | | | | | | | |
| Treasury bonds | 6.1 (a) & 6.3 (a) | - | 425,471 | - | 445,867 | - | 871,338 | 445,867 | - | - | 445,867 |
| Unquoted equity instrument | 6.3 | - | - | - | 5,110 | - | 5,110 | - | - | 5,110 | 5,110 |
| Quoted equity instrument | 6.4 | 922 | - | - | 10,384 | - | 11,306 | 11,306 | - | - | 11,306 |
| Quoted debentures | 6.3(b) | - | - | - | 411,516 | - | 411,516 | - | 411,516 | - | 411,516 |
| Financial assets not measured at fair value | | | | | | | | | | | |
| Fixed deposit | 6.2 | - | - | 1,483,128 | - | - | 1,483,128 | - | - | - | - |
| Quoted debentures | 6.3 | - | 641,614 | | - | - | 641,614 | - | - | - | - |
| Investments in repo | 6.2 | - | - | 608,471 | - | - | 608,471 | - | - | - | - |
| Commercial papers | 6.2 | - | - | 142,593 | - | - | 142,593 | - | - | - | - |
| Reinsurance receivable | 9 | - | - | 256,107 | - | - | 256,107 | - | - | - | - |
| Premium receivable | 10 | - | - | 602,794 | - | - | 602,794 | - | - | - | - |
| Cash and cash equivalents | 12 | - | - | 138,643 | - | - | 138,643 | - | - | - | - |
| Total Assets | | 922 | 1,067,085 | 3,231,736 | 872,877 | - | 5,172,620 | 457,173 | 411,516 | 4,940 | 873,799 |
| Financial liabilities not measured at fair value | | | | | | | | | | | |
| Financial lease | 14 | - | - | - | - | 11,586 | 11,586 | - | - | - | - |
| Reinsurance creditors | 18 | - | - | - | - | 216,873 | 216,873 | - | - | - | - |
| Bank overdrafts | 12 | - | - | - | - | 69,968 | 69,968 | - | - | - | - |
| Total Liabilities | | - | - | - | - | 298,427 | 298,427 | - | - | - | - |

| **Company**<br>31 December 2018 | Note | FVTPL<br>Rs.000 | Held to Maturity<br>Rs.000 | Loans & Receivables and other Financial assets<br>Rs.000 | Available for Sale<br>Rs.000 | Other Financial Liabilities<br>Rs.000 | Total<br>Rs.000 | Level 1<br>Rs.000 | Level 2<br>Rs.000 | Level 3<br>Rs.000 | Total<br>Rs.000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Financial assets measured at fair value | | | | | | | | | | | |
| Treasury bonds | 6.1 (a) | - | 427,730 | - | | - | 427,730 | - | - | - | - |
| Unquoted equity instrument | 6.3 | - | - | - | 5,824 | - | 5,824 | - | - | 5,824 | 5,824 |
| Quoted equity instrument | 6.3 | - | - | - | 9,956 | - | 9,956 | 9,956 | - | - | 9,956 |
| Quoted debentures | 6.1(b) | - | 785,163 | - | | - | 785,163 | - | - | - | - |
| Financial assets not measured at fair value | | | | | | | | | | | |
| Fixed deposit | 6.2 | - | - | 1,151,321 | | - | 1,151,321 | - | - | - | - |
| Investments in repo | 6.2 | - | - | 250,747 | | - | 250,747 | - | - | - | - |
| Commercial papers | 6.2 | - | - | 256,835 | | - | 256,835 | - | - | - | - |
| Reinsurance receivable | 9 | - | - | 331,972 | | - | 331,972 | - | - | - | - |
| Premium receivable | 10 | - | - | 750,717 | | - | 750,717 | - | - | - | - |
| Cash and cash equivalents | 12 | - | - | 120,709 | | - | 120,709 | - | - | - | - |
| Total Assets | | - | 1,212,893 | 2,862,301 | 15,780 | - | 4,090,974 | 9,956 | - | 5,824 | 15,780 |

# Notes to the Financial Statements

As at 31 December

| **Company** 31 December 2018 | Note | FVTPL Rs.000 | Held to Maturity Rs.000 | Loans & Receivables and other Financial assets Rs.000 | Available for Sale Rs.000 | Other Financial Liabilities Rs.000 | Total Rs.000 | Level 1 Rs.000 | Level 2 Rs.000 | Level 3 Rs.000 | Total Rs.000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Financial liabilities not measured at fair value | | | | | | | | | | | |
| Financial lease | 14 | - | - | - | - | 1,764 | 1,764 | - | - | - | - |
| Reinsurance creditors | 18 | - | - | - | - | 291,709 | 291,709 | - | - | - | - |
| Bank overdrafts | 12 | - | - | - | - | 94,508 | 94,508 | - | - | - | - |
| Total Liabilities | | | | | | 387,981 | 387,981 | - | - | - | - |

| **Company** 31 December 2017 | Note | FVTPL Rs.000 | Held to Maturity Rs.000 | Loans & Receivables and other Financial assets Rs.000 | Available for Sale Rs.000 | Other Financial Liabilities Rs.000 | Total Rs.000 | Level 1 Rs.000 | Level 2 Rs.000 | Level 3 Rs.000 | Total Rs.000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Financial assets measured at fair value | | | | | | | | | | | |
| Treasury bonds | 6.1 (a) | - | 425,471 | - | | - | 425,471 | - | - | - | - |
| Unquoted equity instrument | 6.3 | - | - | - | 5,110 | - | 5,110 | - | - | 5,110 | 5,110 |
| Quoted equity instrument | 6.3 | - | - | - | 10,384 | - | 10,384 | 10,384 | - | - | 10,384 |
| Financial assets not measured at fair value | | | | | | | | | | | |
| Quoted debentures | 6.1 (b) | - | 641,614 | - | - | - | 641,614 | - | - | - | - |
| Fixed deposits | 6.2 | - | - | 879,751 | - | - | 879,751 | - | - | - | - |
| Investments in repo | 6.2 | - | - | 319,632 | - | - | 319,632 | - | - | - | - |
| Commercial papers | 6.2 | - | - | 83,990 | - | - | 83,990 | - | - | - | - |
| Reinsurance receivable | 9 | - | - | 245,140 | - | - | 245,140 | - | - | - | - |
| Premium receivable | 10 | - | - | 594,509 | - | - | 594,509 | - | - | - | - |
| Cash and cash equivalents | 12 | - | - | 114,938 | - | - | 114,938 | - | - | - | - |
| Total Assets | | - | 1,067,085 | 2,237,960 | 15,494 | - | 3,320,539 | 10,384 | - | 5,110 | 15,494 |
| Financial liabilities not measured at fair value | | | | | | | | | | | |
| Financial lease | 14 | - | - | - | - | 8,414 | 8,414 | - | - | - | - |
| Reinsurance creditors | 18 | - | - | - | - | 196,593 | 196,593 | - | - | - | - |
| Bank overdrafts | 12 | - | - | - | - | 69,968 | 69,968 | - | - | - | - |
| Total Liabilities | | - | - | - | - | 274,975 | 274,975 | - | - | - | - |

## B. Measurement of Fair Value

### i. Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

### Financial Instruments measured at fair value

| Type | Valuation technique | Significant unobservable inputs | Inter-relationship between significant |
|---|---|---|---|
| Equity instruments-Unquoted | Net Assets based valuation | Net Assets Value and Number of Share Outstanding | Positive |
| Debentures | Future Cash Flow based valuation | Discounting Factor | Negative |

### ii. Level 3 fair values

**Reconciliation of Level 3 fair value**

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

| | Group/Company |
|---|---|
| | Available for sale financial assets |
| Balance as at 1st January 2017 | 4,940,411 |
| Total gains or losses recognised in OCI | 169,132 |
| Closing balance as at 31st December | 5,109,542 |
| Balance as at 1st January 2018 | 5,109,542 |
| Total gains or losses recognised in OCI | 714,034 |
| Closing balance as at 31st December | 5,823,576 |

## 37.1 Financial risk management

### Introduction and overview

Effective risk management is very important for an organisation to identify, measure, mitigate and manage the various types of risk falling within group and industry. CICL group recognises the importance of sound risk management in every aspect of our business and to our stakeholders.

### 37.1.1 Risk and Capital Management

**(A) Governance Framework**

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group audit committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

**(B) Regulatory framework**

Insurance regulatory commission of Sri Lanka, (IRCSL) safeguards the policy holders through the supervisory control of insurance companies in Sri Lanka. The Group operates according to the regulatory requirements set out by the IRCSL. The Group successfully implemented the Risk Based Capital (RBC) framework on solvency margin as required by IRCSL. The capital positions of the Group's operating companies as of 31st December 2018 and 2017 are as follows.

| | 31st December 2018 | | | | 31st December 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | Total Available Capital (TAC) | Minimum Capital Requirement | Risk-based Capital Adequacy Ratio (CAR) | Regulatory Minimum CAR | Total Available Capital (TAC) | Minimum Capital Requirement | Risk-based Capital Adequacy Ratio (CAR) | Regulatory Minimum CAR |
| CICL | 1,353,242 | 500,000 | 178% | 120% | 1,299,737 | 500,000 | 180% | 120% |

Total Available Capital and Risk based Capital Adequacy Ratio of CICL was maintained in excess of the minimum requirements as prescribed by the IRCSL throughout the year. Thus, the operations of the Group are in compliance with the regulatory requirements of the IRCSL. Further Group is in compliance with other regulators such as Central Bank of Sri Lanka (CBSL), Department of Inland Revenue (IRD) and etc. The Group is also regulated by the Companies Act, No. 07 of 2007.

**(C) Capital Management Framework**

The Group's approach to managing capital involves managing assets, liabilities and risks in a co-ordinated way, assessing shortfall between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions and risk characteristics. The capital requirements are forecasted on a periodic basis by the Management and the Board of Directors.

There were no any significant changes from the previous year, to its policies and process of its capital structure. Those thre were no changes in the capital structure in the Company during the year.

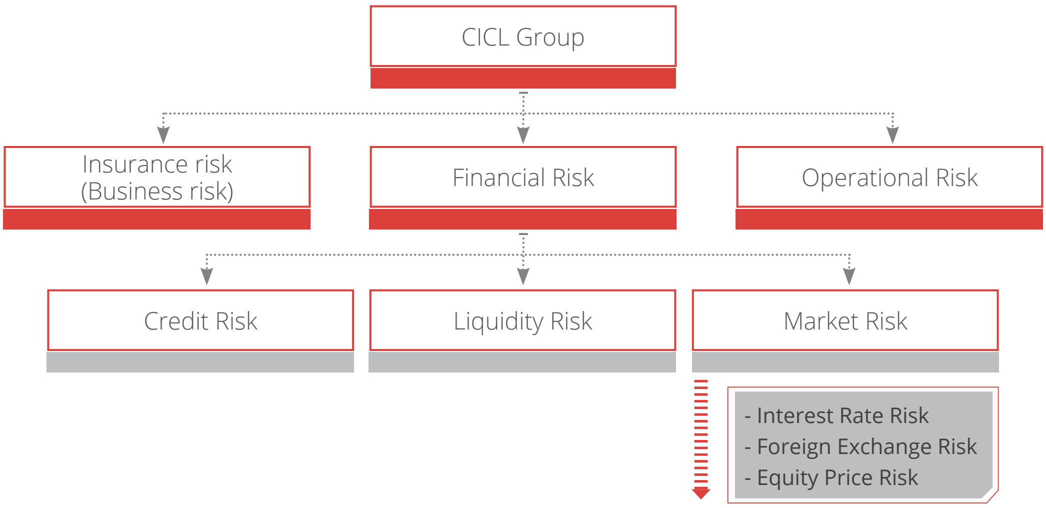
Company and its subsidiary subject to regulatory guidelines and framework which includes minimum Capital Requirement, Solvency Margin, Approved Assets Requirements, etc. to minimise the risk of default and insolvency on the part of the insurance company to meet unforeseeable liabilities as they arise. Group comply with all regulatory requires during the year.

**(D) Asset and Liability Management (ALM) framework**

The Group manages Assets and Liabilities to achieve long-term investment returns in excess of its obligations under insurance contracts. Financial risks arise from interest rates, currency and equity products, all of which are exposed to general and specific market movements will have an impact on Asset and Liability Management (ALM). The main risk that the Group faces, due to the nature of its investments and liabilities, is interest rate risk. The Group manages these positions within a clearly defined ALM framework.

### 37.2 Insurance and financial risks

This section deals in detail with the various risks from insurance contracts and describe uncertainties in measuring them. In accordance with the requirements of SLFRS 4, the effects of a change in the assumptions underlying the measurement of insurance contracts and / or in the market environment are also quantified.




### 37.2.1 Insurance risk (Business risk)

By the very nature of an insurance contract, risk is based on fortuity and is therefore unpredictable. The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty regarding the amount of the resulting claim.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces is that the actual claim and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

**37.2.1.1 Life Insurance contracts**

**(A) Risk management identification**

Life insurance products include protection and annuity covers. Protection products carry mortality, longevity and morbidity risks as well as market and credit risk. The most significant factors that could increase the frequency of mortality claims are epidemics, such as strains of influenza, or lifestyle changes such as eating, drinking and exercise habits, resulting in earlier or more claims than expected. Morbidity claims experience would not only be affected by the factors mentioned above, but because disability is defined in terms of the ability to perform an occupation, it could also be affected by economic conditions. In order to reduce cross-subsidies in the pricing basis, premiums are differentiated, where permitted, for example by product, age, gender and smoker status.

The policy terms and conditions and the disclosure requirements contained in insurance applications are designed to mitigate the risk arising from non-standard and unpredictable risks that may result in severe financial loss.

In the life annuity business, the most significant insurance risk is continued medical advances and improvement in social conditions that lead to increase in longevity. Annuitant mortality assumptions include allowance for future mortality improvements.

In addition to the specific risks listed above, the Company is exposed to policyholder behaviour and expense risks. Policyholder behaviour risk is mitigated by product designs that match revenue and expenses associated with the contract as closely as possible. Expense risk is mitigated by careful control of expenses and by regular expense analyses and allocation exercises.

The Company is exposed to two main types of concentration risks in its life business:

Market risk: Interest rate guarantees expose the Company to financial losses that may arise as a result of adverse movements in financial markets.

Insurance risk: Main factors include mortality risk, morbidity risk, longevity risk, policyholder behaviour risk (lapse, anti-selection) and expense risk.

Accordingly having a well-diversified portfolio of products reduces risk associated with the life business.

The Company's exposure to life insurance risks varies significantly by product lines and may change over time. The insurance risk described above is also affected by the contract holder's right to pay reduced premiums or no future premiums, to terminate the contract completely. As a result, the amount of insurance risk is also subject to contract holder behaviour.

Following table illustrate the strategies followed by the company to mitigates risk associates with life insurance.

| | |
|---|---|
| Strategies associated with Life insurance undertaking | • Focused training is provided to Insurance Advisors on proper selling in Sinhala, Tamil and English.<br>• Maximum input is obtained from the Consultant Actuary and Reinsurer in deciding on the terms and conditions of products in order to ensure that products are adequately priced. |
| Strategies associated with Life insurance claims to manage within expected level | • Claims are reserved immediately at the intimation or on the availability of information of the death or injury of an insured.<br>• The support of the reinsurers is obtained on reserving such claim liability and the share of reinsurers. |
| Reinsurance strategies associated with Life insurance undertaking | • A very close and professional relationship is maintained with all reinsurers and reinsurance brokers<br>• Frequent review of the outstanding Reinsurance receivables. |

#### (B) Concentration risk

The Company defines concentration risk in the life business as the risk of exposure to increased losses associated with inadequately diversified portfolios of assets and /or obligations.

A more diversified portfolio of risks is less likely to be affected across the board by a change in any subset of risks.

Any potential change in the mix of the portfolio could significantly alter the nature of the overall risk. Hence the Executive Committee reviews risks inherent in all new business propositions against the risk appetite of the life business.

**Concentration risk within the life business**

The following table shows the concentration of the Participating and Non-Participating funds position of the Company.

| | Insurance contract liabilities As at 31 Dec 2018<br>Rs. | Insurance contract liabilities As at31 Dec 2017<br>Rs. |
|---|---|---|
| Participating | 1,126,615 | 1,001,644 |
| Non-participating | 443,410 | 457,643 |
| Total | 1,570,025 | 1,459,287 |

**(C) Assumptions in determining Life insurance contract liabilities**

Life insurance contracts, estimates are made in two stages. At inception of the contract, the Company determines assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. Subsequently, new estimates are developed at each reporting date to determine whether liabilities are adequate in the light of the latest current estimates. Improvements in estimates have no impact on the value of the liabilities and related assets, while significant enough deteriorations in estimates have an impact.

The Assumptions used for the insurance contracts are as follows:

| Assumption | Description |
|---|---|
| Mortality | The mortality table used was the A67 / 70 ultimate for all assurances and deferred annuities before vesting and, a (90) ultimate table of annuitants after vesting. |
| Investment returns | Investment returns affect the assumed level of future benefits due to the contract holders and the selection of the appropriate discount rate. |

**(D) Sensitivity Analysis**

Following table presents the sensitivity of the value of insurance liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance liabilities. For liabilities under life insurance contracts with fixed and guaranteed terms, changes in assumptions will not cause a change to the amount of the liability, unless the change is severe enough to trigger a liability adequacy test adjustment.

No adjustments were required in 2018 or 2017, based on the results of the liability adequacy test. Following table D indicates the level of the respective variable that will trigger an adjustment and then indicates the liability adjustment required as a result of a further deterioration in the variable.

**Sensitivity of the value of insurance liabilities**

The table below presents the sensitivity of the value of insurance liabilities to movements in the key assumptions used in the estimation of insurance liabilities with other assumptions held constant.

| | Change in assumptions | Impact on liabilities | |
|---|---|---|---|
| | | 2018 | 2017 |
| Mortality | 10% | 1,431,599 | 1,331,603 |
| | -10% | 1,401,095 | 1,300,091 |
| Discount rate | 10% | 1,282,301 | 1,250,390 |
| | -10% | 1,574,058 | 1,386,749 |

### 37.2.1.2 General insurance contracts

**(A) Risk management identification**

General insurance risks include the reasonable possibility of significant loss due to uncertainty in the frequency of the occurrence of the insured event as well as in the severity of the resulting claim. An overview of the Group's main lines of business is as follows;

| Line of business | Description |
|---|---|
| Motor | Includes automobile physical damage, loss of the insured vehicle and automobile third party liability insurance |
| Fire and engineering | Includes fire risks (for example fire, explosion and business interruption), natural perils (for example earthquake and flood), engineering lines (for example boiler explosion, machinery breakdown and construction) |
| Accident and liability | Includes general/public and product liability, excess and professional liability including medical malpractice, errors and omissions of liability. |
| Marine/ Cargo | Coverage for special risk insurance and trip cargo insurance. Contracts with open policy cargo insurance that covers all of a shipper's good in transit. |

The Group's underwriting strategy is to take advantage of the diversification of General insurance risks across industries. The Group seeks to optimise shareholder value by achieving its equity goals. Doing so necessitates a prudent, stable underwriting philosophy that aims to take advantage of its competitive strengths while avoiding risks with disruptive volatility. At the core of the Group's underwriting is a robust governance process.

Following table illustrate the strategies followed by the company to mitigates risk associates with life insurance.

| | |
|---|---|
| Strategies associated with general insurance undertaking | • Limits are set on underwriting capacity, and authority granted to individuals based on their specific expertise. |
| | • Appropriate pricing guidelines have been set, with a focus on consistent technical pricing across the organisation. |
| | • Diversified large portfolio of insurance contracts and geographical areas. |
| | • Careful selection and implementation of underwriting strategies. |
| Strategies associated with general insurance claims to manage within expected level | • Claims are assessed immediately upon intimation and reserved accordingly.. |
| | • The service of a qualified Independent Actuary is obtained to assess the adequacy of reserves made in relation to Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) claims. |
| Reinsurance strategies associated with general insurance undertaking | • There are strict controls to ensure that no insurance cover is issued without a proper reinsurance arrangement backing the cover. |
| | • Review adequacy of reinsurance support for catastrophe / extreme events on a regular basis |
| | • Periodic review of the credit rating and ensuring all reinsurers maintain the rating throughout the year. |

### (B) Reinsurance risk

The Company obtains reinsurance to limit its exposure to individual risks and aggregation of risks arising from individual large claims and catastrophe events. The types of reinsurance obtained are as follows;

- Excess of loss reinsurance obtained to protect a range of individual inwards contracts which could give rise to individually large claims.
- Facultative reinsurance obtained to reduce risk relating to an individual specific inwards contract.

Notwithstanding to the advantages reinsurance provides insurers, it can expose them, at varying degrees, to various risks inherent in its use. A new or continuing reinsurance contract could give rise to one or more of the following risks;

- Residual insurance risk
- Legal risk
- Counterparty risk
- Liquidity risk

Considering the above factors the overall risk management strategy cedes insurance risk through proportional, non-proportional and specific reinsurance treaties.

As at 31 December 2018, 99% of our reinsurance receivable were due from reinsurers with a rating of 'A-' or better and from the National Insurance Trust Fund (NITF). There were no collateral against reinsurance receivables as at the reporting date.

The ratings of reinsurer's and their related rating agencies are as follows;

| Reinsurer | Country of origin | Rating | Rating agency |
|---|---|---|---|
| General Insurance Corporation of India | India | A- | A M Best |
| African Reinsurance Corporation | Nigeria | A | A M Best |
| Malaysian Reinsurance Berhad | Malaysia | A- | A M Best |
| Hannover Re (Bermuda) Ltd | Bermuda | AA | A M Best |
| Swiss Re International SE | Luxembourg | AA | A M Best |
| First Capital Insurance Limited | Singapore | A | A M Best |
| Santam Re | South Africa | AA- | Standard & Poor's |
| National Insurance Trust Fund | Sri Lanka | Government security | Not applicable |

### (C) Concentration risk

For General insurance contracts, the most significant risks arise from the Motor Class.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts into different classes as mentioned earlier. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits.

Concentration risk based on classes within the general insurance busines based on the gross written premium is as follows;

| | 2018 | | | | 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| Class | Gross Written Premium Rs.'000' | Re-insurance Rs.'000' | Net written Premium Rs.'000' | % | Gross Written Premium Rs.'000' | Re-insurance Rs.'000' | Net written Premium Rs.'000' | % |
| Motor | 3,254,676 | 331,438 | 2,923,238 | 87% | 2,680,390 | 326,697 | 2,353,693 | 88% |
| Fire and engineering | 121,113 | 102,753 | 18,360 | 3% | 115,244 | 88,110 | 27,134 | 4% |
| Marine | 7,791 | 2,551 | 5,240 | 0% | 4,485 | 9,222 | (4,737) | 0% |
| Accident and liability | 367,258 | 122,198 | 245,060 | 10% | 255,717 | 120,326 | 135,390 | 8% |
| **Total** | **3,750,838** | **558,940** | **3,191,898** | **100%** | **3,055,836** | **544,355** | **2,511,480** | **100%** |

#### (D) Sources of uncertainty in the estimation of future claim payments

The Company is liable for all insured events that occurred during the term of the contracts, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and large element of the claims provision related to incurred but not reported (IBNR) claims. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management they adopt.

#### (E) Estimation of IBNR reserve

The IBNR claims reserve has been actuarially computed by NMG Consulting (NMG). The valuation is determined using internationally accepted actuarial techniques.

The risk associated with these insurance contracts are complex and subject to a number of variables that complicate the quantitative sensitivity analysis. NMG use several statistical methods to incorporate the various assumptions made in order to estimate the ultimate costs of claims. The two methods more commonly used are the Chain-Ladder and the Bornhuetter-Ferguson methods.

Generally, NMG has given higher credibility to the chain ladder method on a cumulative claims reported basis for each class of business. In general, the reported basis would display more stability relative to the paid basis, especially for more recent accident years. To increase consistency, the BF method uses results from the 31 December 2011 analysis as the seed loss ratio for each accident year and a projected loss ratio for the latest accident year. Loss development factors, NMG has used loss development factors based on weighted averages except where;

- The weighted average is contrary to a trend in the recent ratios. For some classes, the trend in loss development factors applies only to certain development years.
- Payments in particular years are clearly out of line relative to those in other years, in which case such outliers are disregarded in selecting the loss development factors.

Sensitivity of Profit Before Tax and net assets due to increase in net claims ratio:

| +1% in claim ratio | 2018<br>Rs.'000 | 2017<br>Rs.'000 |
|---|---|---|
| Net impact to profit before tax | 5,990 | 7,057 |
| Impact to Net assets | 34,841 | 35,580 |

### 37.2.2 Credit risk

#### (A) Introduction to risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and other banks, and investment debt securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposures (such as individual obligor default risk, country and sector risk). The Group is exposed to credit risk on securities issued by third parties. The debt security investments are broadly categorised into investments in Government securities and investments in corporate debt securities.

The Group's credit risk could mainly arise from;

- Financial investments in debt securities
- Reinsurance receivable
- Premiums receivable
- Loans to Life policyholders and others
- Cash and cash equivalents, excluding cash in hand
- Other financial receivables

The Group manages credit risk exposure within parameters that reflect the Group's strategic objectives and risk tolerance. Sources of credit risk are identified, assessed and monitored, and the Group has policies to manage the specific risks within the various subcategories.

**(B) Credit risk exposure**

Group's exposure to credit risk as at the financial position date is given in the tables below with the comparative figures and has been derived as per the Group risk management policy of using the carrying values in the statement of financial positions.

| | | 2018 | | | | 2017 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | Group | % of allocation | Company | % of allocation | Group | % of allocation | Company | % of allocation |
| Debt securities - Loans and receivables | 6.2 | 785,373 | 27% | 507,582 | 28% | 751,064 | 27% | 751,064 | 42% |
| Debt securities - Available for sale | 6.3 | 700,357 | 24% | - | 0% | 857,383 | 31% | - | 0% |
| Total debt securities | | 1,485,730 | 51% | 507,582 | 28% | 1,608,447 | 58% | 751,064 | 42% |
| Life policyholders loans | 8 | 20,630 | 1% | - | - | 19,039 | 1% | - | 0% |
| Reinsurance receivable | 9 | 340,059 | 12% | 331,972 | 18% | 256,107 | 9% | 245,140 | 14% |
| Premiums receivable | 10 | 758,588 | 26% | 750,717 | 42% | 602,795 | 22% | 594,509 | 34% |
| Other financial assets | 11 | 140,820 | 5% | 85,488 | 5% | 138,027 | 5% | 68,785 | 4% |
| Cash and cash equivalents | 12 | 140,831 | 5% | 120,709 | 7% | 138,643 | 5% | 114,938 | 6% |
| Total credit risk exposure | | 2,886,658 | 100% | 1,796,468 | 100% | 2,763,058 | 100% | 1,774,437 | 100% |

The Group is exposed to credit risk on securities issued by third parties. The Group limits its exposure by analysing the creditworthiness of each debt security investment. The credit worthiness of a potential debt security investment is assessed mainly through ratings assigned to the issuing institution or the ratings assigned to an issue. The debt security investments are broadly categorised into investments in government securities and investments in corporate debt securities.

# Notes to the Financial Statements

The tables below set out information about the credit quality of financial investments (government securities and corporate debt securities) and the allowance for impairment loss held by the Group against the assets.

| Group | Carrying Amount As at 31 December 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Held to maturity financial assets Rs.'000' | Loans and receivables Rs.'000' | Available for sale financial assets Rs.'000' | Financial assets at fair value though profit or loss Rs.'000' | Cash and cash equivalents Rs.'000' | Total Rs.'000' | % |
| AAA | - | - | - | - | 135 | 135 | 0% |
| AA+ to AA- | 334,005 | 179,620 | 66,399 | - | - | 580,024 | 12% |
| A+ to A- | 266,923 | 1,229,279 | 193,544 | - | - | 1,689,746 | 34% |
| BBB+ to BBB- | 184,235 | 735,110 | 64,882 | - | - | 984,227 | 20% |
| BB+ to BB- | - | 78,924 | - | - | - | 78,924 | 2% |
| Government guaranteed | 797,258 | 342,133 | 375,531 | - | - | 1,514,922 | 31% |
| Not rated | - | - | 15,780 | 731 | 45,964 | 62,475 | 1% |
| Total | 1,582,421 | 2,565,065 | 716,137 | 731 | 46,099 | 4,910,453 | 100% |
| Allowance for impairment | - | - | - | - | - | - | - |
| As at 31 December 2018 | 1,582,421 | 2,565,065 | 716,137 | 731 | 46,099 | 4,910,453 | 100% |

| Group | Carrying Amount As at 31 December 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Held to maturity financial assets Rs.'000' | Loans and receivables Rs.'000' | Available for sale financial assets Rs.'000' | Financial assets at fair value though profit or loss Rs.'000' | Cash and cash equivalents Rs.'000' | Total Rs.'000' | % |
| AAA | - | - | - | - | - | - | - |
| AA+ to AA- | 343,824 | 85,898 | 98,995 | - | - | 528,717 | 12% |
| A+ to A- | 160,610 | 882,886 | 191,234 | - | - | 1,234,730 | 29% |
| BBB+ to BBB- | 137,180 | 598,750 | 131,671 | - | - | 867,601 | 20% |
| BB+ to BB- | - | 58,188 | - | - | - | 58,188 | 1% |
| Government guaranteed | 425,471 | 608,471 | 445,867 | - | - | 1,479,809 | 35% |
| Not rated | - | - | 5,110 | 922 | 68,675 | 74,708 | 2% |
| Total | 1,067,085 | 2,234,193 | 872,877 | 922 | 68,675 | 4,243,753 | 100% |
| Allowance for impairment | - | - | - | - | - | - | - |
| As at 31 December 2017 | 1,067,085 | 2,234,193 | 872,877 | 922 | 68,675 | 4,243,753 | 100% |

| Company | Carrying Amount As at 31 December 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Held to maturity financial assets | Loans and receivables | Available for sale financial assets | Financial assets at fair value though profit or loss | Cash and cash equivalents | Total | % |
| | Rs.'000' | Rs.'000' | Rs.'000' | Rs.'000' | Rs.'000' | Rs.'000' | |
| AA+ to AA- | 334,005 | 179,620 | - | - | - | 513,625 | 18% |
| A+ to A- | 266,923 | 644,527 | - | - | - | 911,450 | 31% |
| BBB+ to BBB- | 184,235 | 505,085 | - | - | - | 689,320 | 24% |
| BB+ to BB- | - | 78,924 | - | - | - | 78,924 | 3% |
| Government guaranteed | 427,730 | 250,747 | - | - | - | 678,477 | 23% |
| Not rated | - | - | 15,780 | - | 26,201 | 41,980 | 1% |
| Total | 1,212,893 | 1,658,903 | 15,780 | - | 26,201 | 2,913,777 | 100% |
| Allowance for impairment | - | - | - | - | - | | |
| As at 31 December 2018 | 1,212,893 | 1,658,903 | 15,780 | - | 26,201 | 2,913,777 | 100% |

| Company | Carrying Amount As at 31 December 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Held to maturity financial assets | Loans and receivables | Available for sale financial assets | Financial assets at fair value though profit or loss | Cash and cash equivalents | Total | % |
| | Rs.'000' | Rs.'000' | Rs.'000' | Rs.'000' | Rs.'000' | Rs.'000' | |
| AAA | - | - | - | - | - | - | - |
| AA+ to AA- | 343,824 | - | 10,384 | - | - | 354,208 | 15% |
| A+ to A- | 160,610 | 469,855 | - | - | - | 630,465 | 26% |
| BBB+ to BBB- | 137,180 | 435,698 | - | - | - | 572,878 | 24% |
| BB+ to BB- | - | 58,188 | - | - | - | 58,188 | 2% |
| Government guaranteed | 425,471 | 319,632 | - | - | - | 745,103 | 31% |
| Not rated | - | - | 5,110 | - | 44,970 | 50,080 | 2% |
| Total | 1,067,085 | 1,283,373 | 15,494 | - | 44,970 | 2,410,922 | 100% |
| Allowance for impairment | - | - | - | - | - | - | - |
| As at 31 December 2017 | 1,067,085 | 1,283,373 | 15,494 | - | 44,970 | 2,410,922 | 100% |

Following are some strategies followed by the company to mitigate credit risk in investments.

- Checking the credit worthiness of potential investees, mainly through ratings assigned to the issuing institution or the ratings assigned to the issue.
- Deciding on single party exposure limits based on the credit ratings and regulatory requirements and monitoring them closely at different levels.
- Adhering to the guidelines on selection of Primary dealer with regard to Government security investments.
- Conducting a detailed analysis of individual counterparties for each equity and corporate debt investment before taking the investment decision.

The following table provides information relating to credit risk exposure of other financial assets:

| Group | Reinsurance receivable | | Premium receivable | |
|---|---|---|---|---|
| | 2018<br>Rs.'000' | 2017<br>Rs.'000' | 2018<br>Rs.'000' | 2017<br>Rs.'000' |
| Maximum exposure to credit risk | | | | |
| Neither past due nor impaired | 68,721 | 77,918 | 662,689 | 542,995 |
| Past due but not impaired | | | | |
| 61-90 days | 27,841 | 32,213 | 97,861 | 59,155 |
| 91-365 days | 188,877 | 126,997 | 6,407 | 8,100 |
| 365 days + | 30,308 | 9,066 | 10,903 | 3,361 |
| Total | 315,747 | 246,194 | 777,861 | 613,611 |
| Impaired | - | - | (19,272) | (10,817) |
| IBNR | 24,312 | 9,913 | - | - |
| Total | 340,059 | 256,107 | 758,588 | 602,795 |

| Company | Reinsurance receivable | | Premium receivable | |
|---|---|---|---|---|
| | 2018<br>Rs.'000' | 2017<br>Rs.'000' | 2018<br>Rs.'000' | 2017<br>Rs.'000' |
| Maximum exposure to credit risk | | | | |
| Neither past due nor impaired | 65,583 | 75,021 | 654,817 | 534,710 |
| Past due but not impaired | | | | |
| 61-90 days | 27,774 | 31,832 | 96,463 | 58,963 |
| 91-365 days | 185,546 | 120,793 | 5,123 | 7,773 |
| 365 days + | 28,757 | 7,581 | 8,309 | 1,239 |
| Total | 307,660 | 235,227 | 764,713 | 602,685 |
| Impaired | - | - | (13,996) | (8,176) |
| IBNR | 24,312 | 9,913 | - | - |
| Total | 331,972 | 245,140 | 750,717 | 594,509 |

**(C) Credit risk relating to reinsurance receivable**

As part of its overall risk management strategy, The Group cedes insurance risk through proportional, non-proportional and specific risk reinsurance treaties. While these mitigate insurance risk, the recoverable from reinsurers and receivables arising from ceded reinsurance exposes the Group to credit risk.

Reinsurance is placed in line with policy guidelines approved by the Board of Directors on an annual basis in line with the guidelines issued by the Insurance Board of Sri Lanka and concentration of risk is managed by reference to counterparties' limits that are set each year and are subject to regular reviews.

There were no collateral against reinsurance receivable as at the reporting date.

The group follow policies and procedures to mitigate credit risk in premium receivable as conducting follow-up meetings on debt collection on a monthly basis and processing claims only for the premium settled policies.

Credit risk of reinsurance receivables by rating class have been illustrated below in order to ensure that the Company has significant control over managing them.

| | 2018 | | | | 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | On paid claims Rs.'000' | On reserve Rs.'000' | Total Rs.'000' | % | On paid claims Rs.'000' | On reserve Rs.'000' | Total Rs.'000' | % |
| AAA | 21,381 | 7,096 | 28,477 | 9% | 6,958 | 5,174 | 12,132 | 5% |
| AA- | - | - | - | 0% | - | - | - | 0% |
| A+ | - | - | - | 0% | - | 59 | 59 | 0% |
| A | 1,439 | 330 | 1,769 | 1% | 2,044 | 803 | 2,847 | 1% |
| A- | 137,921 | 43,159 | 181,080 | 59% | 67,831 | 54,385 | 122,216 | 52% |
| BBB+ | - | - | - | 0% | - | - | - | 0% |
| B+ | - | - | - | 0% | - | - | - | 0% |
| NITF | 74,653 | 21,679 | 96,333 | 31% | 72,089 | 25,895 | 97,984 | 42% |
| Unrated | - | - | - | 0% | | - | - | 0% |
| Total | - | - | 307,660 | 100% | 148,922 | 86,315 | 235,237 | 100% |
| IBNR | - | - | 24,312 | 0% | - | - | 9,913 | 0% |
| Total reinsurance receivable | 235,395 | 72,265 | 331,972 | 100% | 148,922 | 86,315 | 245,150 | 100% |

| | 2018 | | | | 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| Ratings - Life | On paid claims Rs.'000' | On reserve Rs.'000' | Total Rs.'000' | % | On paid claims Rs.'000' | On reserve Rs.'000' | Total Rs.'000' | % |
| AA | 4,914 | 3,173 | 8,087 | 100% | | | | |
| AA- | - | - | - | 0% | 4,264 | 6,704 | 10,968 | 100% |
| Total reinsurance receivable | 4,914 | 3,173 | 8,087 | 100% | 4,264 | 6,704 | 10,968 | 100% |

**(D) Credit risk relating to reinsurance receivable**

| Group | Up to 30 days | 31-60 days | Above 60 days | Total receivables |
|---|---|---|---|---|
| As at December 2018 (Rs. '000) | 37,339 | 31,383 | 247,026 | 315,747 |
| As at December 2017 (Rs. '000) | 25,888 | 52,030 | 168,277 | 246,194 |

| Company | Up to 30 days | 31-60 days | Above 60 days | Total receivables |
|---|---|---|---|---|
| As at December 2018 (Rs. '000) | 34,366 | 31,217 | 242,077 | 307,660 |
| As at December 2017 (Rs. '000) | 23,230 | 51,791 | 160,206 | 235,227 |

**(E) Credit risk relating to loans**

The following table illustrates how the loans have been segregated amongst different categories.

| | Group | | Company | |
|---|---|---|---|---|
| Loan categories | 2018 Rs. | 2017 Rs. | 2018 Rs. | 2017 Rs. |
| Staff loans | 28,054 | 27,239 | 16,477 | 21,946 |
| Loans to policy holders | 20,630 | 19,039 | - | - |
| Loans to Field Staff | 6,437 | 12,837 | - | - |
| Total | 55,121 | 59,116 | 16,477 | 21,946 |

#### (E) Credit risk relating to loans - (Contd.)

The Group grants loan facilities to staff including field staff after a robust process of evaluating the credit worthiness of the individual, value of the facility and the related collateral. The field staff loan and 45% of staff loan portfolio is largely made-up of vehicle loans and Group has undertaken the absolute ownership of those vehicles as collateral.

#### (F) Credit risk relating to cash and cash equivalents

The Group held cash and cash equivalents of Rs. 140.60 at 31 December 2018 (2017 - 138.643 Mn). The cash and cash equivalents are held with banks and financial institutional counterparties, which are rated BBB+ or better except for cash in hand of Rs. 6.02Mn (2017- 2.876 Mn)

#### (G) Collateral of debt securities

Reverse repo investments which fall under government securities is backed up by treasury bills and bonds which are provided as collateral. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. As at the financial position date, Group holds treasury bonds and bills worth Rs. 1,172.78 Million as collateral for reverse repo investments amounting to Rs. 342.13 Million.

#### (H) Concentration of Credit risk - financial investments in Debt securities

The Group actively manages its investment mix to ensure that there is no significant concentration of credit risk. The Group monitors concentrations of credit risk by sector and instruments. An analysis of concentrations of credit risk from financial investments is shown below:

| | Group | | Company | |
|---|---|---|---|---|
| As at 31 December | 2018 | 2017 | 2018 | 2017 |
| Government securities and related institutions | 31% | 35% | 23% | 31% |
| Corporate debt securities. | 32% | 29% | 36% | 31% |
| Equity instruments | - | 0% | 1% | 1% |
| Others | 37% | 36% | 40% | 37% |
| Total | 100% | 100% | 100% | 100% |

### 37.2.3 Liquidity Risk

Liquidity risk is the risk that the Group may not have sufficient liquid financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so. In respect of catastrophic / unexpected large claim events there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

The following policies and procedures are in place to mitigate the exposure to liquidity risk:

The Investment Committee manages this risk by diversifying investment durations and reviewing cash flow projections regularly.

- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure availability of sufficient funding to meet insurance and investment contract obligations.
- Maintaining sufficient cash balances, repurchase agreement and other short tenure investments to accommodate expected obligations and commitments of the Group.
- Reviewing the maturity mix of the investment portfolio by the management and the Investment Committee on a regular basis.

#### (A) Maturity analysis

Following table summarises the maturity profiles of non-derivative financial assets and financial liabilities based on remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contract liabilities and reinsurance receivables, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

(B) Maturity profile

| Group | 31-Dec-2018 Current Rs.'000' | Non-Current Rs.'000' | Carrying Amount Rs.'000' | 31-Dec-2017 Current Rs.'000' | Non-Current Rs.'000' | Carrying Amount Rs.'000' |
|---|---|---|---|---|---|---|
| Insurance contract liabilities - life | - | 1,608,101 | 1,608,101 | - | 1,491,014 | 1,491,014 |
| Insurance contract liabilities- non life | 2,229,944 | - | 2,229,944 | 1,900,065 | - | 1,900,065 |
| Reinsurance payable | 302,532 | - | 302,532 | 216,873 | - | 216,873 |
| Other financial liabilities | 494,859 | 57,281.54 | 552,140 | 433,938 | 63,463 | 497,400 |
| Bank overdrafts | 94,508 | - | 94,508 | 69,968 | | 69,968 |
| Total undiscounted liabilities | 3,121,843 | 1,665,383 | 4,787,226 | 2,620,844 | 1,554,477 | 4,175,320 |

| Company | 31-Dec-2018 Current Rs.'000' | Non-Current Rs.'000' | Carrying Amount Rs.'000' | 31-Dec-2017 Current Rs.'000' | Non-Current Rs.'000' | Carrying Amount Rs.'000' |
|---|---|---|---|---|---|---|
| Insurance contract liabilities- non life | 2,229,944 | - | 2,229,944 | 1,900,065 | - | 1,900,065 |
| Reinsurance payable | 291,709 | - | 291,709 | 196,593 | - | 196,593 |
| Other financial liabilities | 422,228 | 94,201 | 516,429 | 374,393 | 46,408 | 420,801 |
| Bank overdrafts | 94,508 | - | 94,508 | 69,968 | - | 69,968 |
| Total undiscounted liabilities | 3,038,389 | 94,201 | 3,132,590 | 640,954 | 46,408 | 2,587,427 |

**Financial assets pledged as collateral**

There were no financial assets pledged as collateral during the year ended 31 December 2018.

### 37.2.4 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks:

**37.2.4.1 Equity price risk**

**37.2.4.2 Foreign exchange risk**

**37.2.4.3 Interest rate risk**

The following policies and procedures are in place to mitigate the group's exposure to market risk.

- Macro-economic indicators and their impact on the Group's Investment Portfolio are monitored closely by the Management.
- Impact from the market movement is monitored and warnings are sent to MD and board of directors of high volatilities in the market
- Total exposure to equity investments is made strictly within the agreed target asset allocation and sectorial equity limits.
- Equity investments are made in fundamentally sound stocks which are identified after an in-depth research and evaluation process

# Notes to the Financial Statements

**37.2.4.1 Equity price risk**

Listed equity securities are susceptible to market price risk arising from uncertainties of future values of the investment securities. The Group manages the equity price risk through diversification and placing limits on individual and total equity portfolio investments. The Group's equity risk management policies are;

Equity investment decisions are based on fundamentals rather than on speculation.

Decisions are based on in depth macroeconomic and industry analysis as well as research reports on Group performance.

The risk exposure to listed equity securities as at 31st December 2018 with the comparatives are as follows;

| Segment | Life | | Non-Life | |
|---|---|---|---|---|
| | 2018 Rs. | 2017 Rs. | 2018 Rs. | 2017 Rs. |
| Listed Equity Investment | 731 | 922 | 9,956 | 10,384 |

Following table shows the sector diversity of quoted equity investments of the Group.

| | Group | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | | 2017 | | 2018 | | 2017 | |
| Sector | Rs. | % | Rs. | % | Rs. | % | Rs. | % |
| Construction and engineering | 111 | - | 177 | 2% | - | - | - | - |
| Diversified Holdings | 214 | 2% | 203 | 2% | - | - | - | - |
| Trading | 60 | - | 43 | 0.4% | - | - | - | - |
| Beverage Food and Tobacco | 209 | 2% | 266 | 2% | - | - | - | - |
| Banks Finance and Insurance | 9,956 | 93% | 10,384 | 92% | 9,956 | 100 | 10,384 | 100 |
| Hotel and Travels | 138 | 1% | 234 | 2% | - | - | - | - |
| Total | 10,687 | 98% | 11,306 | 100 | 9,956 | 100 | 10,384 | 92 |

The table below shows the estimated impact from a 10 percent decline in the stock markets, on net assets of the Company.

| | Net impact on Net Assets | | | |
|---|---|---|---|---|
| | Group | | Company | |
| | 2018 | 2017 | 2018 | 2017 |
| 10% decline in stock markets | Rs.'000' | Rs.'000' | Rs.'000' | Rs.'000' |
| Investments | 10,687 | 10,384 | 9,956 | 10,384 |
| Net impact on Net Assets | (1,063) | (1,038) | (990) | (1,038) |

### 37.2.4.2 Foreign exchange risk

Foreign exchange risk is the risk of loss resulting from changes in exchange rates. The Group's principal operation is based in Sri Lanka, therefore it is not exposed to the financial impact arising from changes in the exchange rates of various currencies.

**(A) Foreign currency exposures other than in respect of foreign operations**

| | Group | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | | 2017 | | 2018 | | 2017 | |
| | Amount in Foreign Currency USD | Amount in local currency Rs. | Amount in Foreign Currency USD | Amount in local currency Rs. | Amount in Foreign Currency USD | Amount in local currency Rs. | Amount in Foreign Currency USD | Amount in local currency Rs. |
| Foreign currency deposits | 8,472 | 1,547,299 | 12,085 | 1,853,008 | 8,472 | 1,547,299 | 12,085 | 1,853,008 |

**(B) Sensitivity analysis**

The table below shows the estimated impact to the profitability when the foreign currency rates movement against the domestic currency.

| | Impact to PBT | | | |
|---|---|---|---|---|
| | Group | | Company | |
| 10% decline in stock markets | 2018 Rs. | 2017 Rs. | 2018 Rs. | 2017 Rs. |
| 5% strengthening of rupee | (89,236) | 188,745 | (89,236) | 188,745 |
| 5% weakening of rupee | 64,245 | 13,559 | 64,244 | 13,559 |
| +/- impact on profit | 0.016% | 0.003% | 0.016% | 0.003% |

### 37.2.4.3 Interest rate risk

Interest rate risk is the risk of fluctuation of the value or cash flows of an instrument due to changes in market interest rates.

The Group has adopted the following policies to manage interest rate risk

- The Investment Committee members keep a regular track of macroeconomic scenarios and their likely impact on interest rates
- Initial recognition of investments is closely monitored

Floating rate instruments expose the Group to cash flow fluctuations, whereas fixed interest rate instruments expose the Group to changes in fair values.

As at 31 December 2018 there were no cash flow interest rate exposures, as the Group did not have any floating rate investments. However, The Group is exposed to fair value fluctuations on fixed rate investments which are measured at fair value. The following table present the financial assets and financial liabilities which are subjective to the interest rate risk by the group and the company.

# Notes to the Financial Statements

### Exposure to Interest Rate Risk

| Financial Assets - Group | 2018 Variable interest rate Rs.'000' | 2018 Fixed interest rate Rs.'000' | 2018 Non-Interest bearing Rs.'000' | 2018 Total Rs.'000' | 2017 Variable interest rate Rs.'000' | 2017 Fixed interest rate Rs.'000' | 2017 Non-Interest bearing Rs.'000' | 2017 Total Rs.'000' |
|---|---|---|---|---|---|---|---|---|
| Financial instruments- Loans and receivable | - | 2,565,065 | | 2,565,065 | - | 2,234,193 | - | 2,234,193 |
| Financial instruments- Available for sale | - | 386,531 | 340,605 | 727,137 | - | 445,867 | 427,009 | 872,876 |
| Financial instruments- FVTP | - | | 731,450 | 731,450 | - | - | 922 | 922 |
| Loans to life policyholders | - | 20,630 | | 20,630 | - | 19,039 | - | 19,039 |
| Staff and other loans | - | 28,054 | | 28,054 | - | 34,784 | - | 34,784 |
| Cash and cash equivalents | - | 134,586 | 6,021 | 140,607 | - | 135,767 | 2,876 | 138,644 |
| Total Assets - Group | - | 3,134,867 | 1,078,076 | 4,212,943 | - | 2,869,650 | 430,808 | 3,300,457 |
| Commission payable | - | 44,616 | - | 44,616 | - | 35,336 | - | 35,336 |
| Bank overdrafts | 94,508 | | - | 94,508 | 69,968 | | - | 69,968 |
| Total Liabilities - Group | 94,508 | 44,616 | - | 139,124 | 69,968 | 35,336 | - | 105,304 |

| Financial Assets - Company | 2018 Variable interest rate Rs.'000' | 2018 Fixed interest rate Rs.'000' | 2018 Non-Interest bearing Rs.'000' | 2018 Total Rs.'000' | 2017 Variable interest rate Rs.'000' | 2017 Fixed interest rate Rs.'000' | 2017 Non-Interest bearing Rs.'000' | 2017 Total Rs.'000' |
|---|---|---|---|---|---|---|---|---|
| Financial instruments- Loans and receivables | - | 1,658,903 | - | 1,658,903 | - | 1,283,373 | - | 1,283,373 |
| Financial instruments- Available for sale | - | - | 15,780 | 15,780 | - | - | 15,493 | 15,493 |
| Staff and other loans | - | 16,477 | - | 16,477 | - | 21,946 | - | 21,946 |
| Cash and cash equivalents | - | 114,990 | 5,718 | 120,709 | - | 112,359 | 2,579 | 114,938 |
| Total Assets - Company | - | 1,790,371 | 21,498 | 1,811,869 | - | 1,417,678 | 18,072 | 1,435,750 |
| Commission payable | - | 39,485 | - | - | - | 32,464 | - | 32,464 |
| Bank overdrafts | - | 94,508 | - | - | - | 69,968 | - | 69,968 |
| Total Liabilities - Company | - | 133,993 | - | - | - | 102,432 | - | 102,432 |

### Sensitivity analysis

The table below shows the estimated impact on profitability and equity due to fluctuation of interest rates on the fixed rate available for sale financial assets.

Sensitivity of profit before tax and equity to changes in interest rates.

| Group | 2018 Impact on profit before tax | 2018 Impact on equity change in variables: Up to one year | 1-5 years | Over 5 years | Total | 2017 Impact on profit before tax | 2017 Impact on equity change in variables: Up to one year | 1-5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| (+) 100 basis points | - | 755 | 4,393 | 12,960 | 18,108 | - | (727) | (7,709) | (17,608) | (26,044) |
| (-) 100 basis points | - | (2,599) | (4,557) | (14,024) | (21,180) | - | 738 | 7,954 | 19,143 | 27,835 |

There is no impact of changing interest rates, since company has reclassified investments in 2017 and now all the investments are in fixed rates.

### 37.2.4 Operating risk

This is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

Operational failures could result in dire consequences such as producing misleading financial information, loss of return, financial penalties from regulators or damage to the reputation of the Group. Operational risks arise from all operations of the Group.

While it is acknowledged that the Group cannot eliminate all operational risks, it is in a position to manage such risks by initiating a rigorous control framework and by monitoring and responding to potential risks.

Group's Risk Management team assesses all foreseeable risk involved in its operation and they develop and implement action plan to control those identified operational risk. These action plans recommended by the team is to manage the operational risk in the following areas:

- requirements for having appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions\
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- training and professional development
- Risk mitigation, including insurance where this is cost effective.

# SEGMENTAL REVIEW
## STATEMENT OF FINANCIAL POSITION - 2018

As at 31 December

| | Company (Non Life) Rest. | Subsidiary (Coop life) Rs. | Subsidiary (CITA) | Consolidation Adjustments Rs. | Total Rs. |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Property, plant and equipment | 856,627,241 | 281,971,805 | - | - | 1,138,599,047 |
| Intangible assets | 2,861,955 | 2,469,379 | - | - | 5,331,334 |
| Financial investments | 2,887,575,983 | 1,976,778,282 | - | - | 4,864,354,265 |
| Investment in subsidiaries | 445,260,050 | - | - | (445,260,050) | - |
| Loans to policyholders | - | 20,629,674 | - | - | 20,629,674 |
| Deferred tax asset | - | 130,316,663 | - | | 130,316,663 |
| Reinsurance receivable | 331,971,907 | 8,087,319 | - | - | 340,059,226 |
| Premium receivable | 750,717,081 | 7,871,338 | - | - | 758,588,419 |
| Related party receivables | 11,535,904 | - | - | (11,535,894) | - |
| Other assets | 85,488,497 | 55,331,578 | - | - | 140,820,075 |
| Cash and cash equivalents | 120,708,829 | 18,848,359 | 1,049,600 | 223,823 | 140,830,613 |
| Total assets | 5,492,747,448 | 2,502,304,396 | 1,049,600 | (456,572,121) | 7,539,529,315 |
| | | | | | |
| **Equity and liabilities** | | | | | |
| **Equity** | | | | | |
| Stated capital | 1,430,194,585 | 544,260,040 | 10 | (544,260,050) | 1,430,194,585 |
| Revaluation reserve | 322,407,068 | 73,081,201 | - | (12,719,624) | 382,768,645 |
| Available for sale reserves | (48,607,352) | (35,745,659) | - | 1,943,325 | (82,409,685) |
| Retained earnings | 656,163,365 | 203,616,980 | 494,759 | (33,052,568) | 827,222,535 |
| Non controlling interest | - | - | - | 142,828,875 | 142,828,875 |
| Total equity | 2,360,157,666 | 785,212,563 | 494,769 | (445,260,042) | 2,700,604,955 |
| | | | | | |
| **Liabilities** | | | | | |
| Interest bearing borrowings | 1,763,819 | 1,287,639 | - | - | 3,051,458 |
| Insurance liabilities | 2,229,943,844 | 1,608,101,447 | - | - | 3,838,045,291 |
| Retirement benefit obligations | 40,738,427 | 13,491,658 | - | - | 54,230,085 |
| Reinsurance creditors | 291,709,148 | 10,823,272 | - | - | 302,532,420 |
| Related party payables | - | 10,757,248 | 554,831 | (11,312,079) | - |
| Other liabilities | 422,227,957 | 72,630,569 | - | - | 494,858,521 |
| Deferred tax liability | 51,698,298 | - | - | | 51,698,298 |
| Bank overdrafts | 94,508,288 | - | - | - | 94,508,288 |
| Total liabilities | 3,132,589,781 | 1,717,091,833 | 554,831 | (11,312,079) | 4,838,924,358 |
| Total equity and liabilities | 5,492,747,447 | 2,502,304,396 | 1,049,600 | (456,572,121) | 7,539,529,315 |

# STATEMENT OF FINANCIAL POSITION - 2017

As at 31 December

| | Company (Non Life) Rest. | Subsidiary (Coop life) Rs. | Consolidation Adjustments Rs. | Total Rs. |
|---|---|---|---|---|
| **Assets** | | | | |
| Property, plant and equipment | 827,891,117 | 274,195,647 | - | 1,102,086,765 |
| Intangible assets | 2,136,027 | 5,742 | - | 2,141,769 |
| Financial investments | 2,365,950,814 | 1,809,125,206 | - | 4,175,076,019 |
| Investment in subsidiary | 410,000,040 | - | (410,000,040) | - |
| Loans to policyholders | - | 19,039,109 | - | 19,039,109 |
| Deferred tax asset | 30,250,575 | - | - | 30,250,575 |
| Reinsurance receivable | 245,140,054 | 10,967,333 | - | 256,107,387 |
| Premium receivable | 594,509,280 | 8,285,288 | - | 602,794,568 |
| Related party receivables | 7,956,943 | - | (7,956,943) | - |
| Other assets | 68,785,431 | 69,241,748 | - | 138,027,170 |
| Cash at bank and in hand | 114,938,091 | 23,705,530 | - | 138,643,621 |
| Total assets | 4,667,558,372 | 2,214,565,602 | (417,956,983) | 6,464,166,982 |
| **Equity and liabilities** | | | | |
| **Equity** | | | | |
| Stated capital | 1,260,251,770 | 500,000,040 | (500,000,040) | 1,260,251,770 |
| Revaluation reserve | 333,597,638 | 58,244,963 | (9,910,248) | 381,932,353 |
| Available for sale reserves | (67,029,162) | (8,898,434) | (2,957,093) | (78,884,689) |
| Retained earnings | 553,311,055 | 69,368,070 | (8,501,295) | 614,177,830 |
| Non controlling interest | - | - | 111,366,434 | 111,366,434 |
| Total equity | 2,080,131,301 | 618,714,639 | (410,000,042) | 2,288,845,898 |
| **Liabilities** | | | | |
| Interest bearing borrowings | 8,414,249 | 3,172,212 | - | 11,586,461 |
| Insurance liabilities | 1,900,064,983 | 1,491,014,318 | - | 3,391,079,301 |
| Retirement benefit obligations | 37,993,692 | 13,882,395 | - | 51,876,087 |
| Reinsurance creditors | 196,593,172 | 20,279,934 | - | 216,873,106 |
| Related party payables | - | 7,956,942 | (7,956,942) | - |
| Other liabilities | 374,392,781 | 59,545,163 | - | 433,937,937 |
| Bank overdrafts | 69,968,193 | - | - | 69,968,193 |
| Total liabilities | 2,587,427,071 | 1,595,850,963 | (7,956,942) | 4,175,321,084 |
| Total equity and liabilities | 4,667,558,372 | 2,214,565,602 | (417,956,984) | 6,464,166,982 |

# SEGMENTAL REVIEW

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - 2018

For the year ended 31 December

| | Company (Non Life) Rest. | Subsidiary (Coop life) Rs. | Subsidiary (CITA) | Consolidation Adjustments Rs. | Total Rs. |
|---|---|---|---|---|---|
| Gross written premium | 3,750,838,457 | 619,881,069 | - | (2,402,641) | 4,368,316,885 |
| Less: Premium ceded to reinsurers | (558,940,279) | (45,833,169) | - | - | (604,773,448) |
| **Net written premium** | **3,191,898,178** | **574,047,900** | **-** | **(2,402,641)** | **3,763,543,437** |
| Net change in reserves for unearned premium | (347,458,112) | - | - | - | (347,458,112) |
| **Net earned premium** | **2,844,440,065** | **574,047,900** | **-** | **(2,402,641)** | **3,416,085,325** |
| **Other income** | | | | | |
| Net finance income | 344,570,627 | 201,335,961 | - | (35,260,000) | 510,646,588 |
| Unrealised changes in losses of financial instruments | - | (251,200) | - | - | (251,200) |
| Net realised gain in financial investment | - | 4,326 | - | - | 4,326 |
| Policy administration fees | 161,535,448 | - | - | - | 161,535,448 |
| Other Income | 25,154,337 | 4,946,454 | 1,652,815 | (6,023,338) | 25,730,268 |
| | 531,260,412 | 206,035,541 | 1,652,815 | (41,283,338) | 697,665,430 |
| **Total revenue** | **3,375,700,477** | **780,083,442** | **1,652,815** | **(43,685,979)** | **4,113,750,755** |
| **Net benefits and claims** | | | | | |
| Gross benefits and claims incurred | 2,181,895,843 | 222,428,887 | - | - | 2,404,324,729 |
| Claims ceded to reinsurers | (255,028,531) | (17,893,571) | - | - | (272,922,102) |
| Change in life contract liabilities | - | 110,736,893 | - | - | 110,736,893 |
| | **1,926,867,312** | **315,272,209** | **-** | **-** | **2,242,139,521** |
| **Other expenses** | | | | | |
| Underwriting and policy acquisition cost | 140,612,881 | 98,338,985 | - | - | 238,951,866 |
| Other operating and administrative expenses | 902,443,863 | 322,735,364 | 1,158,056 | 8,425,979 | 1,217,911,302 |
| | **1,043,056,744** | **421,074,348** | **1,158,056** | **8,425,979** | **1,456,863,168** |
| **Profit before tax** | **405,776,421** | **43,736,885** | **494,759** | **(35,259,998)** | **414,748,068** |
| Income tax expenses | (137,622,275) | 140,260,147 | - | (5,740,000) | (3,102,128) |
| **Profit for the year** | **268,154,147** | **183,997,032** | **494,759** | **(40,999,998)** | **411,645,940** |
| **Other comprehensive income** | | | | | |
| **Items that will not be reclassified subsequently to profit or loss ;** | | | | | |
| Revaluation of land and buildings | 44,101,987 | 21,921,342 | - | - | 66,023,329 |
| Actuarial gains / (loses) on defined benefit plan | 4,584,095 | 748,705 | - | - | 5,332,800 |
| | | | | | - |
| **Items that may be reclassified subsequently to profit or loss ;** | | | | | |
| Net change in fair value of available for sale of financial assets | 18,805,805 | (23,342,671) | - | - | (4,536,866) |
| Tax on other comprehensive income | (55,428,491) | (11,086,473) | - | - | (66,514,964) |
| **Total comprehensive income for the year** | **280,217,544** | **172,237,935** | **494,759** | **(40,999,998)** | **411,950,237** |

## STATEMENT OF PROFIT OR LOSS  AND OTHER COMPREHENSIVE INCOME - 2017

As at 31 December

| | Company (Non Life) Rest. | Subsidiary (Coop life) Rs. | Consolidation Adjustments Rs. | Total Rs. |
|---|---|---|---|---|
| Gross written premium | 3,055,835,664 | 626,972,292 | (5,007,611) | 3,677,800,345 |
| Less: Premium ceded to reinsurers | (544,355,201) | (39,927,811) | - | (584,283,012) |
| **Net written premium** | **2,511,480,464** | **587,044,481** | **(5,007,611)** | **3,093,517,334** |
| | | | | |
| Net change in reserves for unearned premium | (160,160,321) | - | - | (160,160,321) |
| **Net earned premium** | **2,351,320,143** | **587,044,481** | **(5,007,611)** | **2,933,357,014** |
| | | | | |
| **Other income** | | | | |
| Net finance income | 258,669,237 | 169,897,757 | - | 428,566,994 |
| Realised gains/ (losses) | - | 18,346,169 | - | 18,346,169 |
| Net fair value gains/ (losses) | - | (199,920) | - | (199,920) |
| Policy administration fees | 123,073,337 | - | - | 123,073,337 |
| Other operating revenue | 22,030,734 | 5,107,811 | (5,841,889) | 21,296,656 |
| | 403,773,308 | 193,151,817 | (5,841,889) | 591,083,236 |
| **Total revenue** | **2,755,093,451** | **780,196,298** | **(10,849,500)** | **3,524,440,250** |
| | | | | |
| **Net benefits and claims** | | | | |
| Gross benefits and claims incurred | 1,830,737,956 | 121,573,256 | - | 1,952,311,212 |
| Claims ceded to reinsurers | (301,891,061) | (12,587,937) | - | (314,478,998) |
| Change in life contract liabilities | - | 249,255,888 | - | 249,255,888 |
| | 1,528,846,896 | 358,241,207 | - | 1,887,088,103 |
| | **1,226,246,555** | **421,955,091** | **(10,849,500)** | **1,637,352,147** |
| | | | | |
| **Other expenses** | | | | |
| Underwriting and policy acquisition cost | 93,500,473 | 77,109,647 | - | 170,610,120 |
| Other operating and administrative expenses | 733,634,684 | 289,965,945 | (10,849,499) | 1,012,751,129 |
| | **827,135,157** | **367,075,592** | **(10,849,499)** | **1,183,361,249** |
| **Profit before tax** | **399,111,399** | **54,879,499** | **-** | **453,990,898** |
| Income tax expenses | (97,677,827) | 14,455,512 | - | (83,222,314) |
| **Profit for the year** | **301,433,572** | **69,335,011** | **-** | **370,768,584** |
| | | | | |
| **Other comprehensive income** | | | | |
| **Items that will not be reclassified subsequently to profit or loss;** | | | | |
| Revaluation of land and buildings | 61,829,307 | 14,779,229 | - | 76,608,536 |
| De-recognition of revaluation reserve | 90,984 | - | - | 90,984 |
| Actuarial gains/ (loses) on defined benefit plan | (997,237) | 1,774,353 | - | 777,116 |
| | | | | - |
| **Items that may be reclassified subsequently to profit or loss;** | | | | |
| Net change in fair value of available for sale of financial assets | 23,843,539 | 62,970,392 | - | 86,813,932 |
| Tax on other comprehensive income | (1,298,100) | (15,646,040) | - | (16,944,141) |
| **Total comprehensive income for the year** | **384,902,065** | **133,212,946** | **-** | **518,115,010** |

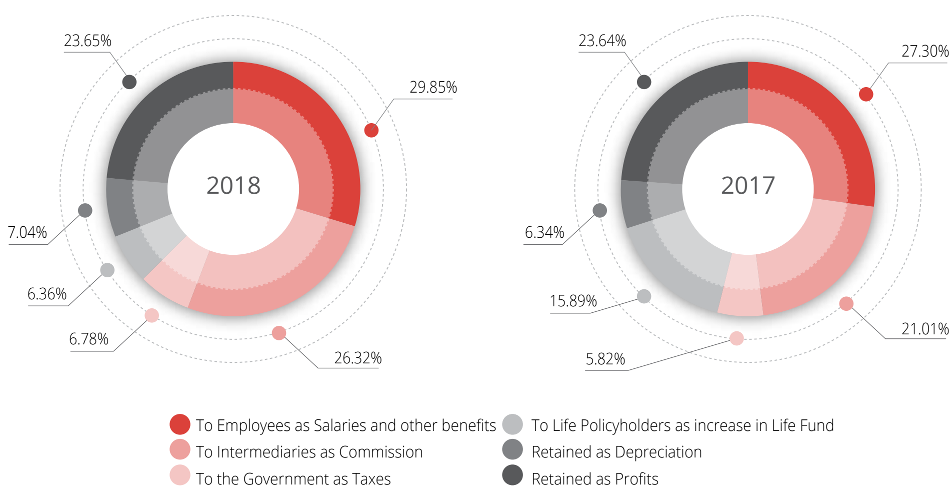
# Supplementary Information

# Statement of Value Added

| Group | 2018 Rs. | % | 2017 Rs. | % |
|---|---|---|---|---|
| Net Earned Premium | 3,416,085,326 | | 2,933,357,014 | |
| Investment Income and Other Income | 697,665,431 | | 591,083,236 | |
| | **4,113,750,757** | | **3,524,440,250** | |
| Net Claims and Benefits | (2,131,402,629) | | (1,637,832,214) | |
| Cost of External Services | (241,597,257) | | (318,341,151) | |
| Value Added | **1,740,750,872** | | **1,568,266,885** | |
| | | | | |
| To Employees as Salaries and other benefits | 519,688,873 | 29.85 | 428,169,138 | 27.30 |
| To Intermediaries as Commission | 458,158,219 | 26.32 | 329,417,718 | 21.01 |
| To the Government as Taxes | 117,984,884 | 6.78 | 91,209,275 | 5.82 |
| To Life Policyholders as increase in Life Fund | 110,736,893 | 6.36 | 249,255,888 | 15.89 |
| Retained within the Business | | | | |
| - As Depreciation | 122,536,063 | 7.04 | 99,446,282 | 6.34 |
| - As Profits | 411,645,940 | 23.65 | 370,768,584 | 23.64 |
| | 1,740,750,872 | 100.00 | 1,568,266,885 | 100.00 |

| | 2018 % | 2017 Rs. |
|---|---|---|
| To Employees as Salaries and other benefits | 29.85 | 27.30 |
| To Intermediaries as Commission | 26.32 | 21.01 |
| To the Government as Taxes | 6.78 | 5.82 |
| To Life Policyholders as increase in Life Fund | 6.36 | 15.89 |
| Retained as Depreciation | 7.04 | 6.34 |
| Retained as Profits | 23.65 | 23.64 |
| | 100.00 | 100.00 |

Distribution of Value Added



# Insurance Revenue Accounts

| For the year ended 31 December | 2018 Rs. | 2017 Rs. |
|---|---|---|
| **Non - Life insurance business** | | |
| Gross written premium | 3,750,838,457 | 3,055,835,664 |
| Less: Premium ceded to reinsurers | (558,940,279) | (544,355,201) |
| Net written premium | 3,191,898,178 | 2,511,480,464 |
| Net change in reserves for unearned premium | (347,458,112) | (160,160,321) |
| Net earned premium | 2,844,440,065 | 2,351,320,143 |
| Finance income | 345,556,662 | 261,652,873 |
| Net fair value gains/(losses) | - | - |
| Policy administration fees | 161,535,448 | 123,073,337 |
| Other operating revenue | 25,154,337 | 22,030,734 |
| Total Other income | 532,246,447 | 406,756,944 |
| Total revenue | 3,376,686,512 | 2,758,077,087 |
| Gross benefits and claims incurred | 2,181,895,843 | 1,830,737,956 |
| Claims ceded to reinsurers | (255,028,531) | (301,891,061) |
| Underwriting and policy acquisition cost | 140,612,881 | 93,500,473 |
| Other operating and administrative expenses | 902,443,863 | 733,634,684 |
| Total expenses | 2,969,924,056 | 2,355,982,052 |
| Operating profit from Non - Life insurance business (before interest) | 371,502,457 | 402,095,034 |
| | | |
| **Life insurance business** | | |
| Gross written premium | 619,881,069 | 626,972,292 |
| Less: Premium ceded to reinsurers | (45,833,169) | (39,927,811) |
| Net written premium | 574,047,900 | 587,044,481 |
| Finance income | 201,335,961 | 170,676,420 |
| Net realised gains/ (losses) | 4,326 | 18,346,169 |
| Net fair value gains/ (losses) | (251,200) | (199,920) |
| Other operating revenue | 4,946,454 | 5,107,811 |
| Total other income | 206,035,541 | 193,930,480 |
| Total revenue | 780,083,442 | 780,974,961 |
| Gross benefits and claims incurred | 222,428,887 | 121,573,256 |
| Claims ceded to reinsurers | (17,893,571) | (12,587,937) |
| Change in contract liabilities - Life | 110,736,893 | 249,255,888 |
| Underwriting and policy acquisition cost | 98,338,985 | 77,109,647 |
| Other operating and administrative expenses | 322,735,364 | 289,965,945 |
| Total other expenses | 736,346,557 | 725,316,798 |
| Operating profit from - Life insurance business (before interest) | 44,172,210 | 55,658,162 |
| | | |
| **Reconciliation of Statement of insurance revenue account** | | |
| Operating profit from Non - Life Insurance Business | 371,502,457 | 402,095,034 |
| Surplus from Life Insurance Business | 44,172,210 | 55,658,162 |
| Profit from operations | 415,674,668 | 457,753,197 |
| Interest expenses | (1,421,362) | (3,762,299) |
| Profit before taxation | 414,253,305 | 453,990,898 |
| Income tax (expenses)/Reversal | (3,102,128) | (83,222,315) |
| Net profit for the year | 411,151,178 | 370,768,583 |

# Ten Year Summary

## STATEMENT OF INCOME

| Rs. | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 Restated | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Non-Life Insurance (Company)** | | | | | | | | | | |
| Gross Written Premium | 3,750,838,457 | 3,055,835,664 | 2,475,543,314 | 1,724,542,837 | 1,386,207,634 | 1,304,357,157 | 1,156,912,067 | 938,114,747 | 616,921,216 | 609,118,660 |
| Net Earned Premium | 2,844,440,066 | 2,351,320,143 | 1,936,570,424 | 1,441,556,142 | 1,258,325,523 | 1,157,134,366 | 1,001,383,259 | 728,592,642 | 499,696,066 | 547,081,527 |
| Insurance Claims and benefits (Net) | 1,926,867,312 | (1,528,846,896) | 1,283,478,692 | (870,577,602) | (927,929,186) | (753,425,724) | (640,657,920) | (359,400,965) | (274,961,291) | (337,244,145) |
| Underwriting and policy acquisition costs | 140,612,881 | (93,500,473) | (153,697,752) | (121,603,219) | (107,574,794) | (96,359,265) | (26,400,880) | 2,718,778 | 5,422,508 | (19,532,963) |
| Income from Investments and Other Income | 531,260,412 | 403,773,308 | 294,491,336 | 219,150,061 | 218,285,742 | 219,162,764 | 116,561,008 | 76,259,129 | 89,134,117 | 88,024,374 |
| Expenses | 902,443,863 | (733,634,684) | (604,743,561) | (493,080,780) | (373,169,602) | (311,863,266) | (292,464,702) | (259,767,929) | (223,099,947) | (205,943,215) |
| Profit/ (Loss) Before Taxation | 405,776,422 | 399,111,399 | 189,141,754 | 175,444,602 | 67,937,682 | 214,648,875 | 158,420,765 | 188,401,654 | 61,191,453 | 65,385,578 |
| **Life Insurance (Subsidiary)** | | | | | | | | | | |
| Gross Written Premium | 619,881,069 | 626,972,292 | 466,997,348 | 494,597,627 | 402,046,246 | 337,622,877 | 312,055,984 | 269,578,716 | 233,539,664 | 149,401,253 |
| Net Earned Premium | 574,047,900 | 587,044,481 | 425,981,838 | 462,585,041 | 371,098,731 | 308,055,849 | 284,238,046 | 238,215,200 | 220,158,212 | 138,994,839 |
| Insurance Claims and benefits (Net) | 204,535,316 | (108,985,319) | (70,642,166) | (91,124,011) | (63,432,117) | (64,465,564) | (32,166,230) | (17,207,850) | (19,168,033) | (11,911,779) |
| Underwriting and policy acquisition cost (Including reinsurers) | 98,338,985 | (77,109,647) | (222,174,349) | (68,039,104) | (59,091,627) | (61,310,973) | (49,191,064) | (50,151,466) | (49,060,185) | (29,116,079) |
| Income from Investments and Other Income | 206,470,868 | 193,930,480 | 85,833,658 | 117,523,804 | 117,595,252 | 123,819,329 | 86,100,062 | 70,332,513 | 72,396,486 | 57,725,350 |
| Other operating and administration expenses | 322,735,364 | (289,965,945) | (229,270,775) | 186,559,272 | (227,482,891) | (180,519,714) | (153,474,078) | (134,159,449) | (108,868,190) | (91,249,504) |
| Expenses | - | - | - | - | - | - | - | - | 35,000,000 | 7,000,000 |
| Change in Contract Liabilities - Life Fund | 110,736,893 | (249,255,888) | (151,532,183) | 206,761,950 | 121,882,712 | 113,593,744 | 120,976,096 | 83,275,882 | 134,372,485 | 63,720,949 |
| Profit Before Taxation | 43,736,883 | 54,879,499 | (7,265,638) | 27,624,508 | 16,804,638 | 11,985,184 | 14,530,641 | 23,753,066 | 16,085,805 | 7,721,878 |
| **Group** | | | | | | | | | | |
| Gross Written Premium | 4,368,316,886 | 3,677,800,345 | 2,940,072,597 | 2,216,521,622 | 1,788,253,880 | 1,641,980,034 | 1,468,968,051 | 1,207,693,463 | 850,460,880 | 758,519,913 |
| Net Earned Premium | 3,416,085,326 | 2,933,357,014 | 2,360,084,198 | 1,901,522,341 | 1,629,424,254 | 1,465,190,215 | 1,285,621,305 | 966,807,842 | 719,854,278 | 686,076,366 |
| Insurance Claims and benefits (Net) | 2,131,402,629 | (1,637,832,215) | (1,354,120,858) | (961,701,613) | (991,361,303) | (817,891,288) | (672,824,150) | (376,608,815) | (294,129,324) | (349,155,924) |
| Underwriting and policy acquisition cost (Including reinsurers) | 238,951,866 | 170,610,120 | 220,274,311 | (189,642,323) | (166,666,421) | (157,670,238) | (75,591,944) | (47,432,688) | (43,637,677) | (48,649,042) |
| Income from Investments and Other Income | 697,665,431 | 591,083,237 | 356,752,583 | 334,934,585 | 335,880,995 | 342,982,094 | 202,661,071 | 146,591,642 | 161,530,603 | 145,749,724 |
| Expenses | 1,217,911,302 | (1,012,751,129) | (829,033,312) | (675,281,930) | (600,652,493) | (492,382,980) | (445,938,780) | (393,927,378) | (331,968,137) | (297,192,719) |
| Transfer from/ (to) General business | - | - | - | - | - | - | - | - | 35,000,000 | 7,000,000 |
| Change in Contract Liabilities - Life Fund | 110,736,893 | (249,255,888) | (151,532,183) | 206,761,950 | 121,882,712 | 113,593,744 | 120,976,096 | 83,275,882 | 134,372,485 | 63,720,949 |
| Profit Before Taxation | 414,748,068 | 453,990,898 | 161,876,118 | 203,069,110 | 84,742,320 | 226,634,059 | 172,951,407 | 212,154,720 | 77,277,258 | 73,107,456 |

# Ten Year Summary

## STATEMENT OF FINANCIAL POSITION - COMPANY

| Rs. | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 Restated | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | |
| Property, plant and equipment | 856,627,241 | 827,891,117 | 782,372,876 | 792,220,399 | 660,185,284 | 444,322,711 | 102,320,167 | 99,663,534 | 110,157,018 | 102,449,764 |
| Intangible Assets | 2,861,955 | 2,136,027 | 3,073,679 | 4,847,582 | 5,683,179 | 5,597,265 | 749,871 | 2,242,838 | 4,485,675 | - |
| Financial Investments | 2,887,575,982 | 2,365,950,814 | 1,903,630,823 | 1,337,622,691 | 2,317,275,108 | 2,221,102,783 | 1,942,323,482 | 1,668,086,694 | 1,302,226,741 | 861,530,604 |
| Investment in subsidiary | 445,260,050 | 410,000,040 | 400,000,040 | 500,000,040 | 100,000,040 | - | - | - | - | - |
| Differed tax assets | - | 30,250,575 | 39,207,757 | 6,915,144 | - | - | - | - | - | - |
| Loans to life policyholders | - | - | - | - | 11,213,065 | 7,965,408 | 4,636,426 | 3,604,755 | 2,474,267 | 2,344,500 |
| Reinsurance receivables | 331,971,907 | 245,140,054 | 82,931,657 | 21,272,032 | 43,879,481 | 30,974,432 | 26,095,467 | 30,296,637 | 12,242,451 | 12,277,801 |
| Premium receivables | 750,717,081 | 504,209,280 | 418,971,726 | 293,536,246 | 231,625,872 | 204,373,070 | 166,597,080 | 96,931,839 | 59,074,218 | 48,229,864 |
| Related party receivables | 11,535,904 | 7,956,943 | 11,998,559 | 5,277,178 | - | - | - | - | - | - |
| Other assets | 85,488,497 | 68,785,431 | 69,296,033 | 78,289,728 | 133,054,792 | 54,545,009 | 53,203,089 | 40,039,878 | 38,784,922 | 72,156,842 |
| Cash and cash equivalents | 120,708,829 | 114,938,091 | 75,831,464 | 36,865,532 | 327,560,284 | 18,275,185 | 24,019,881 | 26,583,671 | 10,674,531 | 18,008,192 |
| Total Assets | 5,492,747,446 | 4,667,558,372 | 3,787,314,614 | 3,076,846,572 | 3,830,477,105 | 2,987,155,863 | 2,319,945,464 | 1,967,449,846 | 1,540,119,823 | 1,116,997,567 |
| **Equity And Liabilities** | | | | | | | | | | |
| Equity | | | | | | | | | | |
| Stated capital | 1,430,194,585 | 1,260,251,770 | 1,115,367,950 | 1,004,909,610 | 1,004,909,610 | 632,019,940 | 554,889,880 | 540,734,090 | 501,238,350 | 354,647,130 |
| Revaluation reserve | 322,407,068 | 333,597,638 | 268,847,038 | 233,220,060 | 113,274,337 | 3,355,004 | 3,036,000 | 3,036,000 | 3,036,000 | 3,036,000 |
| Available for sale reserves | (48,607,352) | (67,029,162) | (87,476,248) | (39,017,836) | 19,510,661 | - | 4,311,033 | 695,844 | 1,625,872 | - |
| Revenue reserves - Retained earnings | 656,163,366 | 553,311,055 | 398,604,509 | 349,965,668 | 326,438,579 | 341,105,307 | 191,642,148 | 136,682,752 | 25,398,287 | 47,937,461 |
| Total Equity | 2,360,157,667 | 2,080,131,301 | 1,695,343,249 | 1,549,077,502 | 1,464,133,188 | 976,480,251 | 753,879,061 | 681,148,686 | 531,298,509 | 405,620,591 |
| **Liabilities** | | | | | | | | | | |
| Interest bearing borrowings | 1,763,819 | 8,414,249 | 17,625,419 | 28,027,997 | 132,304,326 | 164,340,086 | - | - | - | 14,111,144 |
| Insurance provision - Life | - | - | - | - | 869,227,132 | 743,890,039 | 627,907,097 | 501,703,839 | 419,589,559 | 284,057,297 |
| Insurance provision - Non Life | 2,229,943,843 | 1,900,064,983 | 1,653,884,388 | 1,277,037,794 | 1,105,611,903 | 828,315,269 | 666,019,270 | 509,185,388 | 367,816,817 | 311,179,587 |
| Retirement benefit obligations | 40,738,427 | 37,993,692 | 32,130,390 | 22,679,048 | 31,403,673 | 23,825,396 | 20,654,064 | 15,825,224 | 13,468,926 | 9,223,477 |
| Reinsurance Creditors | 291,709,148 | 196,593,172 | 100,183,584 | 8,007,050 | - | - | - | - | - | - |
| Deffered tax liability | 51,698,297 | - | - | - | - | - | - | - | - | - |
| Other liabilities | 422,227,958 | 374,392,781 | 247,075,734 | 134,855,172 | 220,225,276 | 218,018,416 | 227,179,858 | 233,295,850 | 193,733,810 | 80,732,073 |
| Bank Over draft | 94,508,287 | 69,968,193 | 41,071,850 | 57,162,009 | 7,571,607 | 32,286,406 | 24,306,114 | 26,290,858 | 14,212,203 | 12,073,398 |
| Total Liabilities | 3,132,589,779 | 2,587,427,071 | 2,091,971,365 | 1,527,769,070 | 2,366,343,918 | 2,010,675,612 | 1,566,066,403 | 1,286,301,159 | 1,008,821,315 | 711,376,976 |
| Total Equity And Liabilities | 5,492,747,446 | 4,667,558,372 | 3,787,314,614 | 3,076,846,572 | 3,830,477,105 | 2,987,155,863 | 2,319,945,464 | 1,967,449,846 | 1,540,119,823 | 1,116,997,567 |

# Glossary of Insurance Terms

### Actuary
An expert concerned with the application of probability and statistical theory to problems of insurance, investment, financial management and demography.

### Actuarial Valuation
A determination by an actuary at a specific date of the value of a life insurance company's assets and its liabilities. The purpose of a valuation is to determine if the Company holds adequate assets to fund the Company's liabilities.

### Admissible Assets
Value of assets that are included in determining an insurer's statutory solvency margin specified under the rules made by the Insurance Board of Sri Lanka under Regulation of Insurance Industry Act No. 43 of 2000.

### Annuity
A contract that provides an income for a specific period.

### Approved Assets
Assets that represent the technical reserve and the long-term insurance fund as per the determination made under Regulation of Insurance Industry Act No. 43 of 2000.

### Beneficiary
A person or financial institution named by the policyholder as the recipient of the sum insured and other benefits due in the event of the policyholder's death.

### Bonus
Bonus is a method of distribution of surplus amongst the participating policyholders of a life insurance company. A bonus is an enhancement to the basic sum assured under a contract, and is declared as a percentage of the sum assured.

### Broker
A sales and service representative who handles insurance for clients, generally selling insurance of various kinds and for several companies.

### Claims
The amount payable under a contract of insurance arising from the occurrence of an insured event such as destruction or damage of property and related death or injuries, the insuring of hospital or medical bills, death or disability of the insured and gratuity claims.

### Claims Incurred
The aggregate of all claims paid during the accounting period together with attributable claims handling expenses, where appropriate adjusted by the gross claims reserve at the beginning and end of the accounting period.

### Claim Incurred But Not Reported (IBNR)
A reserve to cover the expect cost of losses that have occurred by the Balance Sheet date but have not yet been reported to the insurer.

### Claims Incurred But Not Enough Reported (IBNER)
A reserve made in respect of to cover expected cost of losses that have occurred but no comprehensive information is available to make adequate provision as at the Balance Sheet date.

### Claims Outstanding - Life Insurance
The amounts provided to cover estimated ultimate cost of settling claims arising out of events which have been notified by the Balance Sheet date, being sums due to beneficiaries together with claims handing expenses, less amounts already paid in respect of those claims.

### Claims Outstanding - Non-Life Insurance
The amount provided to cover the estimated ultimate cost of settling claims arising out of events which have occurred by the Balance Sheet date, including IBNR and IBNER claims and claims handling expenses.

### Commission
Remuneration to an intermediary for services such as selling and servicing an insurer's products. This is one component of acquisition expenses.

### Deferred Acquisition Expense Reserve
Expenses which vary with and primarily related to the acquisition of new insurance contracts and renewal of existing contracts, which are deferred as they related to a period of risk subsequent to the Balance Sheet date.

### Deposit Premium
A premium paid on the inception of a contract of insurance or reinsurance, which is subject to adjustment at a latter date. A deposit premium may represent the minimum amount payable.

**Earned Premium**

Written premium adjusted by the unearned premium reserve at the beginning and end of the accounting period.

**Endowment**

Life Insurance payable to the policyholder if living on the maturity date in the policy or to a beneficiary if the insured dies before that date.

**Events Occurring after the Balance**

Sheet Date Those events, both favourable and unfavourable, that occurs between the Balance Sheet date and the date when the Financial Statements are authorised for issue.

**Ex-gratia Payments**

A payment by an insurer to an insured for which there is no liability under the contract. In some cases an insurer may feel there has been a mistake or a misunderstanding and he may pay a claim, even though he does not appear to be liable.

**Facultative Reinsurance**

Oldest form of reinsurance. This is the reinsurance of an individual risk on terms and conditions agreed with the reinsurer specially for that risk. Particulars of each risk are submitted by the ceding company to the reinsurer who may accept or decline at will. This is useful when dealing with risks outside the ceding company's treaty arrangements.

**Gross Claims Reserve - Non-Life**

The amount provided, including claims incurred but not reported and claims handling expenses, to cover the estimated cost, arising out of events occurred by the end of the accounting period, less amounts already paid in respect of those claims.

**Gross Written Premium - Life**

Premium to which the insurer is contractually entitled and received in the accounting period.

**Gross Written Premium - Non-Life**

Premium which an insurer is contractually entitled to receive from the insured in relation to contracts of insurance.

**Insurance**

Insurance is a contract whereby one party the insurer, in return for a consideration, i.e., the premium, undertakes to pay to the other party the insured, a sum of money or its equivalent in kind, upon the happening of a specified event that is contrary to the interest of the insured.

**Insurance Provision - Non-Life**

This comprises of the gross claims reserve, unearned premium reserve net of reinsurance and the deferred acquisition expenses.

**Insurance Provision - Long-Term**

The fund or funds to be maintained by an insurer in respect of its longterm insurance business in accordance with Act No. 43 of 2000

**Interim Payments**

Periodic payments to the policyholders on a specific type of policy.

**Life Surplus**

The excess of the assets cover the liabilities as determined by the actuary (taking into account the solvency requirements) and after distribution of Bonus to policyholders.

**Long-Term Insurance**

Commonly referred to as life insurance contracts, as opposed to annual non-life Insurance policies.

**Maturity**

The time at which payment of the sum insured under a life insurance policy falls due at the end of its term.

**Net Assets**

Total assets less total liabilities. Also equal to the shareholders' equity.

**Net Combined Ratio - Non-Life**

This ratio indicates the profitability of the insurer's operations by combining the net loss ratio with net expense ratio. The combined ratio does not take account of investment income.

**Formula:**

$$\frac{\text{(Net claims incurred + Expenses)}}{\text{Net earned premium}} \times 100$$

# Glossary of Insurance Terms

### Net Earned Premium

Gross written premium adjusted for the reinsurance incurred and for the increase or decrease in unearned premium.

### Net Expense Ratio - Non-Life

A formula used by insurance companies to relate income to acquisition and administrative expenses (e.g. commissions, taxes, staff, operating expenses).

**Formula:**

$$\frac{\text{Net Expenses}}{\text{Net earned premium}} \times 100$$

### Net Claims Ratio - Non-Life

A formula used by insurers to relate net claims incurred to net earned premium (i.e., after deducting relevant reinsurances).

**Formula:**

$$\frac{\text{Net claims incurred}}{\text{Net earned premium}} \times 100$$

### Net Written Premium

Gross written premium less reinsurance premium payable. Net Claims Incurred Claims incurred less reinsurance recoveries.

### Policy Loans

A loan given to the policyholder on the security of the surrender value of a Life Insurance policy. The loan is limited to a percentage of the current surrender value of the policy and interest is charged on such loan.

### Premium

The consideration payable by the insured for an insurance contract.

### Profit Commission

Commission received from the reinsurer based on the net profit of the reinsurer as defined in the accounting period.

### Reinsurance

Transfer of all or part of the risk assumed by an insurer under one or more insurance to another insurer, called the reinsurer.

### Reinsurance Commission

Commission received or receivable in respect of premium paid or payable to a reinsurer.

### Reinsurance Premium

The premium payable to the reinsurer.

### Revenue Account

An account which shows a financial summary of the insurance related revenue transactions for the accounting period.

### Segment

Constituent business units grouped in terms of nature and similarity of operation.

### Surrender

Termination of an insurance policy by the insured before the expiry of its term (more common in life insurance).

### Surrender Value

The sum payable by an insurance company upon the surrender of a life insurance policy before it has run its full course.

### Technical Reserve

This comprises of the claims reserve net of reinsurance, unearned premium reserve net of reinsurance and the deferred acquisition costs.

### Title Insurance

Insurance which indemnifies the owner of real estate in the event that his clear ownership of property is challenged by the discovery of fault in the title that was passed to him.

### Underwriting Result

This is the profit generated purely from the non-life insurance business without taking into account the investment income and expenses.

### Unearned Premium

It represents the portion of premium already entered in the account as due but which relates to a period of risk subsequent to the Balance Sheet date.

### Unearned Premium Reserve

A fund kept by the general insurer to provide for claims that may arise in the future under insurance that are still in course.

# Our Branch Network

## Contact List of CICL

| | NAME | ADDRESS | TELE. NO. | FAX NO. |
|---|---|---|---|---|
| 1 | Akuressa | D.C. Wanigasekara Mawatha, New Bangam Road, Akuressa | 041-2284973<br>041-2285574 | 041-2284974 |
| 2 | Akkaraipattu | Main Street, Akkaraipattu (Near the Education Office) | 067-2055122 | 067-2055123 |
| 3 | Ambalangoda | 26B ½, Galle Road, Ambalangoda | 091-2256500 | 091-2255581 |
| 4 | Ambalantota | 59, Main Street, Ambalantota | 047-2225045 | 047-2225511 |
| 5 | Aluthgama | 3/160, Galle Road, Aluthgama | 034-2296166 | 034-2296167 |
| 6 | Ampara | 16, D S Senanayake Mawatha, Ampara | 063-2223122 | 063-2223586 |
| 7 | Anuradhapura | 08, Maithreepala Senanayake Mawatha, Anuradhapura | 025-2226777-8<br>025-2227533 | 025-2225457 |
| 8 | Agency unite | No. 70, Grandpass Road, Colombo 14 | | |
| 9 | Avissawella | No. 35, Gem Land, Kudagama Road, Avissawella | 036-2233881 | 036-2233704 |
| 10 | Badulla | 81, 2nd Floor, Bank Road, Badulla | 055-2222620 | 055-2225512 |
| 11 | Balangoda | 133A 1/1, Brans Rathwaththa Mawatha, Balangoda | 045-2287494 | 045-2288438 |
| 12 | Batticaloa | Dist. Co-op Council Bldg, Pioneer Road, Batticaloa | 065-2227984 | 065-2228844 |
| 13 | Bandarawela | Shopping Complex, Thanthiriya, Bandarawela | 057-2221657 | 057-2221701 |
| 14 | Battaramulla | No. 153, Pannipitiya Road, Battaramulla | 011-2872791 | 011-2872792 |
| 15 | Baddegama | "Abeywickrama Building, No. 60, Near the Bus Stand, Baddegama | 091-2294411 | |
| 16 | Bibila | HNB Building, Bibila | 055-2265036 | |
| 17 | Broker division | No. 70, Grandpass Road, Colombo 14 | | |
| 18 | Chilaw | No. 05, Bauddaloka Mawatha, Chilaw | 032-2224745 | 032-2220360 |
| 19 | City | No. 327, Ceyesta Bld, Galle Road, Colombo 03 | 011-2372384<br>011-2372370 | 011-2577245 |
| 20 | Corporate division | No. 70, Grandpass Road, Colombo 14 | | |
| 21 | Corporate Branch | No. 70, Grandpass Road, Colombo 14 | 011-2337427<br>011-2432394 | 011-2337449 |
| 22 | Colo. Metropoliton | No. 327, Ceyesta Bld, Galle Road, Colombo 03 | 011-2372763 | 011-2372764 |
| 23 | Dambulla | No. 719 (717), Anuradhapura Road, Dambulla | 066-2285624 | 066-2285625 |
| 24 | Dankotuwa | Dankotuwa MPCS Building, Dankotuwa | 031-2265685 | |
| 25 | Deniyaya | No. 98/02, Near the Bridge, Main Street, Deniyaya | 041-2273353 | 041-2273519 |
| 26 | Dehiwala | No. 11, Galle Road, Mount Lavinia | 011-2725265 | 011-2725261 |
| 27 | Elpitiya | Elpitiya M P C S Bldg, Pituwala Road, Elpitiya | 091-2297019 | 091-2297095 |
| 28 | Embilipitiya | 66 1/1, Pallegama Road, Embilipitiya | 047-2230177 | 047-2261394 |
| 29 | Galle | 36, Sri Dewamiththa Mawatha, China Garden, Galle | 091-2227688<br>091-2232258 | 091-2227687 |
| 30 | Galewela | No. 45, Kalawewa Road, Galewela | 066-2287282 | 066-2287283 |
| 31 | Gampaha | No. 114/1/1, Bauddaloka Mawatha, Gampaha | 033-2248600<br>033-2231618 | <br>033-2231122 |
| 32 | Gampola | Gampola MPCS Bldg, 1/78, Kandy Road, Gampola | 081-2077121 | 081-2077122 |
| 33 | Giriulla | No. 105/B, 1st Floor, Negombo Road, Giriulla | 037-2288710 | 037-2288711 |
| 34 | Hatton | No. 245, Dimbulla Road, Hatton | 051-2225146 | 051-2225175 |
| 35 | Homagama | 77, High Level Road, Homagama | 011-2895270-1<br>011-2748307<br>011-2098740 | 011-2855392 |
| 36 | Ja-Ela | No. 68, Negombo Road, Kandana | 011-2234817 | 011-2234816 |
| 37 | Horana | No. 257, Rathnapura Road, Horana | 034-2260310 | 034-2260444 |
| 38 | Jaffna | No. 570, Hospital Road, Jaffna | 021-2224561 | 021-2217495 |
| 39 | Kadawatha | 645/G/2, Bandarawaththa, Kandy Road, Kadawatha | 011-2927501 | 011-2927502 |
| 40 | Kalawana | 1st Floor, No. 76, Mathugama Road, Kalawana | 045-2256033 | 045-2256088 |
| 40 | Kaduwela | No. 51, Avissawella Road, Kaduwela | 011-2548544 | 011-2548666 |
| 41 | Kaluthara | 219/3, Galle Road, Kaluthara | 034-2238131-2 | 034-2223450 |
| 42 | Kandy | 100/2/1, Vindana Learner's Bldg, Yatinuwara Veediya, Kandy | 081-2205661/3 | 081-2202055 |
| 43 | Katugastota | No. 288A, Katugastota Road, Kandy | 081-2226687 | 081-2226688 |
| 44 | Kalmunai | No. 122, Main Street, Kalmunai | 067-2059996 | 067-2059997 |
| 45 | Kamburupitiya Sub | Kamburupitiya MPCS Bldg, Kamburupitiya | 041-2294495 | |
| 46 | Karapitiya | 249/A2, Labuduwa Road, Karapitiya | 091-2228586 | 091-2228711 |
| 47 | Kegalle | No. 261/1, Kandy Road, Kegalle | 035-2221461 | 035-2231911 |
| 48 | Kekirawa | 12, Dambulla Road, Kekirawa | 025-2265333 | 025-2265332 |
| 49 | Kelaniya | 369, Kandy Road, Peliyagoda | 011-2918312 | 011-2918311 |
| 50 | Kolonnawa | No. 166, Kolonnawa Road, Kolonnawa | 011-2533372 | 011-2533373 |
| 51 | Kiribathgoda | 67 D/3, Kandy Road, Kiribathgoda | 011-2907858 | 011-2907859 |
| 52 | Kilinochchi | C/O Pillaiyar Arul Vanachcholai, A9 Road, Kilinochchi | 021-2285790 | 021-2285791 |
| 53 | Kuliyapitiya | No. 285, Madampe Road, Kuliyapitiya | 037-2282249 | 037-2282248 |
| 54 | Kirindiwela | 27/16/1, Nugahena Waththa, Kirindiwela | 033-2253100 | 033-2253101 |
| 55 | Kurunegala | 13 1/1, Rajapihilla Road, Kurunegala | 037-2233601-2 | 037-2221749 |

# Contact List of CICL Branch Network

| | NAME | ADDRESS | TELE. NO. | FAX NO. |
|---|---|---|---|---|
| 56 | Maharagama | 218A 1/1, High Level Road, Maharagama | 011-2845144<br>011-2089007<br>011-2089010 | 011-2843422 |
| 59 | Mahiyanganaya Sub | Mahiyangana M P C S Ltd., Mahiyanganaya | 055-2257451 | |
| 60 | Malabe | 878/B, Athurugiriya Road, Malabe | 011-2156045<br>011-2742501 | 011-2742058 |
| 61 | Mathugama | No. 203, Agalawaththa Road, Mathugama | 034-2240972 | 034-2240973 |
| 62 | Mannar | No. 45, Hospital Road, Mannar | 023-2250833 | 023-2251682 |
| 63 | Matale | No. 577, Trincomalee Street, Matale | 066-2224498 | 066-2232222 |
| 64 | Melsiripura | Near the Fuel Station, Dambulla Road, Melsiripura | 037-2250183 | |
| 65 | Matara | 45A/2, Anagarika Dharmapala Mawatha, Matara | 041-2234701-2 | 041-2230649 |
| 66 | Minuwangoda | No. 39 1/1, Airport Road, Minuwangoda | 011-2299151 | 011-2288044 |
| 67 | Metro | No. 327, Ceyesta Bld, Galle Road, Colombo 03 | 011-2372763 | 011-2372764 |
| 68 | Monaragala | 210, Wellawaya Road, Monaragala | 055-2277534<br>055-2277401 | 055-2276113 |
| 69 | Moratuwa | 177 2/1, New Galle Road, Moratuwa | 011-2644891<br>011-2649054 | 011-2644893 |
| 70 | Negombo | No. 160/A, Thaladuwa Road, Negombo | 031-2222426 | 031-2228270 |
| 71 | Nelliady | No. 82, Point Pedro Road, Nelliady, Karaveddy | 021-2265737 | |
| 72 | Neluwa | Manuka Building, Dellawa Road, Neluwa | 091-2285410 | 091-2285411 |
| 73 | Nikaweratiya | No. 79, Maho Road, Nikaweratiya | 037-2260946<br>037-2260995 | 037-2260994 |
| 74 | Nittambuwa | No. 48/4, Kandy Road, Nittambuwa | 033-2246294 | 033-2287748 |
| 75 | Nugegoda | No. 36, Nawala Road, Nugegoda | 011-2890851 | 011-2890850 |
| 76 | Nuwara Eliya | 72, Park Road, Nuwara Eliya | 052-2235570 | 052-2222811 |
| 77 | Nugegoda South | 272/B, High Level Road, Jambugasmulla | 011-2814234 | 011-2814254 |
| 78 | Pelmadulla | No. 118, Main Street, Pelmadulla | 045-2276216 | 045-2274732 |
| 79 | Panadura | No. 36A, Cyril Janz Mawatha, Panadura | 038-2234133 | 038-2234933 |
| 80 | Piliyandala | No. 165, Moratuwa Road, Piliyandala | 011-2615702 | 011-2615701 |
| 81 | Polonnaruwa | No. 292/1, Batticaloa Road, Polonnaruwa | 027-2226880 | 027-2227310 |
| 82 | Pottuvil | Main Street, Pottuvil | 063-2248858 | 063-2248859 |
| 83 | Postal Division | No. 70, Grandpass Road, Colombo 14 | | |
| 84 | Puttalam | No. 114/1, Kurunegala Road, Puttalam | 032-2267211 | 032-2267336 |
| 85 | Rikillagaskada | MPCS Building, Ragala Road, Rikillagaskada | 081-2071622 | 081-2071330 |
| 86 | Rathnapura | Coop House, Bandaranayake Mawatha, Rathnapura | 045-2222983-4<br>045-2221042 | <br>045-2225335 |
| 87 | Trincomalee | No. 316, Inner Harbor Road, Trincomalee | 026-2226751 | 026-2221126 |
| 88 | Siyambalanduwa Sub | Siyambalanduwa Ethimale M P C S Ltd., Dombagahawela | 055-2279123 | |
| 89 | Thalawathugoda | No. 1136, Pannipitiya Road, Thalawathugoda | 011-2774261 | 011-2774262 |
| 90 | Thambuttegama | No. 141, Kurunegala Road, Business Town, Thambuttegama | 025-2275689 | 025-2275688 |
| 91 | Thissamaharama | Medaweediya, New Town, Thissa | 047-2239820<br>047-3221115<br>047-3221116 | 047-4545559 |
| 92 | Vauniya | 2nd Floor, Sathya Bld, 1st Cross Street, Vavuniya | 024-2225536-7 | 024-2224122 |
| 93 | Wariyapola | 92/A, Puttalam Road, Wariyapola | 037-2268206 | 037-2268205 |
| 94 | Walasmulla | No. 60, Beliatta Road, Walasmulla | | |
| 95 | Wellawaya | No. 167, Tissa Road, Wellawaya | 055-2274214 | |
| 96 | Welimada | 115/1, Badulla Road, Welimada | 057-2245627 | 057-2245628 |
| 97 | Welligama Sub | No. 172/B, Hettiweediya, Weligama | 041-2254935 | |
| 98 | Wennappuwa | Wenco Super Market, Chilaw Road, Wennappuwa | 031-2253541<br>031-2245000 | 031-2253363 |
| 99 | Warakapola Sub | Warakapola MPCS Building, Warakapola | 035-2269575 | |

REGIONAL OFFICES

REGIONAL OFFICE FOR GENERAL INSURANCE

| | REGION | REGIONAL OFFICE ADDRESS | TELE. NO. | MOBILE NO. |
|---|---|---|---|---|
| 1 | Colombo (North) | Ceyesta Building, No. 327, Galle Road, Colombo 03 | 011-2675469 | 071-6840790 |
| 2 | Colombo (South) | 77, High Level Road, Homagama | 011-2895271 | |
| 3 | ARM (Gampaha) | 114/1/1, Bauddaloka Mawatha, Gampaha | 033-2238574 | 071-6840781 |
| 4 | North Central | 08, Maithreepala Senanayake Mawatha, Anuradhapura | 025-2227429 | 071-4562992 |
| 5 | North | 2nd Floor, Sathya Bld, 1st Cross Street, Vavuniya | 024-2228035 | |
| 6 | Southern | 45A/2, Anagarika Dharmapala Mawatha, Matara | 041-2234703 | |
| 7 | ARM Kurunegala | 13 1/1, Rajapihilla Road, Kurunegala | 037-2226370 | |

# Contact List of Cooplife Branch Network

| | NAME | ADDRESS | TELE. NO. | FAX NO. |
|---|---|---|---|---|
| 1 | Akuressa | D.C. Wanigasekara Mawatha, New Bangam Road, Akuressa | 041-2285564 | 041-2284878 |
| 2 | Ambalangoda | 26B ½, Galle Road, Ambalangoda | 091-2255875 | |
| 3 | Ambalantota | 59, Main Street, Ambalantota | 047-2225346 | |
| 4 | Ampara | 16, D S Senanayake Mawatha, Ampara | 063-2222887 | 063-2222877 |
| 5 | Anuradhapura | No. 521/116, II Part, 7th Avenue, Anuradhapura | 025-2227638 | 025-2227637 |
| 6 | Avissawella | No. 35, Gem Land, Kudagama Road, Avissawella | 036-2234862 | |
| 7 | Badulla | 81, 2nd Floor, Bank Road, Badulla | 055-2231692 | 055-2231693 |
| 8 | Balangoda | 133A 1/1, Brans Rathwaththa Mawatha, Balangoda | 045-2289522 | |
| 9 | Batticaloa | Dist. Co-op Council Bldg, Pioneer Road, Batticaloa | 065-2229896 | 065-2229875 |
| 10 | Chilaw | No. 05, Bauddaloka Mawatha, Chilaw | 032-2224252 | 032-2224263 |
| 11 | Dambulla | No. 719 (717), Anuradhapura Road, Dambulla | 066-2285377 | 066-2285477 |
| 12 | City Office | Ground Floor, "Co-op House", No. 455, Galle Road, Colombo 03 | 011-2504801 | 011-2504802 |
| 13 | Embilipitiya | 66 1/1, Pallegama Road, Embilipitiya | 047-2262162 | 047-2262163 |
| 14 | Galle | 36, Sri Dewamiththa Mawatha, China Garden, Galle | 091-2223155 | 091-2223295 |
| 15 | Gampaha | No. 114/1/1, Bauddaloka Mawatha, Gampaha | 033-2248601 | 033-2231617 |
| 16 | Homagama | 79/1, High Level Road, Homagama | 011-2893916 | 011-2895424 |
| 17 | Horana | No. 257, Rathnapura Road, Horana | 034-2265984 | 034-2265985 |
| 18 | Jaffna | No. 570, Hospital Road, Jaffna | 021-2228071 | 021-2217496 |
| 19 | Kaluthara | 358/A, Kaluthara North, Kaluthara | 034-2238252 | |
| 20 | Kandy | No. 45/3/1, Katugastota Road, Kandy | 081-2223440 | 081-2205662 |
| 21 | Kegalle | No. 261/1, Kandy Road, Kegalle | 035-2231912 | 035-2222215 |
| 22 | Kekirawa | 12, Dambulla Road, Kekirawa | 025-2264995<br>025-2265945 | 025-2264996 |
| 23 | Kiribathgoda | 67 D/3, Kandy Road, Kiribathgoda | 011-2907920 | 011-2987332 |
| 24 | Kilinochchi | C/O Pillaiyar Arul Vanachcholai, A9 Road, Kilinochchi | 021-2285792 | |
| 25 | Kuliyapitiya | No. 194, Main Street, Kuliyapitiya | 037-2281630 | 037-2281633 |
| 26 | Kurunegala | 11 1/1, Rajapihilla Road, Kurunegala | 037-2221915<br>037-2225463 | 037-2225462 |
| 27 | Maharagama | 218A 2/1, High Level Road, Maharagama | 011-2088744 | 011-2089508 |
| 28 | Malabe | 894/4A, Athurugiriya Road, Malabe | 011-2077454 | 011-2185841 |
| 29 | Mannar | No. 45, Hospital Road, Mannar | 023-2251336 | 023-2251681 |
| 30 | Matale | No. 577, Trincomalee Street, Matale | 066-2224499 | 066-2232222 |
| 31 | Matara | 45A/2, Anagarika Dharmapala Mawatha, Matara | 041-2237765 | |
| 32 | Metro | 60/1/1, Maligawaththa New Road, Colombo 10 | 011-2554358 | 011-2554357 |
| 33 | Monaragala | 72, Wellawaya Road, Monaragala | 055-2276155 | 055-2277533 |
| 34 | Moratuwa | 177 2/1, New Galle Road, Moratuwa | 011-2644841 | 011-2644510 |
| 35 | Negombo | No. 160/A, Thaladuwa Road, Negombo | 031-2228446 | 031-2230320 |
| 36 | Nelliady | No. 82, Point Pedro Road, Karaveddi, Nelliadi | 021-2261351 | 021-2264945 |
| 37 | Nikaweratiya | No. 79, Maho Road, Nikaweratiya | 037-2260996<br>037-2260945 | 037-2260923 |
| 38 | Nuwara Eliya | 72, Park Road, Nuwara Eliya | 052-2235590 | 052-2235594 |
| 39 | Polonnaruwa | No. 292/1, Batticaloa Road, Polonnaruwa | 027-2226696 | 027-2227311 |
| 40 | Puttalam | No. 114/2, Kurunegala Road, Puttalam | 032-2265292 | 032-2265366 |
| 41 | Rathnapura | No. 22, Kiriella Bld, Panadura Road, Moragahayata, Rathnapura | 045-2233237 | 045-2233238 |
| 42 | Trincomalee | No. 316, Inner Harbor Road, Trincomalee | 026-2062121 | 026-2062122 |
| 43 | Vauniya | 2nd Floor, Sathya Bld, 1st Cross Street, Vavuniya | 024-2227961 | 024-2227962 |
| 44 | Wennappuwa | Wenco Super Market, Chilaw Road, Wennappuwa | 031-2255910 | |

REGIONAL OFFICE FOR LIFE INSURANCE

| | REGION | REGIONAL OFFICE ADDRESS | TELE. NO. | MOBILE NO. |
|---|---|---|---|---|
| 1 | Nikaweratiya | No. 81, Maho Road, Nikaweratiya | 037-2260321 | |
| 2 | North | No. 521/116, II Part, 7th Avenue, Anuradhapura | 025-2227638 | 071-3842178 |
| 3 | East | 81, 2nd Floor, Bank Road, Badulla | 055-2231694 | 071-7546390 |
| 4 | Southern | 36, Sri Dewamiththa Mawatha, China Garden, Galle | 091-2223295 | 071-4541163 |
| 5 | DGM - SSU Zone 1 | 13 1/1, Rajapihilla Road, Kurunegala | | 071-6810926 |

# Notice of Annual General Meeting

Notice is hereby given that the 21st Annual General Meeting of Co-operative Insurance Company Limited is convened on July 07, 2019 at "Grand Monarch Hotel, 527/7, Borella Road, Thalawathugoda at 10.00 a.m. when the following ordinary business will be transacted.

1. To receive and adopt the Report of the Directors and the Statement of Accounts for the year ended 31st December 2018 with the Report of the Auditor's thereon.
2. To declare a dividend of Rs. 1.25 per share as the final dividend for the financial year 2018 subject to the recommendation of Insurance Regulatory Commission of Sri Lanka to be paid as follows.
    - 50% to be paid by cash
    - 50% to be paid by distribution of ordinary shares of Rs. 15/- each as provided in clause 122 of the Articles of Association
3. To appoint Jayasinghe and Company., Chartered Accountants, as auditors of the company for the financial year ending December 31, 2019 and to authorise the Board of Directors to determine their remuneration.
4. To appoint new Directors to fill three vacancies created as a result of the rotation of three directors, Mr. P.P.D.S. Kularathna, Mr. C.P. Jayasinghe and Mr. K.S.S. Weerasekara in terms of the Article 95,96 and 97 of the Articles of Association of the company.

By Order of the Board,

Business Management Services Ltd.
Secretaries to the Company

June 07, 2019

## Notes

1. A member is entitled to appoint a proxy to attend and vote on behalf of him/her. One ordinary share carries one voting right. If a member is a corporate body, its representative must be appointed by a proxy.
2. A proxy need not be a member of the company.
3. A proxy form is enclosed for this purpose.
4. The completed proxy form should be deposited at the Head office of the company at No. 74/5, Co-operative Insurance House, Grandpass Road, Colombo 14 or at the office of the secretaries, Business Management Services Limited, No. 94 1/2, York Street, Colombo 01 not less than 48 hours before holding of the meeting.

# Notes

# Notes

# Form of Proxy

I/We ............................................................................................................................................................................................................ of

..................................................................................................................................................................... being member / members of

CO-OPERATIVE INSURANCE COMPANY LIMITED, hereby appoint .................................................................................................

NIC No. ........................................................................ of ........................................................................................ as my / our proxy to represent me / us and vote on my / our behalf at the 21st Annual General Meeting of the company to be held at "Grand Monarch Hotel, No. 527/7, Borella Road, Thalawathugoda on July 07, 2019 at 10.00 a.m. and at any adjournment thereof, and every poll which may be taken in consequence thereof.

Signed this .................................................................. day of .................................................................. two thousand nineteen.

........................................................
Signature of shareholder

........................................................
Signature of participant

## INSTRUCTIONS AS TO COMPLETION

1. Please perfect the form of proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.
2. If the appointer is a company or corporation, the form of proxy should be executed under its common seal or by a duly authorised officer of the company or corporation in accordance with its articles of association or constitution.
3. The completed form of proxy should be deposited at the registered office of the company at No. 74/5, Co-operative Insurance House", Grandpass Road, Colombo 14 or at the office of the secretaries, Business Management Services Limited 94 ½, York Street, Colombo 01 not less than 48 hours before holding of the meeting.

# Corporate Information

**Name of the Company**
Co-operative Insurance Company Limited (CICL).

**Legal Form**
A Public Limited Liability Company Incorporated in Sri Lanka on August 11, 1997 under Companies Act No. 17 of 1982. The Company was re-registered on December 31, 2008 under Companies Act No. 07 of 2007. Co-operative Insurance Company Limited has become a General Insurance Company licensed by the Insurance Regulatory Commission of Sri Lanka (IRCSL) with effect from 1st January 2015.

**Company Registration Number**
PB 834

**Tax Payer Identification Number**
TIN - 134007168

**VAT Registration Number**
134007168 - 7000

**Balance Sheet Date**
December 31

**Principal Activities**
With effect from 1st January 2015, principal activities of the company are carrying on General Insurance Business and providing services to its subsidiary Cooplife Insurance Limited which is carrying on Life Insurance Business.

**Registered Office**
"Co-operative Insurance House"
No: 74/5, Grandpass Road,
Colombo 14.
Telephone : +94 (0)112 55 73 00 - 8
Facsimile: +94 (0)112 55 73 09
E-mail: info@coopinsu.com
Web : www.ci.lk

**Rating**
Insurer Financial Strength BBB+ (lka) (Fitch Ratings)

**Subsidiary**
Cooplife Insurance Limited
455, Co-op House, Galle Road
Colombo 03
Telephone : +94 (0)112 57 48 01

**Auditors**
Deloitte (SJMS Associates) – Chartered Accountants
No.11, Castle Lane,
Colombo 04.

**Directorate**

| | |
|---|---|
| Mr. W. Lalith A. Peiris | - Chairman |
| Mr. K.R.K.N. Jayasinghe | - Vice-Chairman |
| Mr. K.R.W. Ranasinghe | - Managing Director |
| Mr. D.P. Amaradeva | - Director |
| Mr. R.G.K. Rankothge | - Director |
| Mr. K. J. Sesiri | - Director |
| Mr. R. Sooriyaarachchi | - Director |
| Mr. C.P. Jayasinghe | - Director |
| Mr. P. P. D. S. Kularathne | - Director |
| Mr. J. M.V. P. Jayasooriya | - Director |
| Mr. A.D.T.S. Palitha | - Director |
| Mr. S.S. Weerasekara | - Director |
| Mr. D.L. Samarawickrama | - Director |

**Secretaries**
Business Management Services Ltd.
94 ½, York Street
Colombo 01

**Corporate Management**

| | |
|---|---|
| Mr. K.R.W. Ranasinghe | - Managing Director |
| Mr. Pubudu Wimalarathna | - Chief Operating Officer/ Principal Officer |
| Mr. Laksiri Nawaratne | - Chief Finance Officer |
| Mr. W.H. Somathilleke | - Consultant |
| Mr. L.A.N.C. Weerasinghe | - Assistant General Manager (Marketing Operations) |
| Mr. Ravi Rathnayake | - Manager - Information Technology |
| Mr. Sumith Amarasinghe | - Manager - Human Resources |
| Mr. Shaminda Silva | - Manager - Internal Audit |
| Mr. Danushka De Silva | - Manager - Administration |
| Ms. Preethimalee Wijerama | - Manager - Legal |

**Bankers**
People's Bank
Bank of Ceylon
Commercial Bank
Sampath Bank
RDB Bank
Seylan Bank

**Consultant Actuaries**
General Insurance
NMG Financial Services Consulting Pte Ltd.
30, Hill Street, #03-02A,
Singapore 179360

**Life Insurance Fund & Gratuity Fund**
Actuarial & Management
Consultants (Pvt) Ltd.
1st Floor, 434, R.A. De Mel Mawatha, Colombo 03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CO-OPERATIVE INSURANCE COMPANY

*For the people by the people...*