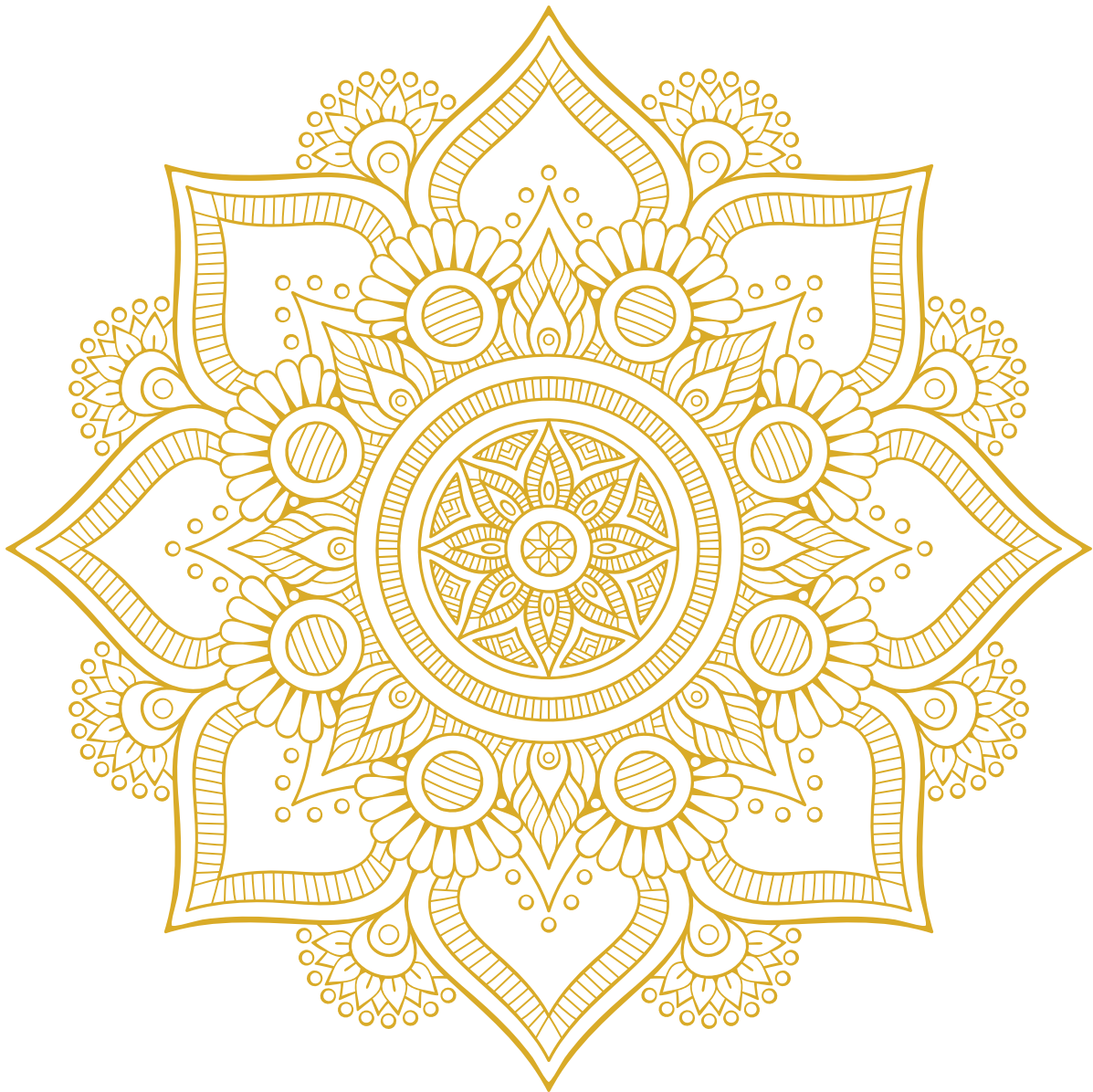


# Serve the By the Nation



CO-OPERATIVE INSURANCE COMPANY

Annual Report 2019





## Serve the By the Nation

In 1999, CICL set historical precedence by becoming the only insurer established by the cooperative sector for protecting the financial interests and livelihoods of those within the cooperative society. Now after 20 years in operation we continue to serve our motherland with a growing commitment championed by a team of shareholders that is Sri Lankan, through and through.

In an industry where the landscape of ownership has seen mergers and acquisitions we have had the unique privilege of maintaining our heritage and our identity, as we continue to serve the nation with a nationalistic pride.

Although we remain rooted to our beginnings while being community-minded, we continue to innovate and advance with changing times, adopting new processes, adapting to technological innovations and improving every point of service in better serving the people of our nation.

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# Cooperative Insurance Company Limited

## 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 confirm to the highest ethical and moral standards.

## Values

Based on co-operative principles and ethics.



# About the Report

The Report is the Annual Publication of Cooperative Insurance Company Limited, and is the 22nd consecutive Annual Report. We published our first ever Integrated Annual Report in 2015 which was the beginning of our commitment towards undertaking a comprehensive and cohesive approach to compiling our Annual Report.

## Scope and Boundaries

The report is a disclosure of our growth strategy, performance and financials which has been prepared in conformance with the International Integrated Reporting Framework. The report presents operational and financial performance, beginning from 1st January 2019 – 31st December 2019.

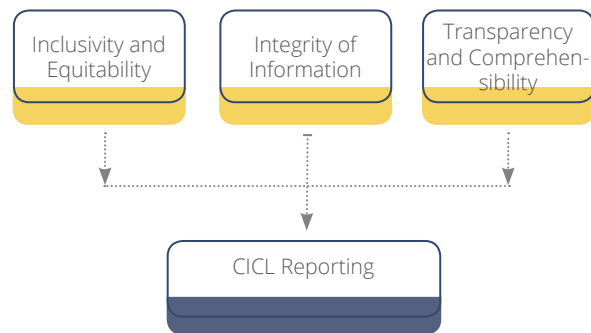
By adopting the IR framework our purpose was to compile a cohesive report based on the six Capitals approach in order to provide our Stakeholders and interested readers with a direct and clear understanding of the internal operating environment of CICL as well as our subsidiaries Cooplife and CITA, wherever applicable, throughout the report.

The report covers non-financial aspects of the Company as well as Financials and Audited Reports for the relevant operational year. Please refer Contents (Pg. 02) for the full list of information covered through the report which provides readers the ability to conveniently navigate the document.

The report includes 220 pages of which 113 has been dedicated to non-financials and the rest which commences from page 116 includes all figures and statements pertaining to financial performance and financial position of the Company as at the end of 31st December 2019.

## An Inclusive and Integrated Approach

Another one of our key objectives in compiling the report was to provide an objective and cohesive look into the strategic operations and annual performance of the Company, while disseminating accurate information for the general awareness of our Stakeholders. In doing so, we have disclosed all relevant information to the best of our knowledge providing transparent and clear content on all non-financial and financial aspects of CICL.



In adopting a strong model of value creation, the top management has placed a significant focus on managing the six capitals – financial, human, intellectual, and social and relationship, manufactured and natural capital. Although, CICL's operations do not have considerable impact on the natural environment, the Company operates responsibly in its use of power and energy, as well as prudent usage of paper whenever possible.

Information pertaining to the management of six capitals has been included within the report under the applicable topics. With the objectives of maintaining inclusivity, transparency and integrity, the Company has disclosed all information to the best of our capacity on our core capitals which are managed to align with our business model and value creation process in our quest for long term sustainability.

The report has been compiled to provide information in a systematic manner, with segregation of main sections and sub-sections in a clear and concise order. Our business model is depicted in pages 86 - 87 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 detailed in pages 84 - 85 provides a holistic outlook on our strategic priorities while our engagement with stakeholders detailed in pages 82 - 83 provides a review of our interactions with each and every segment of Stakeholders and the value we deliver to each segment.

How we manage our core capitals are detailed from page 91 to page 109. This year, we have included a section on Natural Capital in adopting all six capitals recommended by the IR framework.

# About the Report

Corporate Governance and Internal Control Systems also take precedence. These aspects are covered in detail from pages 58 to 63 and provide a comprehensive display of the responsibilities of the Board of Directors, the relevant Sub-Committees and the management of the Company.

## Principal Frameworks

Cooperative Insurance complies with the frameworks and guidelines stipulated by several regulatory bodies. In maintaining the integrity and accuracy of all financials presented in this report we have adhered to the following guiding frameworks. By following these basic guidelines we have been able to provide an in-depth presentation of our financials and non-financial operational performance, maintaining transparency when sharing information with our Shareholders as well as for the purview of 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.
- Companies Act, No. 07 of 2007
- Regulation of Insurance Industry Act, No. 43 of 2000
- Regulations and Directions Issued by Insurance Regulatory Commission (IRCSL)

## Information Gathering and Credibility

The report has been prepared with information that has been gathered from across our departments, from relevant Heads of Departments along with information sourced through our core business systems, our document management system, HRM system and through interviews conducted with the Top Management of CICL. Certain statistical information has been obtained through industry documentation, mainly from IRCSL publications, Central Bank Report, as well as credible sources of information.

Information pertaining to CICL and Cooplife has been overseen and approved by the Board of Directors, Audit Committee and relevant Sub-Committees. Financial information has been verified by the Head of Finance as well as by our Independent Auditor.

The Financial Statements and all relevant notes provided across pages 116 to 205 have been audited by Messrs. Jayasinghe & Co., Chartered Accountants, ensuring the integrity and quality of the Annual Report. The Independent Auditors Report can be viewed on pages 118 and 119.

## Equitable Reporting

For the benefit of our Shareholders within the Co-Operative Society and for the general public, the report is issued in both Sinhala and English, and has been circulated amongst our Shareholders as well as relevant Stakeholders. In addition, the report is also accessible through the Cooperative Insurance website [www.ci.lk](http://www.ci.lk)

## We Value Your Opinion

We welcome feedback from all Stakeholders pertaining to the report and any comment or inquiry can be directed to:

Name	:	Mr. Amila Kumara
Designation	:	Manager - Finance
Tel	:	011-2 557 318
Fax	:	011-2 557 311
E-mail	:	<a href="mailto:info@coopinsu.com">info@coopinsu.com</a>

# A Cooperative Journey

Cooperative Insurance Company Limited is the sole insurer from the country's Co-operative Sector with ownership distributed amongst 203 Societies of the community. Established in 1999 with the vision of providing financial security to those who are overlooked by the industry, Cooperative Insurance faced multiple challenges through its initial years of inception.

At the beginning, our main focus was on providing services to people within the Cooperative sector and those from the rural communities of Sri Lanka, amongst whom insurance remained as simply an afterthought. However, through the collective efforts of like-minded individuals and owing to the hard work of our employees CICL has now become one of the top 10 insurance companies of the industry.

The Company has surpassed two decades of hard earned experience in serving a majority of customers from the rural communities of Sri Lanka. At present, Cooperative Insurance Company Limited together with its subsidiary company Cooplife provides diversified insurance solutions to customers from both rural and urban backdrops, with solutions that serve individuals, SMEs, Cooperative Society members and Corporates.

The Company's direction includes a clear approach with focus on providing affordable premiums, faster service in compensating claims and keeping operational costs at a healthy level while developing employee capabilities and international tech infrastructure for enhanced operational performance. In doing so, we hope to share the cost savings with our customers through more claim disbursements and provide reasonable returns for our valued Shareholders.

## Operational Principles

CICL and its subsidiary Cooplife operate on the principles of the cooperative movement, where unity and mutual aid remain pillars of moral guidance. Our effort is in building trust and confidence around insurance, especially by increasing awareness on its importance in providing financial stability and security against financially strenuous circumstances.

By providing a comprehensive suite of solutions we continue to prepare our customers, and create risk aversions that keep them stable and on their feet across a myriad of situations that might compromise the stability and quality of life.

Cooperative Insurance Company Limited and Cooplife Insurance Limited are active members of the International Co-operative and Mutual Insurance Federation (ICMIF) of UK. ICMIF is a global co-operative which occupies a strong network of 120 co-operative insurance companies, dispersed across 65 countries. These countries represent developed and developing nations as well as those within autonomous regional associations and include USA, Europe and Asia. This global federation provides its members with support in reinsurance, training, consultancy, research and publications. CICL is also an active member of the Asia and Oceania Association (AOA).

## Subsidiary Company – Life Insurance

### Cooplife Insurance Limited

Cooplife is CICL's subsidiary dedicated to providing life insurance solutions. With 84% of ownership claimed by CICL, the two companies segregated in 2015. In 2019, the Company's performance enabled it to record the third highest rate of growth within the industry, outperforming several key players with substantial market share. In 2019, Cooplife continued to add to its portfolio of policyholders sustaining its growth amidst a challenging operational environment.

With a team of insurance advisors groomed to serve customers from all communities of life, Cooplife provides solutions based on customer needs, dispensing services with integrity, transparency and dedication.

## Subsidiary Company – Coopinsu Training Academy (CITA)

The only insurance institute recognised by the Tertiary and Vocational Education Commission of Sri Lanka, CITA had its beginning in 2015 and has since grown into producing well-qualified students and professionals for the industry. CITA continues to partner with internationally recognised insurance institutes in providing students with a high quality learning experience, while allowing them to receive a competitive, globally accredited qualification.

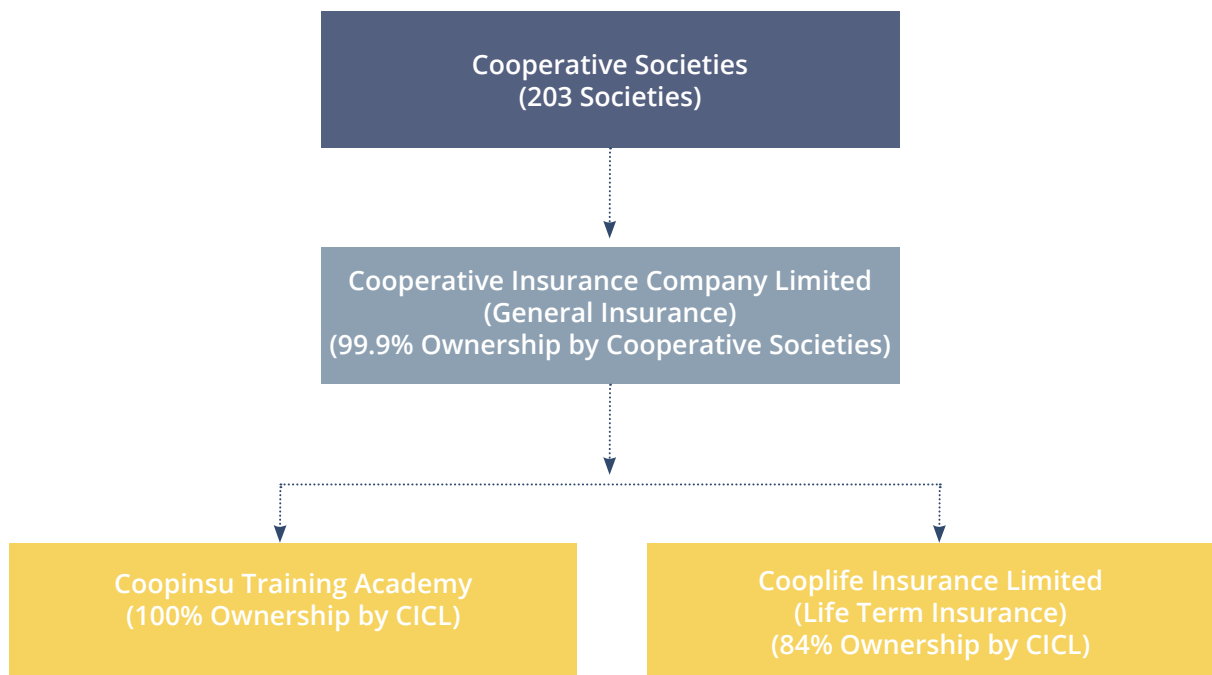
Presently, the Academy offers certificate and diploma course programs and also engages in providing professional training to sales, underwriting and other technical training to staffers of Cooperative Insurance.

# A Cooperative Journey

## Ownership Structure

CICL's main Shareholders are from the cooperative sector with 99.9% of ownership within 203 Co-operative Sector Societies. CICL holds 84% ownership of Cooplife Insurance Limited, making us the majority Shareholder of the subsidiary for life insurance.

Further, CICL also holds 100% ownership of Coopinsu Training Academy (CITA).





# History

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 work has helped CICL in reaching 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 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

# Awards and Milestones

## 1999

Cooperative Insurance was established.

---

## 2008

The Company was awarded Gold at the International Quality Summit in New York.

---

## 2009

Cooperative Insurance won Platinum Award at the International Star for Leadership in Quality Convention, Paris.

---

## 2010

Cooperative Insurance won Century International Quality ERA award in the diamond category

---

## 2011

Received Diamond award at the International Quality Crown Convention.

---

## 2012

CICL Won the Gold award and three other Bronze awards at the International ARC Awards in 2012 (New York) for the year 2010 Annual report.

---

## 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.

---

# 2019

CITA partnered with CII (Chartered Insurance Institute – Central and South Asia) as an education partner.

CII Initiative of the Year award was presented to CEO Mr. Pubudu Wimalaratne, awarded at the 2019 CII network conference held in New York.

Received Certificate of Compliance for 2018 by CA Sri Lanka

Recognized as the “Fastest Growing General Insurance Company Sri Lanka 2019” by Global Banking & Finance Review® UK.

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# Materiality Assessment

Assessing key aspects that impact our operations enables us to recognise and prioritise each capital and resources in accordance to their impact on the Company's value creation process as well as its performance over any particular period of time. Our materiality aspects remained unchanged in their importance on both our General Insurance and Life Insurance business segments and have allowed us to take proactive and prudent measures during sudden fluctuations in their impact on our businesses.

Aspects that are part of Human, Intellectual, Social, Manufactured and Natural capital remain crucial to value creation and in ensuring long term sustainability.

Management of strategic risk areas and Corporate Governance also rank high on the level of importance. We also believe that a greater emphasis on these aspects enable us to achieve our strategic goals, while channeling them in efficient and sustainable ways to impact our top-line business growth with its eventual impact on profitability.

In line with our materiality assessment, this Annual Report provides qualitative and quantitative indicators which demonstrate how the Company has managed our core capitals and their material aspects across the year under review.

Aspect	Level of Importance	
	Company	Stakeholders
<b>Human Capital (Employees)</b>		
Training and Development	1	1
Workplace Satisfaction	1	1
Employee Retention	1	2
Compassionate and Ethical Conduct	1	1
Inclusion and Equal Opportunities	1	1
Workplace Diversity	1	2
Reward and Recognition	1	1
No Discrimination	2	1
<b>Social Capital (Customers, Partners, Society)</b>		
Speed of Service and Improved Efficiency	1	1
Increased Access and Diversified Channel network	2	1
Digital Solutions	1	2
Enhanced Customer Service	1	1
Diversified Portfolio	2	2
Improved relations with business partners	1	1
Customer Privacy	1	1
Increased contributions to society	1	
Socio economic compliance	1	2
<b>Financial Capital</b>		
Increasing returns to Shareholders	1	1
Increasing GWP, Revenue and Profitability	1	1
Optimum operational costs	2	2
<b>Manufactured Capital</b>		
Optimum use of property, plant and equipment	1	2
Improving facilities for employees and customers	1	1
<b>Natural Capital</b>		
Mindful consumption of Energy, Water	1	2
Reduced paper usage	1	2
Environmental compliance	1	2
<b>Regulatory Compliance</b>		
Risk Assessment and Management (All Stakeholders)	1	1
Corporate Governance, Compliance and Internal Controls	1	1
Anti-corruption	1	1
Anti-competitive behavior	1	1

High	1	Medium	2	Low	3
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# Sustainability Development Goals

As an insurer, our work ensures risk mitigation, financial security and social stability of those we serve, providing a financial buffer and economic relief to the most vulnerable individuals and communities of our country. And as an insurance company that compensates losses of over 800,000 customers by providing policies at affordable premiums, we have taken on the risk of mitigating the adverse impact that emanates from accidents, financial losses, deaths and business interruptions, as well as providing financial indemnity to those that face natural disasters and perils.

As apparent, our business propels us to provide sustainable progress for our customers as well as the economy, sharing part of the government's stake on the welfare of its people. And in this regard, our commitment to sustainable development is not limited to the core service of insurance.

We believe in an organic level of growth not pushed by the bottom-line alone, but growth that ensures sustainable, value-driven social and financial contributions to our stakeholders, including our employees, customers, shareholders, partners and the community.

As part of delivering sustainable development, we take into consideration Sustainable Development Goals presented by the UN. We continue to adopt relevant goals within the resolution 70/1 of the UN's General Assembly ("Transforming our World: the 2030 Agenda for Sustainable Development") that envisions a sustainable future for every community, for people of all ages, social standing and financial capacities.

## Goal 1: No Poverty

Cooperative Insurance insures a large number of individuals from rural and SME communities, ensuring the stability of their livelihoods and the continuity of their lives when unexpected challenges arise. By providing affordable solutions we provide them the strength to continue life despite the setbacks, giving them assistance to compensate for their losses in assets, for quick recovery from hospitalisations and financial assistance to beneficiaries and dependents upon death of the breadwinner, ensuring financial security and stability, providing a financial buffer against low income.

## Goal 03: Good Health and Well-being

From time to time the management encourages employees to remain in good health, while ensuring their welfare by enabling facilities that also strike a balance in work and personal life. Participation in sports endeavors are encouraged as CICL leather and softball cricket teams are provided with the capacity and investment for training.

As part of a recreational activity and in promoting physical as well as psychological well-being of our employees, we conduct Zumba classes once a week, at no cost. In addition, with the intention of professional and personal development of our employees, we conduct a personal grooming session. In addition, the Company conducts an annual health checkup, by inviting an experienced medical team to enhance the good health and well-being of all our employees.



# Sustainability Development Goals

## Goal 04: Quality Education

Cooperative Insurance Training Academy (CITA), a fully owned, Government approved training centre operated by CICL was established in 2015 for the professional growth of our employees as well as those who aspire to obtain a recognised education in insurance. The academy educates and prepares our professionals to boldly face the demands of the industry while equipping them with technical knowledge and industry best practices.

Employees are provided with,

- The resources to receive in-class training 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.
- Internationally accredited courses that lead to globally recognised qualifications.
- Exposure to work life experiences besides technical training.

## Goal 5: Gender Equality

Cooperative Insurance has a balanced gender presence within our workforce. At present, we have a balanced mix of male and female employees within the workforce with a ratio of 1.5: 1. And as an equal opportunity employer salaries are structured to benefit both genders, equitably.

At both CICL and Cooplife, we follow a policy of zero tolerance against sexual harassment, ensuring that everyone experiences a peaceful and empowering work environment, regardless of gender, ethnicity, age and work grade.

## 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.

Apart from providing these necessities to our employees we are also certain that our activities do not produce any harmful effect on the purity of water sources outside of our office premises.

## Goal 13: Climate Action

Endeavoring to reduce the carbon footprint that result from our operations, we are ensuring lesser use of energy and power while reducing our use of paper, thus, encouraging our employees to minimise their impact on the environment and natural resources.

- Our newly developed and refurbished branches are equipped to be energy efficient; for lighting we utilise LED bulbs and energy economical equipment.
- Our core business processes are being converted to online platforms that connect all branches, while our Document Management System will gradually reduce use of physical documentation, reducing or eliminating dependency on paper usage as well as increasing overall productivity.
- Our newly implemented e-mail service now enables employees to reduce paper usage and printers in internal communications.

## Goal 8: Decent Work and Economic Growth

Prospects of growth are enjoyed by our employees within a positive work environment. We constantly encourage our employees to create a supportive environment, where each employee complements each other with respect while maintaining camaraderie. No negative comments pertaining to performances and negative attitudes against co-workers are tolerated but when needed are remediated through mediation and discussions.

Further, we are compliant with all labor regulations and we make timely and consistent contributions of 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 need 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.



## **Goal 10: Reduce Inequalities**

In providing an equal level of accessibility to our services and convenience to our customers, we continue to expand our channels and distribution network, across the country. Our services are catered to customers through an extensive branch network with around 104 branches, 107 service centers and 74 corporate societies. Further, we continue to innovate our solutions to match the changing needs of our customers.

CICL also offers employment without any bias especially to individuals within the communities in which we operate, while extending sustainable business opportunities for our business partners.

## **Goal 11: Sustainable Cities and Communities**

As per our recruitment strategy, we extend employment opportunities to those living in areas in which we operate, thereby creating a reliable platform for communities to progress and support to develop their social environment with better quality of life.

## **Goal 16: Peace, Justice and Strong Institutions**

We always ensure that our business decisions and actions are based on moral values and good governance practices maintaining accountability and transparency in all engagements with our customers, employees and business partners. As a result, we follow fair labor practices and continue to comply with regulatory and statutory laws.

## **Goal 17: Partnership for the Goals**

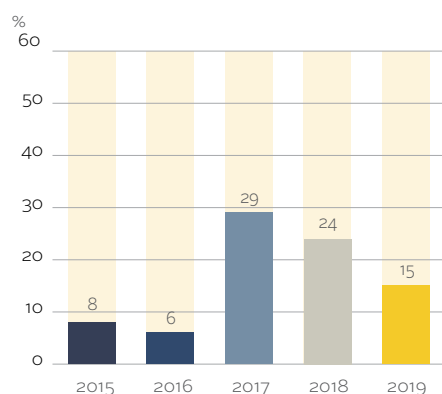
We work with partners who provide strong support in achieving the development goals of the Company. And in terms of reinsurance, our partners hold ratings that are either "A" or above.

In addition, our partnerships include 58 brokers and 74 finance and leasing companies registered in Sri Lanka and we focus on a win-win strategy when dealing with our partners.

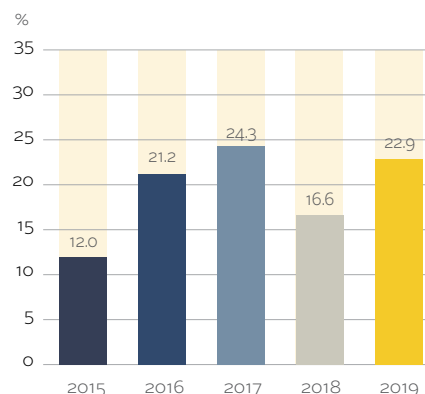
# Financial Highlights/KPIs

Indicator	Growth Trend	FY Ending 31st December 2019 (Rs.)	FY Ending 31st December 2018 (Rs.)	FY Ending 31st December 2017 (Rs.)	Growth Rate
GWP (Group)	↑	5,075,046,995	4,368,316,886	3,677,800,345	16
Profit After Tax (Group)	↓	272,578,879	411,645,940	370,768,584	-34
Capital Base (Group)	↑	1,515,756,670	1,430,194,585	1,260,251,770	6
<b>Shareholder Returns (Group)</b>					
Earnings per Share	↓	1.91	2.93	2.77	-35
<b>General Insurance</b>					
Gross Written Premium - Motor	↑	3,784,593,663	3,254,676,122	2,680,389,734	16
Gross Written Premium - Non Motor	↑	521,195,643	496,162,334	375,445,930	5
Market Share	↑	4.27	3.92	3.92	8
Claims Incurred	↑	2,810,318,997	2,181,895,844	1,830,737,956	29
<b>Life Insurance</b>					
GWP (Rs. Mn.)	↑	772,782,378	619,881,069	625,573,542	24
Claims Paid	↑	224,408,146	222,428,887	121,573,256	1

**Net Assets Growth (Group)**



**Total Assets Growth (Group)**



GWP - Group  
Rs. Mn

**5,075**

2018 - 4,368

Profit Before Tax - Group  
Rs. Mn

**426.9**

2018 - 414.7

Dividend Paid - Group  
Rs. Mn

**178**

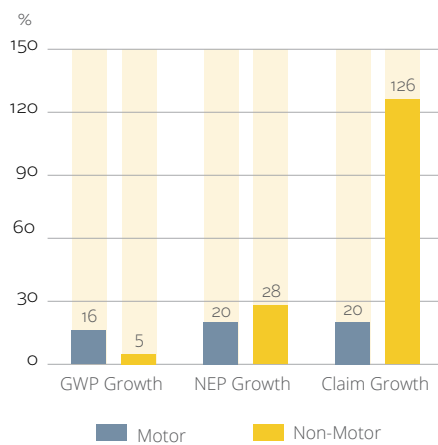
2018 - 179

Earnings Per Share - Group  
Rs.

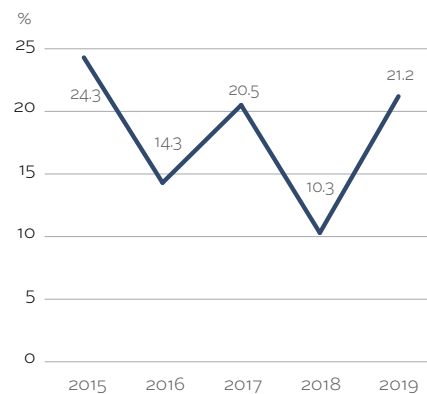
**1.91**

2018 - 2.93

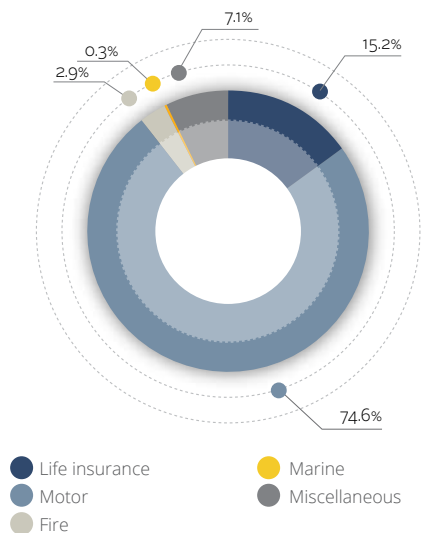
#### Premium and Claim Growth



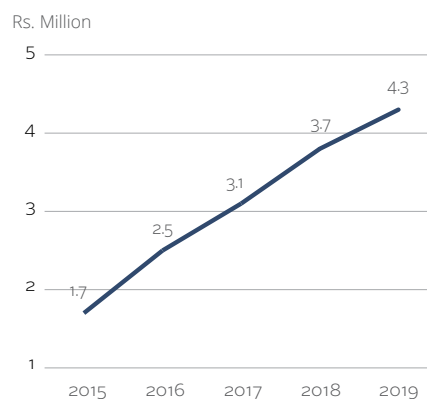
#### Life Fund Growth



#### Revenue Composition



#### GWP Growth



# Chairman's Message



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Net earned premium grew by 21% in the year, compared to the rate of 16% in 2018.

---

Profit Before Tax - Group  
Rs.

**427 Mn**

2018 - Rs. 415 Mn

Reporting on another year of impressive growth, it is my pleasure to present to you our Integrated Annual Report for the year ending 31st December 2019. I am pleased to announce that the year has been one of our most successful yet, with remarkable progress in all key areas of the business. We are now on a path of setting precedence in growth over several industry players and I'm delighted to say that our Company has achieved this growth despite adversities, market turbulences, and political unrest and even amidst the devastating ripple effects of the Easter Sunday attacks.

### **A Balanced Performance**

Undeterred by the year's unprecedented happenings, our growth witnessed a steady movement, as our key business areas – Life and Motor Insurance achieved progression beyond expectations. Cooperative Insurance reported a 16% GWP growth rate in motor insurance and a 17% growth rate in Life Insurance ranked as second highest within the industry, in 2019. Net earned premium grew by 21% in the year, compared to the rate of 16% in 2018.



# Chairman's Message

During the year, we achieved our highest-ever Profit before Tax of Rs. 426.9 Mn compared to Rs. 414.74 Mn in 2018. This was recorded as a growth of 3%. Total Equity increased to Rs. 3096.6 Mn in 2019. As at 31st December 2019, our Net Assets per Share was reported at Rs. 21.6. Return on Equity (ROE) by Rs. 18, while Return on Capital Employed (ROCE) increased to 12%.

Profit After Tax - Group  
Rs.

# 273 Mn

## The Growth Outlook

COOP continues to change the viewpoint of our rural and urban communities on insurance, while providing affordable solutions to our customers, understanding their needs and changing our strategies to match those of the community. With rising per capital income we see more potential in capturing a wider customer base in the future, with more work that should be put into creating awareness among the younger demographics of our nation.

It's clear that we need an all-inclusive approach that takes into account all segments and communities of Sri Lanka. A holistic approach can help further develop the industry through increased saturation

of insurance, especially in providing life insurance to a new base of policyholders. As a company that has far greater milestones to achieve, we need to look into emerging trends and solutions; we also need to look at statistics and understand the drivers behind demand for each insurance product from a domestic as well as global perspective.

As witnessed over the past three years, the local insurance industry underwent drastic changes. Segregation of life and general businesses, consolidation of foreign and local insurers, regulatory demands and digitization of processes have changed the insurance landscape significantly. While adjusting our operations to the new context, we at COOP continue to push growth through an organic strategic approach that is unique to our identity and attitude.

With insurance being a clear focus within the national agenda, our strategy for the future needs to be revisited. While our current solutions are geared to provide protection to the breadwinner segments of our economy, our focus should also fall on creating new solutions in addressing the gaps within our industry as we strive to be partners in the nation's development goals, providing suitable insurance schemes for the underserved and vulnerable communities of our nation.

## Industry Significance on National Development

With infrastructure and the systems in place, the industry has greater potential to support the government in its social and economic development agendas and can greatly lessen the burden on the government in its investments towards social welfare. Providing life insurance schemes to vulnerable groups such as senior citizens in the form of retirement plans, medical insurance to those with critical illnesses and insurance schemes to economic sectors such as agriculture can ensure that the insurance sector shares the financial strain on the government allowing more government investments to be made in crucial areas such as education, technology, health, hospitality and infrastructure development. In addition, through our use of technology, insurers are able to respond quickly and efficiently in times of disasters by providing claims faster to policy holders and business owners protected by insurance, while restoring their lives back to normalcy. And at a time when disaster strikes on a national scale, the government will be relieved of providing assistance to those protected by insurance while focusing more on those that are not insured in any form.



An enabler of complete social and economic development the importance of insurance goes across key segments of our nation. By insuring businesses both within the SME and large scale enterprise sectors, we are enabling companies with the opportunity of increasing their borrowing capacities, as the risk of lenders is lessened in providing large-scale funding for business expansion initiatives, with lower interest rates. In addition, by providing emerging companies with insurance to mitigate risks, we have the further potential to encourage innovations and modernisations which is crucial in every developing economy. In addition, insurance is a vital component of infrastructure and property development as it has the potential to share the risk burdens of construction companies when progressing with substantial investments.

## Our Contribution to the Nation's Progression

Moving forward, we have a significant role to play in the development of the nation. The country still has unfulfilled potential across many areas. But as the nation's only insurer from the Cooperative Society we have a direct responsibility in contributing to the development of the nation. As an insurer we also have a responsibility to developing the insurance industry, by breaking the perceptual inhibitors that affect growth and by delivering a compassionate and empathetic service to all Sri Lankans. If Cooperative Insurance is to fall in line with the nation's development agenda, we must begin by first developing our own industry - by bridging the gaps and creating general awareness on the importance of insurance to the society.

In this regard, we will continue to provide cost-effective solutions that do not become a burden, but becomes an affordable mechanism to ensure sustained financial security to policy holders and beneficiaries, businesses and the underprivileged of our society; providing protection against adverse financial consequences that result from death, natural disasters, sudden health concerns and business related losses.

## Future Direction

Providing peace of mind to our customers, we continue to enable our customers in maintaining a stable financial position during times when financial security is compromised or in maintaining a safe financial reserve that is useful at financially demanding times. As partners in the growth of our nation, we continue to sustain our strategy of serving all segments of society, fulfilling expectations of customers across the

island, while providing comprehensive and diversified solutions at cost-effective premiums. As an insurer with more customers from the financially vulnerable sectors of society, we will continue to explore new product options and also provide mergers between existing products to diversify our services while approaching those without any financial security in our country.

## Compliance

We have presented a comprehensive report on the governance practices implemented in this Annual Report. Corporate Governance Framework for Insurers was issued by the Insurance Regulation Commission of Sri Lanka (IRCSL) in late 2018 while Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka was revised in 2017. The Company will take necessary measures to align corporate governance practice in line with these new revised code wherever possible.

## Appreciations

Given the positive achievements of 2019 I'm most grateful to our Managing Director, Mr. Wasantha Ranasinghe, for his prudent and decisive strategic direction that continues to be a great strength to the success of our operations. I thank our newly appointed CEO, Mr. Pubudu Wimalaratne for bringing a wave of fresh thinking and ideas to the Company and for taking the Company towards new innovations that is vital for filling the gaps we have within our offering and services. I'm also humbled by the dedication and professionalism of the Corporate and Senior Managements in taking our Company to the next level of growth with a focus on optimising operational efficiencies and managing resources in a most productive manner. I also thank all the staff across our branch network, without whom our growth and our reach will be incomplete.

Sincerely,



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

# Managing Director's Review



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Total Assets  
Increased to  
Rs. 9.1 Bn by  
23% growth.

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Gross Written Premium - Group  
Rs.

**5.1 Bn**

2018 - Rs. 4.4 Bn

As the primary insurer of the Co-operative sector, CICL continues to surpass Stakeholder expectations through operational efficiencies and performing beyond industry benchmarks. And it is with great pleasure that I present to you our progress and developments for the operational year 2019, which demonstrates sustained growth, in-line with our goals and in complete conformance to our strategic objectives. We continued to deliver value to all our Stakeholders, while nurturing our promise of providing insurance solutions that are affordable and comprehensive, with a service that continues to enhance in reliability and quality.

### **Progressive Achievements**

Emerging stable and profitable, Cooperative Insurance weathered numerous adversities of the Easter attacks and from the 2018 political

unrest. In addition, we continued to maintain a strong growth rate in motor insurance despite a decrease in the registration of vehicles during the year.

During the year, CICL recorded an After Tax Profit of Rs. 266 Mn while our subsidiary Cooplife recorded a PAT of Rs. 41 Mn. At the end of the Financial Year, CICL recorded a 16% GWP growth in motor insurance and a 24% growth in our life insurance business.

Consolidated Profit after Tax was Rs. 273 Mn and was preceded by a combined Profit before Tax of Rs. 427 Mn. Net Profit was recorded as Rs. 154 Mn impacted by a tax payout as mandated by regulations, fulfilling our regulatory obligations. We continue to maintain this steady growth momentum through healthy management of financials and through a strategy of maintaining our operational costs at a minimum.



# Managing Director's Review

## Segmental Business Performance

Cooperative Insurance Company Limited recorded a successful year as GWP grew by 15% with an amount of Rs. 4,306 Mn which surpassed Rs. 3,751 Mn from the previous year. Enjoying the increased contributions from motor insurance, the segment enjoyed a growth rate of 16%, making us the insurer with the third highest growth in motor insurance in the industry.

### Net Assets - Group

Rs.

# 3.1 Bn

2018 - Rs. 2.7 Bn

Cooplife also recorded a GWP of Rs. 773 Mn which enjoyed a growth percentage of 25%.

## Governing a Stable Environment

Governance plays a critical role within the Company's operations in ensuring highest standards of ethical conduct with a level of transparency that is demanded from all our employees, brokers and on-field officers with no room for compromise. During the year, we continued to follow and maintain a stable hand on corporate governance which is fundamental for the Company's stability. The Board of Directors was instrumental in ensuring that governance practices were carried out by the relevant Sub-Committees, in compliance with the Corporate Governance Framework, and with a clear focus on our Internal Control System. The Board, Sub-Committees especially Audit Committee, continued to ensure that our processes and internal policies were set in motion, while governing the Company towards more transparent and ethical handling of operations.

Corporate Governance practices remain a critical component in our journey towards long-term sustainability, ensuring long-term value generation for Shareholders, as well as all our Stakeholders. We continue to improve and further enhance our standards by taking into consideration the regulatory changes, macroeconomic developments as well as risk exposures, while maintaining accountability of our decisions and moral standing across every decision we make.

## Value to All

In 2019, we provided our Shareholders with a financial gain which surpassed that of 2018. Our Earnings per Share (EPS) at the end of the year was reported at 1.91, while Shareholder's equity rose from Rs. 2,558 Mn to Rs. 2,949 Mn in the operational year - 2019.

Our claim settlement process continues to undergo modernizations and improvisations, carried out by our competent IT department with costs kept at a minimum and with no third party involvement in its developments. This has become one of our most critical strategies for maintaining low investment costs and operational costs, and by developing in-house solutions we continue to upgrade and streamline more critical functions of the Company such as Claims Settlement.

In 2019, our Net Claims Ratio across general insurance stood at 67%, and in 2018 we retained the highest claim disbursement during the year's second quarter, delivering value to our customers. Demonstrating our ability to meet financial risks, Co-operative Insurance recorded a capital adequacy ratio of 187% which was above the minimum regulatory requirement of 120%.

In addition to quick and reliable payout of claims, we continued to serve customers in cooperative, rural and urban segments through affordable solutions coupled with a compassionate approach to customer service. With the ultimate aim of digitizing services and processes for customer convenience, we continued to adopt innovation through agile and streamlined systems. Our claims settlement process has now fallen in line with this objective, with reduced processing and turnaround time, ensuring a faster claims payout to policyholders.

Furthermore, our employees are the core contributors and enablers of our growth. The team at CICL and Cooplife come from various social backdrops with various skills and capacities that help in reaching diverse segments of society. As always educating our workforce remains a priority, hence, in developing our in-house training academy – CITA, we have invested in enhancing the skills and technical know-how of our employees while offering them the freedom and opportunity to learn and grow.

Going forward, we have plans of introducing a performance based reward system with Key Performance Indicators that define the desired levels of outcomes across all levels of our Group. This will act as benchmarks to everyone from our senior management to minor staff, providing rewards and recognitions to everyone across the Company.

## Operational Environment

CICL is constantly met with competition that comes not only from competitive insurers. Competition has now saturated as a result of banks and non-bank institutions that has penetrated the market with long-term solutions such as retirement schemes, posing direct competition to our core business areas. With intense competition that has arisen from those providing Bancassurance, we are determined to work towards optimising our reach, creating a diversified portfolio with optimum benefits and a customer service that is driven by innovation, speed and efficiency as well as an approachable and reliable service.

Amidst an intensifying competitive environment, regulatory conditions and macroeconomic developments, we continue to reassess our strategic plan as well as our internal controls and strengthen our strategies to ensure that we maintain a healthy and stable operational environment in securing stakeholder interests.

## Sustainable Network

Our branches, partner network, brokers and agents has enabled us to progressively expand our presence in the market with a focus on creating general awareness on insurance as well as increasing accessibility to all our customers. In addition, our partnership with the Department of Posts has made our services more reachable while giving us access to the most remotest and rural parts of Sri Lanka.

## Moving Ahead - A Partner in National Development

Cooperative Insurance is gearing our strategic efforts in contributing to the national development goals of our nation. Hence, we continue to identify areas which require further investments while strengthening our existing services to offer a more fast, reliable and compassionate service to the entire nation.

We believe that insurance should become a basic necessity, especially to those in underserved communities. There is a visible gap in several segments where insurance penetration has been significantly low with almost no solution to assist those that need financial security the most. This includes senior citizens and the unemployed, as well as farmers and those engaged in agricultural activities, private and public sector security personnel and those in other underserved economic segments, who deserve suitable insurance schemes.

Financial Investment - Group  
Rs.

# 06 Bn

2018 - Rs. 4.8 Bn

With a widespread presence within the country, we possess the infrastructure and the network required to continue with building awareness on insurance. As the third largest insurance network Cooperative Insurance has the potential to step into the role as the nation's insurer – and with our presence firmly placed within the SME, agricultural, manufacturing and other economic sectors of the country, we have a wider reach that goes beyond the urban settings, down to the grass root level. And as a risk mitigator we continue to spread awareness through our services, by dispersing knowledge among our societies while providing need-based solutions to those that most need protection.

## Appreciations

Concluding the commentary I wish to thank our Chairman Dr. Lalith Peiris and the Board of Directors for a year of undeterred leadership which has enabled us to grow, marking a successful year.

I'm also humbled by the continued efforts of our senior and middle management teams that continue to ensure the stable and steady growth we enjoy today. I extend my appreciation for their hard work and commitment. I also thank all other staff whose contributions help sustain the routine operations of the Company, allowing all of us to operate smoothly without disruptions.

Most importantly, I convey my sincerest gratitude to our Shareholders and other Stakeholders. Your continued confidence in us encourages us to expand Cooperative Insurance – setting new and broadened objectives of growth.

Sincerely,



**Wasantha Ranasinghe**  
Managing Director



# Chief Executive Officer's Message





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In 2019, CICL once again set precedence in the growth of our overall Gross Written Premium.

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Gross Written Premium - Company  
Rs.

**4,305 Mn**

2018 - Rs. 3,751 Mn

It is my pleasure to present to you the developments and strategic approaches of 2019, which have been positive and impactful to the overall performance of the Company. The Financial Year concluded with reasonable profitability, whilst market share and customer base have increased in line with our targeted expectations and in complete conformance to corporate outlook. During the year, CICL continued to outperform certain market benchmarks through operational efficiency, increased market reach and improved customer service, while continuing to fill gaps that exist within the insurance industry of Sri Lanka.

In 2019, CICL once again set precedence in the growth of our overall Gross Written Premium. And we take great pride in having achieved this with no significant spending in mass communication strategies, but driven by an organic and sustainable model of conducting business, with better management of operational costs.

Cooperative Insurance is gearing our strategic efforts in contributing to the development goals of the nation, continuing to identify areas which require further investments while strengthening our existing services to offer a more fast, reliable and compassionate service to the entire country. CICL together with Cooplife is finding viable alternatives and solutions for breaking the barrier of low penetration of insurance in Sri Lanka, whilst providing services to those currently not eligible for insurance which falls in line with the National Development Agenda.

### Steady Performance

In 2019, CICL achieved a total Gross Written Premium of Rs. 4.3 Bn, achieving 93% of budgeted GWP. Our GWP in Motor Insurance surpassed Rs. 3.8 Bn outgrowing Rs. 3.2 Bn reported in 2018, this was despite restrictions in vehicle importations and a decrease in vehicle registrations. Non-Motor GWP increased to Rs. 521 Mn against Rs. 496 Mn reported in the previous Financial Year.



# Chief Executive Officer's Message

Stemming from the drawbacks of economic activity, the insurance industry experienced a growth rate of 5%, within this context. Nevertheless, CICL reported a growth of 15% managing to demonstrate the effectiveness of our strategic approaches. It is also important to note that during the past five years CICL has achieved the highest average growth in the industry.

Further, CICL was selected as the Fastest Growing General Insurance Company by the Global Banking & Finance Awards®, demonstrating the efficacy of our business conduct.

Profit Before Tax - Company  
Rs.

# 397.2 Mn

## Our Growth Formula

Affordable premiums, faster claim settlements and maintaining operational overheads at an optimum level has enabled us to grow while remaining stable in a challenging operational environment. However, with the growing need for digitized processes, for faster services and increased efficiencies, we have adopted technological innovations that are now changing our operational procedures and fast-tracking customer service processes.

Increasing our physical presence, we expedited a phase of rapid branch expansions in 2018, with 23 new branches being added to the network – increasing our retail footprint across the island. But, in 2019 we focused on enhancing our services by improving the operations of our existing branches while ensuring optimum returns on our investments of the previous year. Despite the curbed expansion of branches we continued to deploy additional measures in enabling our performance objectives.

In 2019, we employed nearly 300 employees to our permanent sales cadre, mobilizing the talent of our sales force in reaching business objectives.

## Corporate Solutions

For two decades, our core focus has been on providing solutions to the underserved rural communities and semi-urban populations of the country. Now, diversifying our focus to the corporate sector, in 2019, we instated a dedicated team of 30 professionals to

oversee corporate clients providing plausible solutions to meet the increasing level of insurance needs of customers from corporate institutions. With this new team of professionals we are now able to provide a specialised service to corporates whilst fulfilling gaps in our offering and services.

## Professional Upbringing

Whether it's enhancing the knowledge of our young employees or preparing young talent to enter the insurance industry, CITA our Training Academy fulfills a crucial role as the first government approved insurance academy to provide internationally accepted professional qualifications.

By improving the standards offered through CITA, we are providing the country's young insurance professionals with a high quality learning experience, unmatched in its offering. In 2019, as part of our strategies to elevate our offering to young students, we partnered with Chartered Institute of Insurance – UK providing a Certificate Level, globally accredited qualification to young learners. In addition, we continue to educate students through our training partner, the Insurance Institute of India, providing Foundation Level and Diploma Level courses.

## Technology-Driven Growth

The industry continues to compete with services that are offered through technological and digital solutions, which optimise service speed, efficiency and increase accessibility to customers, everywhere. Digital transformations are becoming an increasingly influencing factor in the decision making process of customers, that's also based on speed of service and convenience.

At CICL, we continue to upgrade our existing tech infrastructure as well as develop new solutions that increase employee productivity in providing a fast and reliable service to our policyholders. CICL plans to complete our in-house assessor app with the goal of cutting down response times for motor accidents by sending an assessor to the site quickly. In addition, in 2019, we completed our in-house motor claims systems, which now enables a more efficient and lean work environment for our staff in motor claims, with faster turnaround time in assessing and approving requests for motor-related claims.

## New Product Innovations

Moving forward, it's crucial to bridge the gaps within our product portfolio as well as providing solutions

that fill any gaps left unfulfilled by the industry. The country has a widening aging population which may result in an increase in the social security cost burden on the government. The aging population is at 12% and is expected to rise to 16% in 2021. With such developments in line, the industry can share the significant cost involved by providing policies for senior citizens taking into account medical needs, cost of living, and other financial concerns.

With our aspiration for becoming the nation's insurer and in assisting our country's progress, CICL has begun forming new solutions, targeting under-penetrated communities. In 2019, we partnered with a leading, mobile-based taxi hailing Company in providing a solution to the agricultural community.

## Regulatory Requisites

We are on a continued path to align our strategic direction to fall in line with regulations set forth by the Insurance Regulatory Commission of Sri Lanka. And as a necessary step we are setting in place all necessary preparations and protocols required to be listed in the Colombo Stock Exchange as required by the IRCSL. However, given the prevailing market conditions we believe that the present time is not suitable for initiating an IPO; however, we continue to prepare the Company towards becoming a listed entity in the near future.

## Claim Disbursement

A necessary strategy in expanding our growth, we continue to remain as one of the insurers with highest claim payouts in the industry. Our net claim ratio in 2019 was at 67% and ranked within the top five highest claim payments made by insurers. With our latest technological innovations we hope to make claims disbursement more timely and efficient providing our customers the desired returns to compensate their losses.

## Forward Thinking

It's vital to pursue the business and commercial benefits of our business, because after all we have a tremendous responsibility to our Shareholders, to our employees and to our customers. But it's equally important to focus on creating solutions that are focused on practical and realistic needs of our communities within the Co-operative Society and in rural communities while also providing insurance solutions to more individuals within urbanised settings and to the large scale enterprises of our country.

Nevertheless, we also believe in organic growth. With a history that is rooted in providing solutions to the

## Claims Incurred Motor

Rs.

# 2,538 Mn

2018 - Rs. 2,123 Mn

country's Co-operative society, we believe in taking our business further to the grassroots in better serving underserved communities as well as taking on a more customer-oriented approach to reaching diverse market segments including corporate, governmental and institutional clients.

## Appreciation

I would like to thank our Chairman, Managing Director for directing the Company towards its vision while adopting necessary measures to adapt to the changing times. I also appreciate the hard work put in by our Senior Management in managing the Company through tough times, while still maintaining the integrity of our identity. Also I would like to thank IRCSL for the valuable guidelines and continuous support and the knowledge sharing.

I extend my sincere appreciation and gratitude to the Board of Directors and all my colleagues for their tireless efforts, commitment and dedication during this challenging year. In addition, I thank our business partners for their support and contribution.

With a clear strategic plan for the few years ahead, our employees will continue to be the conduits of our growth as they have done in the past, and for which I would like to wish them the very best while thanking them for their performance in the past Financial Year.

To our most important stakeholder, our customers, I extend my gratitude for their consistent confidence and faith in our capabilities, our products and services and in our ability to offer them protection and hope, as we remain committed in helping our country to grow with national insurance solutions.



**Pubudu Wimalaratne**

Chief Executive Officer

# Board of Directors

Co-Operative Insurance Co. Ltd



Standing Left to Right

**Mr. R. Sooriyaarachchi** - Director

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

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

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

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

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





Standing Left to Right

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

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

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

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

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

**Mr. A.B. Senadira** - Director

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

# Board of Directors

## Co-Operative Insurance Co. Ltd

### **Dr. W. Lalith A. Peiris**

Chairman

Chairman of Cooperative Insurance Company Limited and Cooplife Insurance Limited, Dr. Lalith Peiris is also the Chairman of 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 the Sri Lanka Co-operative Rural Bank Federation and National Institute of Cooperative Development - Polgolla. In addition, he is also the Chairman of Coopinsu Training Academy (CITA).

### **Mr. K.R.K.N. Jayasinghe**

Vice Chairman

Apart from his Board designation with Cooperative Insurance, Mr. Jayasinghe has also served as the former Chairman of Post & Telecom Employees Co-operative Bank Society Ltd.

### **Mr. K.R.W. Ranasinghe**

Managing Director

With over 30 years of experience in the public and private sectors, Mr. Ranasinghe is a Director of Prime Engineering Lanka (Pvt) Ltd. and Sirioya Hydro Power (Pvt) Ltd., the Managing Director of Cooplife Company Limited and Director - Studies of the Coopinsu Training Academy (CITA). He 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 has served as CEO and CFO of the Laugfs Group and as former Director of the Group. Mr. Ranasinghe holds an MBA, PIM and B.Sc. Management (Special) Degree from University of Sri Jayewardenepura. He is also Director of Prime Engineering Technology (Pvt) Ltd. and Prime Teleservices (Pvt) Ltd.

### **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

Director of Cooperative Insurance Company Limited, Mr. Sesiri is also Vice Chairman of the Matara District Cooperative Council and Matara District Tea Producers Cooperative Society Union, and Director of Matara District Co-operative Rural Bank Union Limited. He is also the Chairman of Beralapanathara Multi-Purpose Co-operative Society Limited.

Mr. Sesiri holds a Special Degree in Bachelor of Management Science.

### **Mr. R. Sooriyaarachchi**

Director

Member of the Board of Directors of Cooperative Insurance Company Limited Mr. Sooriyaarachchi has also served as the Chairman of the Gampaha District Co-operative Rural Bank Union Limited, and in Puttalam Salt Limited. He serves as vice chairman of Airport and Aviation Lanka Limited.

### **Mr. R. G. K Rankothge**

Director

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



**Mr. C. P. Jayasinghe**

Director

Mr. Jayasinghe is the Chairman of Dambadeniya Multi-Purpose Co-operative Society Ltd. and Sri Lanka Rural Bank Union, Vice Chairman of Wayamba Co-operative Rural Bank Union Ltd. and is also a Director of Co-operative Leasing Company Limited and Wayamba Co-operative Consumer Society Limited.

Mr. C. P. Jayasinghe holds a Bachelor of Arts Degree.

**Mr. D.L. Samarawickrama**

Director

Chairman of Jayewardenepura Multi-Purpose Co-operative Society Limited, Mr. Samarawickrama is a Director of the Colombo District Rural Bank Union, Colombo South Co-operative Union and Cooplife Insurance Limited. He also serves as the Chairman of the Public Service Co-operative Thrift and Credit Cooperative Society and as Chairman of the Ja –Ela MPSC.

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

Director

In addition to serving as Director of Cooperative Insurance Company, he is also a member of the Institute of Chartered Accountants of Sri Lanka (ACA). Currently, he is the partner at TSP Associates, Chartered Accountants.

Mr. Palitha is a graduate of University of Kelaniya with a B.Com (Special) Degree.

**Mr. A.B. Senadira**

Director

Mr. Senadira provides leadership as Chairman and as a Director to several commercial establishments. He is the Chairman of Senadira Savindhi Transport Agent and Contracts and is Director of Chakie Transport Agents Pvt Ltd. and of New Chakie Transport Agent Pvt Ltd. Mr. Senadira also holds Directorships at the Sri Lanka Consumer Cooperative Federation, the National Cooperative Council, Cooperative District Council – Nuwara eliya and at the Central Province Rural Bank.

**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 Director of Kegalle District Co-operative Rural Bank Union, District Co-operative Council of Kegalle. In addition, he is a Director of Cooplife Insurance Limited.

**Mr. S. S. Weerasekara**

Director

Mr. 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.

# Board of Directors

Cooplife Insurance Co. Ltd



Standing Left to Right

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

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

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

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

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

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

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

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

### **Dr. W. Lalith A. Peiris**

Chairman

Dr. Peiris is Chairman of Co-operative Insurance Company Limited, Cooplife Insurance Company Ltd. and Cooperative Insurance Training Academy. In addition, he is also Chairperson of the National Co-operative Council of Sri Lanka, Wennappuwa Multi-Purpose Co-operative Society Limited and Chilaw District Cooperative Council.

He is also a Director of Sri Lanka Cooperative Rural Bank Federation and National Institute of Co-operative Development - Polgolla.

### **Mr. K.R.W. Ranasinghe**

Managing Director

Mr. Ranasinghe holds over 30 years of experience in public and private sectors, including positions held as CEO and CFO of Laugfs group, in addition to having worked as Director of Laugfs group Sri Lanka.

At Present, he is a Director of Prime Engineering Lanka (Pvt) Ltd. and the Sirioya Hydro Power (Pvt) Ltd. and Managing director of Co-operative Insurance Company Limited and Director- Studies in Coopinsu Training Academy.

He 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 Jayewardenepura. He is also Director of Prime Engineering Technology (Pvt) Ltd. and Prime Teleservices (Pvt) Ltd.

### **Mr. D.L. Samarawickrama**

Director

Mr. Samarawickrama is Chairman of Jayewardenepura Multi-Purpose Co-operative Society Limited as well as a Director of Colombo District Rural Bank Union, Colombo South Co-Operative Union and Co-operative Insurance Company Limited (CICL). Further, he serves as Chairman to the Public Service Co-operative Thrift and Credit Co-operative Society. He is also the Chairman of Ja-ela MPCS Ltd.

### **Dr. N.N. Nawaratne**

Director

Dr. Navaratne has provided his expert services as an Accountant for the Govt. Service and later as a company Director and also a Senior Lecturer to a host of Universities. He is a graduate of the University of Sri Jayewardenepura, and obtained his Ph.D. in Business and Commerce from Keio University Japan.

### **Mrs. W.P.M. Chaturani**

Directress

Mrs. Chaturani is a member of the Institute of Chartered Accountants of Sri Lanka and Certified Management Accountants of Sri Lanka. In addition to her responsibilities as a Director of Cooplife, she also extends professional services as an Audit Manager to P.E. Mathew & Company.

Mrs. Chaturani is a graduate of the University of Colombo.

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

Director

Chairman of Galigamuwa Multi-Purpose Co-operative Society Limited, Mr. Jayasooriya also holds the position of Director of Kegalle District Co-operative Rural Bank Union, District Co-operative Council of Kegalle. In addition, he is Director of Cooperative Insurance Company Ltd.

He holds a Bachelor of Arts Degree and a Master of Arts (Sociology) Degree from University of Kelaniya.

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

Director

Mr. Keerthirathne is the Chairman of Kirindiwela Multi-purpose Co-operative Society Ltd. and has rendered his leadership skills to many organisations including Government bodies. Further he serves as a Director of Raigam Wayamba Salt (Pvt) Ltd.

### **Mr. R. M. B. M. Bandara**

Director

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

# Corporate Management Team

Co-Operative Insurance Co. Ltd



**K R W Ranasingha**  
Managing Director



**E P W Wimalarathne**  
Chief Executive Officer



**M G U P Kumara**  
General Manager - Technical



**Laksiri N Bandara**  
Chief Financial Officer



**L A N C Weerasinghe**  
Head of Marketing



**N D Baduraliya**  
Asst. General Manager (GI)



**T D V Kumara**  
Manager - Information Technology



**W H Somathilake**  
Consultant



**S Weerasinghe**  
Consultant



**A Sumith**  
Manager - Human Resources



**H S P I G P Wijerama**  
Manager - Legal



**K M Jayasundara**  
Asst. General Manager



**N N D De Silva**  
Manager - Administration



**T S Rasanjalee**  
Manager - Re-insurance



**G H C S Silva**  
Manager - Internal Audit



# Management Team

Cooplife Insurance Co. Ltd



**K R W Ranasingha**  
Managing Director



**W G C S Dharamasena**  
Chief Operating Officer



**L S R De Silva**  
General Manager - Sales & Marketing



**B P S Kusumalatha**  
Asst. General Manager - Underwriting



**W A L W Perera**  
Finance Manager



**S G Rathnapala**  
Asst. General Manager - Sales



**R T K Hakmana**  
Manager - Life Operations & Servicing



**K Karunamoorthy**  
Training Manager



**D U P Rajapaksha**  
National Sales Manager





**B S Mendis**  
Asst. Accountant



**P H K Perera**  
Asst. Accountant



**D D P H K Saparamadu**  
RM-Colombo Region



**Y M C P Kumara**  
RM-Southern Region



**A M C K Athapattu**  
RM-Homagama Region



**R M K Rajakaruna**  
RM-Anuradhapura Region



**A Ranjith**  
RM-North Region

# Senior Management Team

Co-Operative Insurance Co. Ltd



**M N D Silva**  
Legal Officer



**D D S Gamage**  
Manager Finance



**Amila Dinesh**  
Manager Finance



**I I Senarathne**  
Legal Manager-Title Underwriting  
& Other Operations



**R A Mahendra**  
Motor Engineer



**C N Kaludewa**  
Brand Manager



**M S Rasanjali**  
Manager - Compliance &  
Credit Control



**G D V S Fernando**  
Senior Manager - Non Motor



**H A J S M Abeynayake**  
Manager - Salvage



**Jayantha de silva**  
Consultant



**S R Senarath Epa**  
Manager - Non Motor  
Underwriting and Training



**J M H Jayasinghe**  
Manager - Motor Underwriting



**P W S Kumara**  
Manager Non Motor



**W K J Ranasinghe**  
Manager - Non Motor Claims



**N V P Jagath Siri**  
Regional Manager - Southern



**M G U N Bandara**  
Regional Manager -  
Colombo East



**W A Hemakumara**  
Regional Manager -  
North Central



**D A C Hasantha**  
Regional Manager -  
Colombo North



**A D Paranavithana**  
Assistant RM - Central



**K G S P Rathnayaka**  
Regional Manager - North  
West



**D S Waththuhewa**  
Regional Development  
Manager



**A I Bandara**  
Regional Development Manager



**R M S K Rathnayake**  
Regional Development  
Manager



**R A A K Rathnayake**  
Manager Motor Claim



**W S N Fernando**  
Manager - Corporate Division



**M E K Fernando**  
Manager - Motor Claim



**M J K Perera**  
Manager - Motor claim



**A N M De Alwis**  
Manager - Motor Claim



**H L N T Gunawardana**  
Assistant Manager - HR



**R M B D Sharmila**  
Assistant Accountant



**E M N Nayanangani**  
Assistant Manager - Marketing



**T A M T L Wickramasinghe**  
Assistant Manager - Non Motor Claim



**Sewwandi Liyanarachchi**  
Assistant Manager - Non Motor



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



**R I Wijesinghe**  
Assistant Manager - Internal Audit



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



**D M Prasad**  
Assistant Manager - Motor Claim



**R K Kapila**  
Junior Engineer



**C P Ranasinghe**  
Junior Engineer



**K P J Kumara**  
Junior Engineer



**S I Jayalath**  
Assistant Manager - Regional UW



**W T Randika**  
Assistant Manager - Regional UW



**A P S Gayan**  
Assistant Manager - Regional UW



**I K Perera**  
Postal Division - Officer In-Charge



# Branch Management Team

Co-Operative Insurance Co. Ltd



**K K S Chanaka**  
Homagama



**M A M Mallawarachchi**  
Maharagama



**H P C Jayasekara**  
Gampaha



**R P D S Rathnayake**  
Kurunegala



**R D Dayarathna**  
Rathnapura



**A B Udurawana**  
Kandy



**M M D P T Perera**  
Malabe



**M D R Srinath**  
Kalutara



**P P K Jayasinghe**  
Ambalantota



**K Jeerasinghe**  
Akuressa



**L R B Gunawardana**  
Kiribathgoda



**P K L C Peramune**  
Embilipitiya



**P M S P Wijesinghe**  
Balangoda



**W N S Bandara**  
Nikawaratiya



**W A U Wickramasinghe**  
Awissawella



**G S R D K Perera**  
Nugegoda



**M L T L N Perera**  
Metropolitan



**H N P Priyankara**  
Kegalle



**E A T T Karunathilaka**  
Mathugama



**A D Kanishka**  
Horana



**P C B Rathnayaka**  
Matale



**H K Jayantha**  
Deniyaya



**T Anoop**  
Mannar



**R C Gunasekera**  
Kekirawa



**L J L Jayasinghe**  
Nittambuwa



**M F M Numais**  
Trincomalee



**G H A Sanjeewa**  
Battaramulla



**S B Sampath**  
Bandarawela



**K G Dharmawardene**  
Neluwa



**R J W N Rajapaksha**  
Kaduvela



**D C C Fernando**  
Kuliyapitiya



**A R R Rajakaruna**  
Katugastota



**R A G C Rajapaksha**  
Kadawatha



**H M Karunaratna**  
Thambuttegama



**P A Weraniyagoda**  
Elpitiya



**A P M P Jayasekara**  
Galewela



**L A Kumara**  
Kalawana



**H R A Ruwanthaka**  
Kirindiwela



**H L Rajawasam**  
Karapitiya



**D S S M Kulathunga**  
Aluthgama

# Branch Management Team

## Co-Operative Insurance Co. Ltd



**E K M G Amarasinghe**  
Badulla



**R D M I Wimalachandra**  
Welimada



**K Pratheepan**  
Batticaloa



**A G A R Pushpakumara**  
Chilaw



**W S N Kumara**  
Pelmadulla



**A V V M Gunawardhane**  
Minuwangoda



**B C N Amarasinghe**  
Panadura



**W A Ruwan**  
Kelaniya



**S Wasantha**  
Dambulla



**K L Ranmunige**  
Melsiripura



**T Thushanth**  
Kilinochchi



**R D S N Darmasiri**  
Monaragala



**P Mohanatharsan**  
Pothuvil



**A D K Priyadarshani**  
Moratuwa



**W M N A Fernando**  
Negombo



**R M S Jayalath**  
Nuwara Eliya



**P K S T De Silva**  
Nugegoda South



**B N M Cooray**  
Thalawathugoda



**A H D M Gunawardana**  
Walasmulla



**D A C I Dissanayake**  
Wariyapola





**A H M S M Abeyrathna**  
Wennappuwa



**Shane Allapichchai**  
Ampara



**Chinthaka Mallawarachchi**  
Ja- Ela



**Upali Tennakoon**  
Kurunegala North



**R K Madanayaka**  
Polonnaruwa



**C Quintas**  
Puttlam



**D K W Dewakaluarachchi**  
Tissamaharama



**A A P Kumara**  
Rikillagaskada

# Our Products

## PROVIDING SOLUTIONS FOR ALL INSURANCE NEEDS

Cooperative Insurance and Cooplife offer a range of general and life insurance solutions that provides guaranteed financial compensation across the most crucial aspects of life. These solutions provide indemnification to individuals from various financial capacities and covers individual needs, commercial and enterprise requirements, protection for assets including vehicles and property, as well as financial indemnity from fire, theft, accidents, sudden and critical illnesses amongst a spectrum of other policies and solutions.

Our solutions are designed towards the benefit of the more financially challenged individuals and sectors including the cooperative and agricultural communities.



**SESATHA**  
Trade Combined Insurance



**SAHANAYA**  
Coop Shakthi Micro Insurance



**SORABIYA**  
Burglary Insurance



**SUWAPATH**  
Surgical & Hospital Insurance



**MAGA SURAKUMA**  
Money in Transit Insurance



**PASHU SAMPATH**  
Livestock Insurance



**GINI**  
Commercial Fire Insurance



**INSTANT MOTOR**  
Comprehensive Motor Insurance



**VIMANA - SIRIMADURA**  
Householders Comprehensive Insurance



**SARANA**  
Personal Accident Insurance



**INSTANT MOTOR MINI**  
Comprehensive Motor Insurance for  
Threewheelers and Motorcycles

# Our Channels and Service Network

## Connecting with Sri Lanka

Cooperative Insurance commands a unique channel and distribution network, developed and expanded to provide our growing base of customers with ease of access to our solutions and services. We operate through an extensive and well-spread branch network that has now reached all corners of the country, with comprehensive services to customers alongside convenience.

Expanding beyond Company owned branches CICL provides services to existing and prospective customers in collaboration with Co-operative societies and a network of independent business partners and advisors.

### CICL Branches

Cooperative Insurance experienced a phase of rapid expansion in the past several years. We invested in several new branches which were developed across many parts of the island which increased our network to 102. In 2018, we included 23 branches to the network in a strategy of rapid expansion.

In 2019, our strategy of expansion became a secondary objective as we curbed our channel investments into enhancing existing branches. In 2019, only two new branches were added to the branch grid, increasing our total number of branches to 104.

We channeled our focus on increasing efficiencies of branches and providing our branch staff with the right resources to increase personal productivity levels while enabling us to maximise on our return of investments and in impacting the overall bottom-line.

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. Our service centres, located across the country, reach a vast rural community, providing access to services in both general and life insurance.

### Subsidiary Life Insurance Branches

Cooplife Insurance Limited, our subsidiary Company holds a network of 53 branches, geographically dispersed in some of Sri Lanka's most strategic locations with reach and connectivity to customers from rural and urban social settings.

### Cooperative Societies/Service Centres

During the year, the number of cooperative society service centres remained unchanged. However, we serve our customers through 117 centres, spread across the country, reaching a vast rural community by providing access to our products and services in both General and Life insurance.

### Post Offices and Sub-post offices

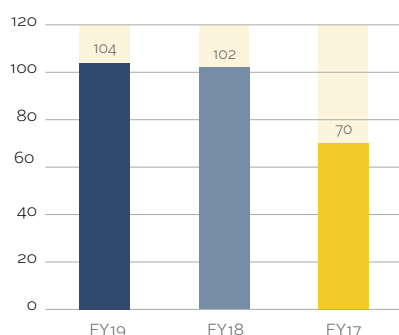
In 2017, we partnered with the Department of Posts in utilising their post offices and sub-post offices for extending services to our customers across the island. As at end of 2019, CICL continues to reach and connect with customers through 3409 post offices and 653 sub-post offices, which gives us significant leverage in providing convenience to our customers.

### Sales Force

Developing services by improving the proficiencies of our people, CICL and its subsidiary Cooplife invests on recruiting, training and developing field officers and permanent sales staff. In 2019, our team of field officers comprised of 247 and a 550 member permanent sales force dedicated to promoting our products and solutions to diverse target segments. In 2019, our sales staff has grown by around 300 employees.

Our subsidiary Cooplife Insurance also reported a field officer base of 439 as at the end of 2019, in addition to 228 Insurance Agents.

CICL Branches

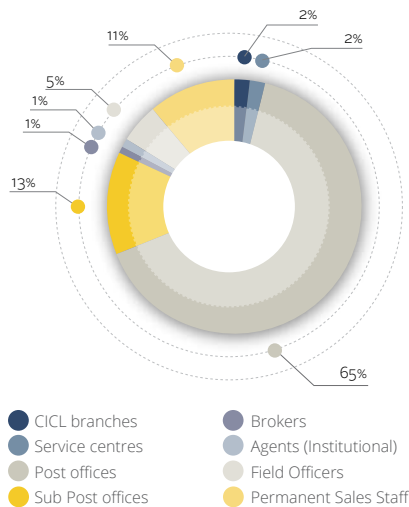


### Service Channels

CICL branches	104
Service centres	117
Post offices	3409
Sub Post offices	653
Brokers	58
Agents (Institutional)	74
Field Officers	247
Permanent Sales Staff	550

# Our Channels and Service Network

Service Network CICL



## Independent Business Partners (Brokers and Agents)

Our group of independent business partners includes agents and brokers that enable us to connect further with our customers. Our partners reach new and existing customers with the right insurance solutions and services, creating a much wider network that enhances our reach within the population. As of 2019, CICL works in collaboration with 58 Brokers and 74 Institutional Agents. The number of Brokers and Agents has a combined increase of 13 partners in 2019.

## Call Centre

During the FY 2019, CICL continued to improve services offered via our call centre, providing reliable connectivity and efficient service to all our customers, as well as prospective customers. We keep systems upgraded through routine checks, and we continue to upgrade the knowledge and skills of call-centre representatives through product and service related training, soft skill development and technical know-how related to system operability and trouble shooting.

Our fully fledged 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 customer, maintaining communications every 15 minutes until an assessor arrives at the location for assessing the damage to the vehicle.

# Risk Management

Across our Group, Risk Management is a priority that is embedded into our operational processes. As an insurer, risk assessment and the proper management or risk control mechanisms ensures the stability of the Company in the face of unexpected changes that arise from the industry, the economy, as well as in the external environment, outside of our country. It assesses the preparedness of our people, processes and strategies to face risk exposures if and when probabilities occur.

It not only serves as a framework for remaining compliant to insurance regulations, it's a fundamental requisite that we maintain a strict focus on key areas of risk in order to ensure that the interests of our Stakeholders remain unchallenged. In addition, the nature of our business compels us to take prudent and stringent measures to manage and mitigate risk.

Through effective risk management, the Company ensures that our Capital Base remains secure, ensuring continued value creation for Shareholders and benefits for Stakeholders.

In Essence Risk Management:

- Strengthens risk tolerances against unexpected adverse events
- Ensures that Shareholder returns are maximised by sound investment decisions and financial management
- Complies with regulatory conditions and helps to maintain the integrity of the Company
- Ensures that the customers receive the benefits guaranteed to them
- Protects the interests of Business Partners
- Enhances brand image and brand value as compliant insurers
- Safeguards employee expectations of growth and increased rewards
- Ensures the interests of the communities we serve

By assessing the risks in the macro environment that surrounds the industry as well as those that could arise from within the industry and the Company, we are preparing our people and processes to better handle risks and concerns that could challenge the integrity of our operations and our financial stability.

## CICL's Risk Management Framework

At CICL we constantly reassess, redefine and set new parameters whenever appropriate to maintain

consistency in our risk control mechanisms when dealing with risks and in enhancing opportunities. Given the constantly evolving regulations and economic influences, CICL is mindful of the impact that a comprehensive risk management framework can have on the success of our business.

The Risk Management Framework gives the Board of Directors and operational management the necessary direction and protocols in managing risk adversities amidst other core objectives, which include:

1. Avoiding or mitigating losses from magnifying beyond the forecasted impact
2. To provide cohesive and thorough policies that does not overlook crucial aspects across key risk areas
3. To provide the proper tools to allow management to identify risks and evaluate them according to their risk potentials and impact on the Business.

## Risk Management Process

- Risk identification

CICL and its Group identify and define all areas of risk that could negatively impact a specific area or process of our business. These risks arise from developments and changes from regulators, economy, market conditions, global trends and macroeconomic influences.

- Risk analysis

Probabilities or possible occurrences are then assigned to these specific areas of risk as well as its consequences. This allows us to investigate every instance of risk and how each factor can impact our growth and objectives.

- Risk assessment and evaluation

After identifying the probability and likelihood of risk occurrences, the Company makes calculated decisions on whether the risk can be accepted based on its risk appetite.

- Risk mitigation

Specific controls are then assigned to each risk and include mechanisms that prevent and counter the effects of risks.

- Risk monitoring

Monitoring is the most crucial aspect of risk management, as it compels the Company and relevant officers, unit heads and committees to constantly manage risk areas and elements and share the concerns that may arise as new and existing risks.

# Risk Management

## Risk Management Structure

CICL's Risk Management structure includes the 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.

## Three Tiers of Defense

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.

### First Tier of Defense Business Unit Heads

- Monitor external environments for risks and impacts through feedback from field staff, business partners and customers.
- Observe variations in business volumes and inform Top Management.
- Risk management committee formed at the level of operational management - identifies, evaluates and assesses the potential risks.

### Second Tier of Defense Internal and External Audits

- Internal Audit reports directly to the Audit Committee, which reports to the Board.
- 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
- Conduct investigations for reported and revealed mal-practices for recovery of losses, strengthen control systems and deterrents

#### External Audits:

- These are conducted by Jayasinghe & Company - Chartered Accountants and reported to Shareholders. They report on the strength of the accounting and internal control systems and recommend improvements.

### Third Tier of Defense Compliance Officer / Audit Committee (BOD)

- Monitor effectiveness of risk management methods.
- Recommend risk-controlling measures to the Board.
- Empower the responsible personnel to take appropriate actions to control risks.



- Audit Committee

The Audit Committee which consists of the Board of Directors ensures overall oversight of the Company's and the Group's Risk Management Framework. In fulfilling their responsibilities they receive the support from the Risk Management Committee, whose work is overseen by the Directors, periodically. The Board provides guidance to the management in managing risks across routine operations.

The Directors conduct an annual review of risks faced by CICL and the effectiveness of risk policies and control mechanisms

- The Risk Management Committee

Overall responsibility for carrying out risk management practices remains with the Committee. Appointed by the Board of Directors, it comprises management members from the operational level. The Committee assists the BOD by recommending and structuring the Group's risk management policies and limitations and obtains Board approval on these areas. They review and assess the Group's risk profile and monitor compliance by the management and employees to the policies as well as regulatory laws and regulations.

- Internal Audit Team

The audit team investigates the strength of control mechanisms pertaining to risk exposures, as well as the internal control systems that facilitate Corporate Governance. They then provide necessary recommendations in increasing control measures and on areas that need further focus. They review the Company's compliance to regulations and reports to the Risk Management Committee and the Audit Committee on their findings alongside recommended courses of action. They carry out periodic and random evaluations of risk control procedures in order to ensure that the management and employees are adhering to all protocols and that proper governance and accountability is established across the Company.

## Risk Profile for 2019

Risk	Severity of Impact	Likelihood of Occurrence
1. Effects of the terror attacks	2	4
2. Political Unrest	3	3
3. Economic slowdown	3	3
4. Rising Inflation	3	4
5. New tax changes	3	4
6. New IT developments	2	5
7. Shrinking vehicle imports	3	4
8. Restrictions on import	3	4
9. New Regulations (IFRS 17)	4	4

### Severity of Impact

Insignificant	1	Minor	2	Moderate	3
Major	4	Catastrophic	5		

### Likelihood of Occurrence

Rare	1	Unlikely	2	Possible	3
Likely	4	Almost Certain	5		

## Key Risk Areas and Risk Control Mechanism



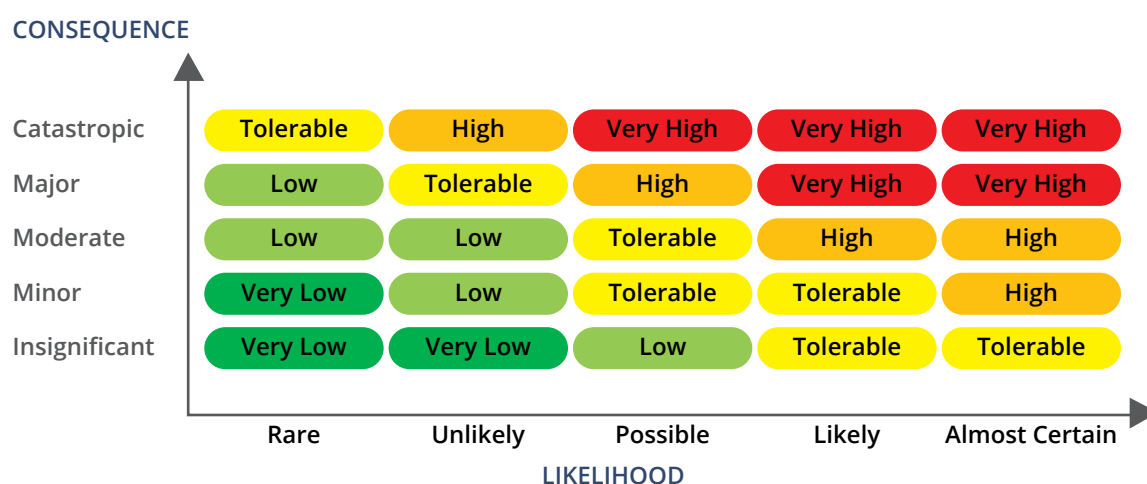
Risk areas under the Risk Management Framework address all potential risks that could emanate from regulatory, market and macroeconomic changes and developments. (For key risk areas please refer pages 52 - 57)

# Risk Management

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 Auditor.

## Key Areas of Risk and Control Mechanisms

The key areas of risk are assessed and rated based on the likelihood and the consequence of the risk occurrence. Co-operative Insurance has adopted the following risk rating method.



Risk Area	What it means	Risk Rating	Control Mechanism
<b>1. Strategic Risk</b>			
<b>a. Business Risk</b>	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.	Tolerable	<ul style="list-style-type: none"> <li>- CICL has a five year strategic plan approved by the Board.</li> <li>- The Board regularly reviews actual performance against the budget and adjustments action plans in line with the external changes.</li> <li>- 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.</li> </ul>
<b>b. Economic and Political Risk</b>	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.	High	<ul style="list-style-type: none"> <li>- Perform a detail economic analysis and identify the key economic indicators when preparing the corporate plan of the company.</li> <li>- Consider the changes in political environment in key business decisions.</li> <li>- Closely monitor the changes and their trends in the external environment due to political and economic factors and assess their potential risks.</li> <li>- Facilitate the relevant staff to attend to educational and training programs on economic trends, developments and their consequences.</li> <li>- Seek experts' opinion on outcomes of possible political and economic changes, when necessary.</li> </ul>

Risk Area	What it means	Risk Rating	Control Mechanism
<b>2. Underwriting Risk - General Insurance</b>			
<b>a. Exposure Risk</b>	Holding risks beyond the Company's net retention capacity and not having sufficient reinsurance arrangements.	Tolerable	<ul style="list-style-type: none"> <li>- 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.</li> <li>- 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.</li> <li>- 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.</li> <li>- The Company conducts training programmes for staff involved in underwriting and claims settlements</li> <li>- The Company regularly seeks advice from the Consultant Actuary on terms, conditions and benefits included in insurance policies to ensure appropriate pricing</li> <li>- Review the wording of the policies and promotional materials to prevent claims from causes that are not anticipated.</li> <li>- Product prices are set through a financial analysis including review of past experiences of the Company and the industry.</li> <li>- 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.</li> <li>- Trained dedicated staff carries out underwriting. The experience and merits of the staff are applied on individual basis in underwriting each and every risk.</li> </ul>
<b>b. Reinsurance Risk</b>	Retaining risks beyond the Company's net retention capacity as against having adequate reinsurance arrangements. reinsurers to meet their commitments due to insufficient financial strength.	Low	<ul style="list-style-type: none"> <li>- No insurance cover is issued for risks above treaty limits, without a confirmed reinsurance arrangement</li> <li>- We deal with reputed and rated reinsurance brokers to reduce the reinsurance risk in reinsurance placement and claims recovery.</li> <li>- Risks relating to riot and terrorism are placed with the Government controlled National Insurance Trust Fund (NITF).</li> <li>- Continuously monitor the reinsurance agreements and the credit risk of the reinsurers</li> </ul>

# Risk Management

Risk Area	What it means	Risk Rating	Control Mechanism
<b>c. Claim Settlement Risk</b>	Risk of possible dispute when settling the claim and risk of not meeting the standard set for the claims payment process	Tolerable	<ul style="list-style-type: none"> <li>- Adequate training is provided to claims management team to verify the genuineness of claims.</li> <li>- Daily intimation over Rs.100, 000 ACR is reviewed by the independent panel further identify the high-risk areas and appropriate instruction is given to the claim department to process the claim.</li> <li>- 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.</li> <li>- The Company's Legal Officers attend to disputes and other legal matters relating to claims and also for third party related claims.</li> <li>- Independent investigators/Government Analyzers are used to investigate the claim to ensure the fraudulent claims are identified</li> <li>- All significant claims are reviewed by the Internal Audit Department prior to release the same</li> <li>- Policy condition, covers, sum insured, and other writing details are initially checked by the liability team at the claim department</li> <li>- Claim payment are recommended to approved based on the pre defined authority level.</li> </ul>
<b>d. Reserving Risk</b>	Inadequacy of reserves made to meet future obligations arising from claims.	Low	<ul style="list-style-type: none"> <li>- 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.</li> <li>- 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</li> <li>- 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</li> <li>- The service of a qualified Independent Actuary is obtained to review reserving in the life insurance business</li> <li>- The Company conducts regular training for the staff on the reserving process for underwriting and claims</li> </ul>

Risk Area	What it means	Risk Rating	Control Mechanism
<b>3. Underwriting Risk – Life Insurance</b>			
<b>a. Reinsurance Risk</b>	Reinsurance risk arises from new or existing contracts the company has entered into Reinsurance risk is measured based on the probability of default of the reinsurer on claims payable.	Low	<ul style="list-style-type: none"> <li>- Restructuring of reinsurance agreements with reinsurers regularly.</li> <li>- A very close and professional relationship is maintained with all reinsurers.</li> <li>- Only reinsurers with ratings above the regulatory requirements are used as reinsurers.</li> <li>- Frequent review of the outstanding reinsurance receivables.</li> <li>- Changes to the ratings of reinsurance companies are continuously monitored.</li> </ul>
<b>b. Claim settlement Risk</b>	The claims risk of the company primarily depends on the actual claim experience in comparison to the estimated claims experience. Claims risk refers to the risk of over or under payments of claims.	Low	<ul style="list-style-type: none"> <li>- An independent Actuary is engaged to carry out a valuation of life fund in the company.</li> <li>- The actuary monitors the life insurance business more closely and guides the management to make more informed decisions.</li> <li>- Claims are reserved immediately at the intimation or on the availability of information. On the death, injury or illness of an insured.</li> <li>- Service standards have been set on the time taken to process claims and the management monitors those.</li> <li>- Company Internal Audit team worked as investigators and used to investigate claims to ensure fraudulent claims are identified.</li> <li>- Financial Authority limits are set based on the claims limits where the maximum limit is with the Managing Director, which is involved in making decisions with regards to significant/problematic claims and appeals made in respect of claims.</li> <li>- The company monitors the claim ratios constantly and executes relevant mitigation actions such as re pricing products and reviewing the product mix applicable in the period.</li> </ul>
<b>4. Financial Risk</b>			
<b>a. Credit Risk</b>	Policyholders, who obtain insurance covers on credit basis, may fail to meet their obligations to the Company on time.	Low	<ul style="list-style-type: none"> <li>- 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.</li> <li>- All premium receivables are monitored and every possible action is taken to collect premiums within the given period and to minimize policy cancellations.</li> <li>- Managing Director and the other respective officers meet regularly to review the status of outstanding premiums and monitor collections.</li> <li>- The Managing Director holds the ultimate authority of credit approval. Credit approval authority is delegated to different levels of management as appropriate.</li> </ul>



# Risk Management

Risk Area	What it means	Risk Rating	Control Mechanism
<b>b. Investment Risk</b>	The potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms and the possibility of the outcome of investments being lower than expected.	Tolerable	<ul style="list-style-type: none"> <li>- Credit rating is evaluated prior to investing</li> <li>- 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</li> </ul>
<b>c. Liquidity Risk</b>	The inability to meet contractual obligations (claims and reinsurers' payments) due to a shortfall of liquid assets in the investment portfolio	Low	<ul style="list-style-type: none"> <li>- 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.</li> <li>- 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</li> <li>- Life Insurance policies with guaranteed returns are secured by investments with higher returns with similar tenure.</li> </ul>
<b>d. Market Risk</b>	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.	Low	<ul style="list-style-type: none"> <li>- 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</li> <li>- The investment portfolio is reviewed by the Investment Committee on a timely basis and analyses the vulnerability of individual investments to market risk.</li> <li>- Investment opportunities are analysed in terms of nature of investment and the quality of the investee organization.</li> </ul>
<b>5. Operational Risk</b>			
<b>a. Human Resource Risk</b>	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.	Low	<ul style="list-style-type: none"> <li>- Remuneration packages for the staff are set in line with the industry to retain and attract staff with necessary qualifications and experience.</li> <li>- 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.</li> <li>- Continuous training and education of staff are further encouraged through the provision of financial and other support.</li> <li>- Opportunity is given to the employees to meet the higher level of management to discuss their grievances or matters they wish to deal with confidentially.</li> </ul>

Risk Area	What it means	Risk Rating	Control Mechanism
<b>c. IT Risk</b>	Possible losses due to use of inadequate technology, inappropriate use of technology, technical mishaps and disaster situations.	High	<ul style="list-style-type: none"> <li>- 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.</li> <li>- Policy on the security of information and information technology infrastructure is implemented and updated timely.</li> <li>- Disaster recovery methods are planned and made ready for implementation on urgent situations.</li> </ul>
<b>d. Fraud Risk</b>		Low	<p>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.</p> <ul style="list-style-type: none"> <li>- 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.</li> <li>- A Procurement Committee comprising five Directors has 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.</li> <li>- 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.</li> <li>- Provisions in the Anti- Money Laundering Act are followed up strictly.</li> </ul>
<b>e. Regulatory Risk</b>	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 noncompliance to the other common laws and accounting standards in relation to presentation of financial status of the Company.	Tolerable	<ul style="list-style-type: none"> <li>- Company culture insists on the achievement of full compliance with legal and regulatory requirements.</li> <li>- 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.</li> <li>- Experts are appointed to review changes to the regulatory regime and assess impact on the business as well as to advise on compliance requirements.</li> <li>- A Compliance Officer is tasked with ensuring that regulatory requirements are observed and complied.</li> </ul>

# Corporate Governance and Internal Controls

Corporate Governance remains a vital component of our growth. At CICL and across the Group, we work within our own internal controls and risk mechanisms, adopting staunch adherence to Company frameworks and regulatory requirements. With Shareholder investments at the core of our business, and with numerous interests and expectations vested by our Stakeholders, sound governance plays a crucial role in ensuring strong leadership and accountability. It ensures that we work with the utmost level of integrity in managing Shareholder funds, customer expectations and all interests of our employees, partners, regulatory bodies and even the community at large.

Across our processes, our decisions that govern them and our measures that limit risks there is a coalescing effect that ultimately translates into how well we deliver value to each and every Patron of Cooperative Insurance.

With 20 years of responsible leadership that has steered the Company from the most modest of beginnings, we continue to follow a disciplined approach to conducting business. Everyone works together within our corporate culture, fulfilling obligations, taking the Company vision forward through a clear and comprehensive strategic plan.

Across our operations we remain compliant to governance requirements and we are vigilant of new industry regulations and their impact on our governance and internal controls. Hence, we continue to assess the governance framework, addressing crucial gaps, adopting best practices and strengthening compliance to each and every requirement.

## Compliance to Regulations

CICL along with our subsidiary Companies Cooplife and CITA maintains compliance to regulatory demands, 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

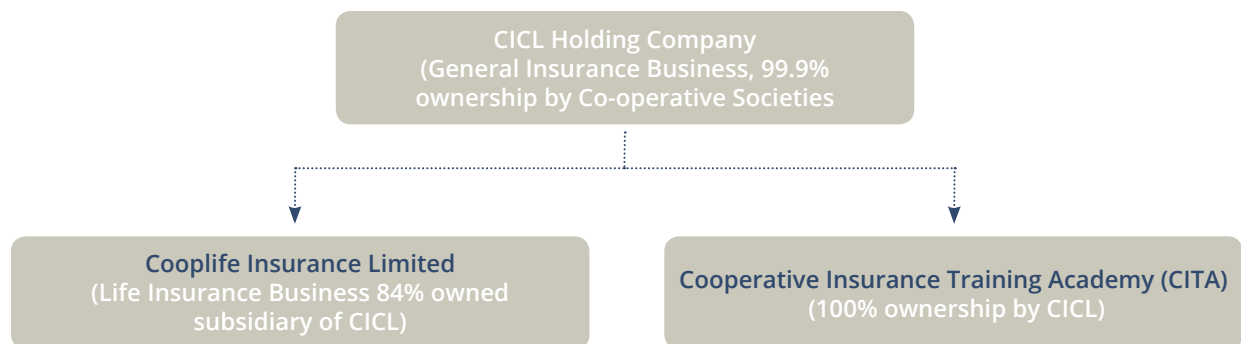
We maintain an inclusive framework of Corporate Governance with leadership, responsibilities and policies that converge to govern the standards of our operations. Serving as principles that guide us, our entire governance mechanism ensures the Group's and CICL's conformance to regulatory requirements that best complement our Strategic growth.

## Governance Structure and Responsibilities

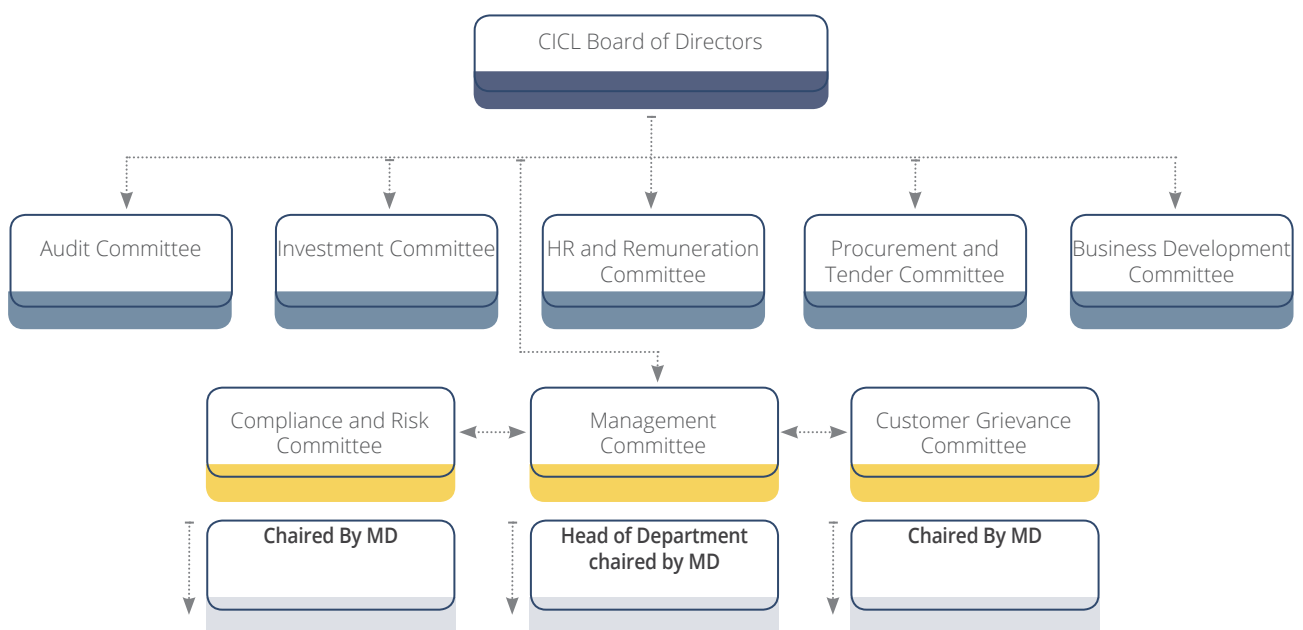
On a Group Level, CICL oversees governance and ensures internal control process of our subsidiaries Cooplife and CITA. CICL's governance structure and leadership flow comprises of a strong alliance of Board Sub-Committees formed to review, implement and monitor governance and internal control activities across the Company and its subsidiaries.

In general, each Board Sub-Committee is responsible for the regular review of internal processes, and monitoring of developments within the macro environment; 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



## Composition of the Board

The CICL Board of Directors comprises 13 Directors, and includes the Company's Managing Director. 12 of the members are Chairpersons of Co-operative Societies or have been former Chairpersons in addition to holding Director Positions on the Boards of Co-operative Societies.

## Composition of Board Sub-Committees

Respective Board Sub-Committees comprise members of the Board, with the exception of CFO and CEO, in addition to respective Managers who shadow the Committees during meetings and in maintaining records of work discussed.

# Corporate Governance and Internal Controls

Committee	Names	Meetings Scheduled	Meetings Attended
<b>Audit Committee</b>	Mr. A.D.T.S. Palitha - Director (Chairman of the Committee)	17	17
	Mr. D.P. Amaradeva - Director	17	17
	Mr. R.G.K. Rankothge - Director	17	16
	Mr. J.M.V.P. Jayasooriya - Director	17	13
	Secretary - Internal Auditor		
<b>Human Resources and Remuneration Committee</b>	Dr. W. Lalith A. Peiris - Chairman	12	12
	Mr. K.R.W. Ranasinghe - Managing Director	12	11
	Mr. K.R.K.N. Jayasinghe - Vice chairman	12	10
	Mr. K.J. Sesiri - Director	12	12
	Mr. S.S. Weerasekara	05	05
	Mr. P.P.D.S. Kularathna - Director (Retired on 07.07.2019)	05	04
	Secretary - Human Resources Manager		
<b>Investment Committee</b>	Dr. W. Lalith A. Peiris - Chairman	03	03
	Mr. K.R.W. Ranasinghe - Managing Director	03	03
	Mr. R. Sooriyaarachchi - Director	03	03
	Mr. P.P.D.S. Kularathna - Director	02	02
	Mr. S.S. Weerasekera	01	0
	Mr. Pubudu Wimalaratne - Chief Executive Officer	03	03
	Mr. Laksiri Nawaratne - Chief Finance Officer	03	03
	Secretary - Finance Manager		
<b>Procurement &amp; Tender Committee</b>	Dr. W. Lalith A. Peiris - Chairman	12	09
	Mr. K.R.W. Ranasinghe - Managing Director	12	11
	Mr. K.R.K.N. Jayasinghe - Vice Chairman	12	10
	Mr. C.P. Jayasinghe - Director	12	11
	Mr. R. Sooriarachchi - Director - Procurement committee	12	09
	- Tender Committee	12	08
<b>Business Development Committee</b>	Dr. W. Lalith A. Peiris - Chairman	03	03
	Mr. K.R.W. Ranasinghe - Managing Director	03	03
	Mr. C.P. Jayasinghe - Director	03	02
	Mr. S.S. Weerasekara - Director	03	03
	Mr. D.L. Samarawickrema - Director	03	03
	Secretary - AGM Marketing		



Director Name	No. of Meetings Scheduled in 2019	No. of Meeting Attended in 2019
Dr. W. Lalith A. Peiris	12	12
Mr. K.R.K.N. Jayasinghe	12	12
Mr. K.R.W. Ranasinghe	12	12
Mr. D.P. Amaradeva	12	12
Mr. R. Sooriyaarachchi	12	11
Mr. K.J. Sesiri	12	12
Mr. R.G.K. Rankothge	12	12
Mr. C.P. Jayasinghe	12	10
Mr. A.D.T.S. Palitha	12	12
Mr. P.P.D.S. Kularathna (Retired on 07.07.2019 )	08	08
Mr. J. M. V. P. Jayasooriya	12	12
Mr. K. S.S. Weerasekara	12	12
Mr. D. L. Samarawickrama	12	12
Mr. A.B. Senadheera (Appointed on 30.08.2019)	05	05

## Responsibilities of the Board of Directors

CICL's Board of Directors is a competent mix of highly experienced professionals, with considerable experience in various industries and sectors of business. Counting a collective experience of over 30 years, each Director brings on board insightful leadership that sets the strategic path, crucial for sustaining the longevity of our progress.

The Board ensures the senior management's commitment to conformance and compliance of governance principles as well as those mandated by the IRCSL and accounting bodies of Sri Lanka. Each member fulfils a significant role in providing leadership and strategic insight whilst operating with responsibility.

The Board's levels of responsibilities are all encompassing and require the constant monitoring and systematic implementation of strategies while delegating goals and objectives to the Corporate and Senior Management teams of the Company.

The Board must also maintain a proper system of internal controls to safeguard Company financials and assets, ensuring sound returns for Shareholder investments. They periodically evaluate risk exposures faced by the Company and subsidiaries, while evaluating the present system of internal controls and their effectiveness in proactively managing and mitigating risks.

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

## Role of the Chairman

As the strategic leader of the Company, the Chairman leads the Board of Directors in decision making while ensuring that all Directors operate with compliance to governance practices. He also oversees that Shareholder investments are utilised prudently and that business operations minimise overheads and maximize on operational profit.

The Chairman oversees the proper functioning of Board meetings and ensures that all topics of concern are covered and discussed. Most importantly, he provides leadership in the management of Company resources and capitals, and imparts insights and assesses collective opinions on strategies that contribute to the overall growth and strong performance of the Company.

## Role of MD and CEO

The Managing Director and CEO guides the Company's routine operations, prepares growth strategy and guides senior management in adopting measures that help execute the strategy according to a well-defined plan. Financial and operational performance targets are established by them in collaboration with the Board of Directors, setting out short-mid-long term objectives.

# Corporate Governance and Internal Controls

## Responsibilities of Board Sub Committees

Committee	Responsibilities
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>Review financial reporting system of the company in order to present timely and accurate information to the BOD and other stake holders and ensure the compliance with the laws and regulation.</li> <li>Ensure that the risk management framework of the company is implemented effectively to mitigate the risk associated.</li> <li>Review of the processes and adequacy of the internal control system of the company and to take steps to strengthen them where necessary.</li> <li>Review internal and external audit reports and follow up on recommendations.</li> <li>Assessment of the independence and performance of the Entity's external auditors.</li> <li>Make recommendations to the Board on the appointment, re-appointment/ removal of External and Internal Auditors, review their scope and monitor performance.</li> </ul>
<b>Human Resource and Remuneration Committee</b>	<ul style="list-style-type: none"> <li>Ensure the recruitment and maintenance of a competent and suitably qualified staff and the reduction of the staff turnover.</li> <li>Regular review of remuneration as well as service conditions.</li> <li>Determine the career path of staff members.</li> <li>Ensure a sound performance appraisal system at all levels.</li> </ul>
<b>Investment Committee</b>	<ul style="list-style-type: none"> <li>Set policy guidelines to manage investment portfolio.</li> <li>Monitor investment portfolio and its return against the set income target.</li> <li>Monitor compliance with investment regulations</li> <li>Review performance of the key investment portfolios and guide investment strategy at the macro level.</li> </ul>
<b>Procurement and Tender Committee</b>	<ul style="list-style-type: none"> <li>Develop procurement policy subject to Board approval.</li> <li>Decide on mode of procurement for high value goods and services.</li> <li>Scrutinise Admin. Department procedures for quotations.</li> <li>Approve tender procedures and scrutinise tender invitation documents.</li> <li>Open tenders and sealed quotations and handle information received with due care.</li> <li>Evaluate quotations and tenders using matrix prepared by the Admin. Manager and other technical personnel. When necessary, delegate such evaluation to an expert.</li> <li>Based on evaluations decide on awarding tenders.</li> <li>Set conditions for carrying out a contracted task or purchase order.</li> <li>When necessary, take follow up action on a contract or process of procurement.</li> </ul>
<b>Business Development Committee</b>	<ul style="list-style-type: none"> <li>Suggest to the Board new ventures and take action after feasibility studies.</li> <li>Evaluate IRCSL reports, auditors, actuaries, rating agencies and any other consultants who may provide consultancy on specific issues.</li> <li>Suggest any changes in the management structure.</li> <li>Study external market reports to enable the Company to take proactive action.</li> </ul>

## System of Internal Controls

Internal Control System plays a mediating role, one that is crucial in ensuring adherence to governance standards and to ensure that requirements are fulfilled by means of compliance.

Therefore, we have established control protocols that are designed to result in:

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



## Internal Control System

The Company and Cooplife ensure that control mechanisms are carried out on stipulated intervals. In this regard, audits play a vital role in monitoring and assessing the overall health of the companies and compliance to requirements.

## Elements of Internal Controls and Response

Internal Control	Response
<b>Control Environment</b>	<ul style="list-style-type: none"> <li>• Board of Directors who are independent and are responsible for the overall health and Integrity of Company actions.</li> <li>• As insurers we operate with honesty, integrity and cooperation with all our Stakeholders</li> <li>• Accountability at work is expected from all our personnel and from our team of Managers.</li> <li>• Reporting and oversight structures are continuously aligned with best practices and to Enhance clarity and transparency.</li> </ul>
<b>Risk Assessment</b>	<ul style="list-style-type: none"> <li>• Please refer Risk Management Framework from page 49 to 57.</li> </ul>
<b>Control Activities</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The Audit Committee which comprises Board Members, views report and provides necessary action.</li> <li>• 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.</li> <li>• Procurement Committee controls the procurement of goods and services that are significant in nature.</li> </ul>
<b>Information and Communication</b>	<ul style="list-style-type: none"> <li>• For enabling the internal control system information on major classes of transactions is made available.</li> <li>• The information provided ensures clarity on how such transactions are initiated.</li> <li>• Financial Statements supplemented by significant accounting records are disclosed and made available for supporting the internal control measurements.</li> <li>• 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.</li> </ul>
<b>Monitoring</b>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>

# Compliance Status

Section	Corporate Governance Requirement	Compliance Status	CICL's Level of Compliance
<b>A</b>	<b>DIRECTORS</b>		
<b>A 1</b>	<b>THE BOARD</b>		
	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 30 to 33 of this Annual Report.
A1.1	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. No. of 12 Board meetings were held in 2019. The attendance of the Directors in year 2019 has been 98%.
<b>A1.2</b>	<b>KEY RESPONSIBILITIES OF THE BOARD</b>		
	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. 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. 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. 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.

Section	Corporate Governance Requirement	Compliance Status	CICL's Level of Compliance
			<p>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.</p> <p>The underwriting risks have been kept within the proper levels of adequate assets and also within the reinsurance arrangements.</p>
	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 13 to 15 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 - 119.
	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.



# Compliance Status

Section	Corporate Governance Requirement	Compliance Status	CICL's Level of Compliance
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 Director
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, Operations of the Board are managed effectively.  All key and relevant issues are discussed by the Board in a timely and constructive manner.  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.

Section	Corporate Governance Requirement	Compliance Status	CICL's Level of Compliance
A.5	<b>BOARD BALANCE</b>		
	Principle: The Board should have a balance of Executive and Non-Executive Directors.	Compliant	The Board comprises 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,	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 30 - 33.
A.5.2	Two or one-third of Non-Executive Directors appointed to the Board, whichever is higher should be Independent.	Compliant	Five Directors out of thirteen total Directors are Independent.
A.6	<b>SUPPLY OF INFORMATION</b>		
	Principle: The Board should be provided with timely information, in a form and of a quality appropriate, to enable it to discharge its duties.		
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	<b>APPOINTMENTS TO THE BOARD</b>		
	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	<b>RE-ELECTION</b>		
	Principle: All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.		

# Compliance Status

Section	Corporate Governance Requirement	Compliance Status	CICL's Level of Compliance
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 75 to 78 in this Annual Report, where relevant.
A.11	APPRAISAL OF CHIEF EXECUTIVE OFFICER (CEO)		
	Principle: The Board should be required, at least annually, to assess the performance of the CEO.		
A.11.1	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.

Section	Corporate Governance Requirement	Compliance Status	CICL's Level of Compliance
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 76.
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.
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	Compliant	The aggregate remuneration of the Managing Director and the other Directors is shown on page 171.
C	RELATIONS WITH SHAREHOLDERS		
C.1	CONTRACTIVE USE OF THE AGM AND CONDUCT OF GENERAL MEETINGS		
C.1	Principle: Boards should use the AGM to communicate with shareholders and should encourage their participation.	Compliant	<p>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.</p> <p>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.</p>

# Compliance Status

Section	Corporate Governance Requirement	Compliance Status	CICL's Level of Compliance
			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 2019, the participation on the shareholders at the AGM was 98%. The Board members and Company representatives are available to clarify the matters raised by shareholders. The most recent shareholders' meeting was the 21st Annual General Meeting (AGM) of the Company held on 7th July 2019.
C.1.1	Dispatch of notice of AGM and related papers to shareholders	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.1.2	Separate resolution for each substantially separate issues	Compliant	Each substantially separate issue is proposed as a separate resolution to provide shareholders the opportunity to deal with each significant matter separately.
C.1.3	Accurate recording and counting valid proxy appointments received for AGM	Compliant	All proxy appointments received are duly recorded and counted in respect of each resolution.
C.1.4	Availability of Chairmen of Board Committees at the AGM.	Compliant	All members of the Board including chairmen 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.
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. Please refer page 218 for the Notice of Meeting of the 22nd AGM to be held on 11th July 2020. 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.		



Section	Corporate Governance Requirement	Compliance Status	CICL's Level of Compliance
C.2.1	There should be a channel to reach all shareholders of the Company in order to disseminate timely information.	Compliant	<p>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 Managing Director and is communicated through the Head of Marketing.</p> <p>The Company ensures the equal treatment of all shareholders. Accordingly Annual Report of the Company is translated to Sinhala and distributed among shareholders.</p> <p>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 <a href="http://www.ci.lk">www.ci.lk</a></p>
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.
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. Further, clarifications with regard to any Financial information published can also be directed to the Finance Manager of CICL through the details given on page 06.
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.2.6	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.

# Compliance Status

Section	Corporate Governance Requirement	Compliance Status	CICL's Level of Compliance
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 AND BUSINESS REPORTING		
	Principle: Board responsibility for statutory and regulatory reporting.		
D.1.1	Present a fair and balanced annual report prepared in accordance with the laws and regulations with explanation of deviations.	Compliant	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. The Annual Financial Statements and Regulatory Reports are submitted to the Authorities on a timely basis.
D.1.4	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 75 to 78.
D.1.5	Statements by Directors and Auditors.	Compliant	The Annual Report of the Board of Directors on the affairs of the Company is presented on pages 75 to 78.  The Auditor's Report is provided on page 118 and 119.
D.1.6	The Annual Report should contain a 'Management Discussion and Analysis'		The Management Discussion and Analysis is given on pages 82 to 113 of this Annual Report, which covers the disclosure requirement under this Code.
D.1.7	Summon an Extraordinary General Meeting (EGM)	Compliant	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	RISK MANAGEMENT AND INTERNAL CONTROL		
D.2.1	The Board should monitor risk management on internal control system and carry out a review of their effectiveness and report on the same in the annual report.		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. Audit Committee Report and Internal Control Report are given on pages 117 and 58 respectively.
D.2.3	Internal audit function.	Compliant	The internal audit function is carried out by the team of Internal Auditors headed by a qualified well experienced and competent person. 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.

Section	Corporate Governance Requirement	Compliance Status	CICL's Level of Compliance
D.2.4	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 at audit committee meeting reviews since the Audit Committee carries the responsibility over the Company's risk management practices.
D.2.5	Statement of internal control	Compliant	A statement on internal control is given on pages 58 to 63.
D.3	AUDIT COMMITTEE		
D.3.1	Establish an Audit Committee of at least three Non Executive Directors.		The Audit Committee is a sub-committee of the Board and comprises 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.
D.3.2	Terms of reference of the Audit Committee.	Compliant	<p>The Audit Committee operates with clearly defined terms of reference which are reviewed annually. Key areas of focus are;</p> <ul style="list-style-type: none"> <li>- Composition</li> <li>- Meetings</li> <li>- Internal audit</li> <li>- External audit</li> <li>- Financial reporting</li> <li>- Compliance and litigation</li> <li>- Risk management and internal control</li> <li>- Reporting responsibilities</li> <li>- Related party transactions</li> <li>- Other responsibilities</li> </ul>
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	CODE OF BUSINESS CONDUCT AND ETHICS		
D.5.1	Disclosure of Compliance with the Corporate Governance Code.	Compliant	Company has included corporate governance report from pages 64 to 74, 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.
D.5.4	Chairman's Statement	Compliant	Refer the Chairman's Message on page 18 and the Annual Report of the Directors on page 75.
D.6	CORPORATE GOVERNANCE		
D.6.1	Corporate Governance Disclosures	Compliant	Refer Compliance Status on page 64 to 74 to comply this requirement.

# Compliance Status

Section	Corporate Governance Requirement	Compliance Status	CICL's Level of Compliance
<b>E</b>	<b>INSTITUTIONAL INVESTORS</b>		
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 71.
<b>F</b>	<b>OTHER INVESTORS</b>		
F.1	Investing and deinvesting decision		Individual shareholders are encouraged to carry out adequate analysis or seeking independent advice on their investing, holding or divesting decisions. The Annual Report contains sufficient information to make an informed decision.
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.

# Annual Report of the Board of 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, 2019 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 201 and Auditor's Report on financial statements is provided on page 118 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 company for the financial year under review amounted to Rs 4,305.79 Mn (Rs. 3,750.84 Mn in 2018).

## Financial Results and Appropriations

	Group		Company	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Net profit before taxation	426,930	414,748	397,254	405,776
Income tax	(154,351)	(3,102)	(131,591)	(137,622)
Net profit after taxation	272,579	411,646	265,663	268,154
Profit attributable to NCI	6,698	33,469	-	-
Unappropriated profits brought forward	827,223	614,178	656,163	553,311
Effect on partial investment	3,741	(36)	-	-
Other comprehensive income	(2,170)	5,038	(1,773)	4,832
Funds available for appropriation	1,094,674	997,356	920,053	826,297
Dividends Paid	(171,693)	(170,134)	(171,693)	(170,134)
Unappropriated profits carried forward	922,981	827,223	748,360	656,163
Earnings per share (Rs.)	1.91	2.93	1.91	2.08

# Annual Report of the Board of Directors

## 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 30 and 33 of the annual report.

Name of the Director	Status
Dr. 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. K.S.S. Weerasekara	Non-Executive Director
Mr. D.L. Samarawickrama	Non-Executive Director
Mr. A.B. Senadeera	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 e Director	Board Meetings		Audit Committee Meetings		Investment Committee Meetings		Human Resources Committee Meetings		Business Development		Purchasing Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
1 Dr. W Lalith A Peiris – Chairman	12	12			03	03	12	12	03	03	12	09
2 Mr. K.R.K.N. Jayasinghe – Vice Chairman	12	12					12	10			12	10
3 Mr. K.R.W. Ranasinghe – Managing Director	12	12			03	03	12	11	03	03	12	11
4 Mr. D.P. Amaradeva	12	12	17	17								
5 Mr. R. Sooriyaarachchi	12	11			03	03					12	09
6 Mr. K. J. Sesiri	12	12					12	12				
7 Mr. C.P. Jayasinghe	12	10							03	02	12	11
8 Mr. R.G.K. Rankothge	12	12	17	16								
9 Mr. A.T.D.S. Palitha	12	12	17	17								
10 Mr. J.M.V.P. Jayasooriya	12	12	17	13								
11 Mr. P.P.D.S. Kularathna (Retired on 07.07.2019)	08	08			02	02	05	04				
12 Mr. K.S.S. Weerasekara	12	12			01	0	05	05	03	03		
13 Mr. D.L. Samarawickrama	12	12							03	03		
14 Mr. A.B. Senadeera (Appointed on 30.08.2019)	05	05										

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

B – Number of meetings attended



## 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, 2019 are as follows:

Name of Director	Number of Shares
Dr. W. Lalith A. Peiris - Chairman	14,952
Mr. K.R.K.N. Jayasinghe - Vice-Chairman	Nil
Mr. K.R.W. Ranasinghe - Managing Director	Nil
Mr. R. Sooriyaarachchi	34,577
Mr. K.J. Sesiri	8,684
Mr. D.P. Amaradeva	8,062
Mr. C.P. Jayasinghe	2,998
Mr. R.G.K. Rankothge	1,075
Mr. A.D.T.S. Palitha	Nil
Mr. J.M.V.P. Jayasooriya	Nil
Mr. K.S.S. Weerasekara	Nil
Mr. D.L. Samarawickrama	Nil
Mr. A.B. Senadeera	Nil

## Investments

The details of investments held by the Company are disclosed in Note 06 to the Financial Statements.

## Property, Plant & Equipment

The book values of the Property, Plant & Equipment(Group) were Rs. 1,195.Mn as at the Balance Sheet date. Details of the Property, Plant & Equipment and movement during the year are disclosed in Note 04 to the Financial Statements.

## Major Shareholders

Major shareholders of the Company as at December 31, 2019 are as follows:

# Annual Report of the Board of Directors

Name of the Shareholder	Number of Ordinary Shares
Wennappuwa Multi-Purpose Co-operative Society Ltd.	19,582,105
Post & Telecom Employees Co-operative Bank Society Ltd	15,665,684
Wayamba Co-operative Rural Bank Union Ltd.	10,148,738
Gampaha District Co-operative Rural Bank Union Ltd.	10,011,797
Public Service Co-operative Credit & Thrift Society Ltd	8,772,783
Matara District Co-operative Tea Producers' Co-operative Society Ltd.	7,362,586
Beliatta Multi-Purpose Co-operative Society Ltd.	6,301,563
Matara District Co-operative Rural Bank Union Ltd.	4,883,782
Beralapanathara Multi-Purpose Co-operative Society Ltd.	3,046,926
Homagama Multi-Purpose Co-operative Society Ltd	2,891,031
Colombo District Co-operative Rural Bank Union Ltd.	2,678,193
Kotapola Multi-Purpose Co-operative Society Ltd.	2,659,456
Hambantota District Co-operative Rural Bank Union Ltd.	2,520,625
Sri Lanka Co-operative Rural Bank Federation Ltd	2,520,625
Panduwasnuwara Multi-Purpose Co-operative Society Ltd.	2,364,094
Central Province Co-operative Rural Bank Union Ltd.	2,333,934
Puttalam Salt Limited	2,236,776
Bingiriya Multi-Purpose Co-operative Society Ltd.	2,136,230

## 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 79.

## Stated Capital

The Company's issued and fully paid stated capital as of the year end was Rs1,515,756,670/-

## 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 Jayasinghe and Company, Chartered Accountants as auditors for the financial year ending December 31, 2020 and to authorize 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 11, 2020 "Grand Monarch Hotel, 527/7, Borella Road, Thalawathugoda at 10.00 a.m. The Notice of Meeting relating to the 22nd Annual General Meeting is given on page 218.

By Order of the Board of Directors,



Business Management Services Ltd.

Secretaries to the Company

May 27, 2020

# Certificate of IBNR and LAT



08 April 2020

## Co-operative Insurance Company Limited 31 December 2019 Net IBNR and LAT Certification

I hereby certify that the undiscounted net of reinsurance Central Estimate IBNR provision, including an allowance for CHE of LKR 307,472,431 is adequate in relation to the Claim Liability of Co-operative Insurance Company Limited as at the 31 December 2019, 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 2019, in many but not all scenarios of future experience.

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 1,849,341,910 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 2019, in many but not all scenarios of future experience. As such, there is no premium deficiency to be recognised by the Company.

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.

A handwritten signature in black ink, appearing to read 'S. Kumar'.

Sivaraman Kumar  
Fellow of the Institute and Faculty of Actuaries (FIA)  
For and on behalf of NMG Consulting  
Dated 8 April 2020

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# Management Discussion and Analysis

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# Stakeholder Engagement



- **Shareholders**
- **Customers** – 862,156 policyholders
- **Employees** – 1,352
- **Business Partners** – Cooperative Societies, Agents, Brokers, Field Officers, Reinsurers, Auditors
- **Regulatory Agencies** – IRCSL, CASL, SLFRS
- **Community** – Religious, NGO and Underprivileged communities

## Contributions from Stakeholders

Stakeholders are what forms our organisation and is the eco-system of our Company. Their contributions no matter how big or small, takes CICL on a path of evolving growth, undeterred by challenges and the highly competitive landscape. Our Stakeholders has become our competitive advantage that sets us apart from other insurers.

<b>Shareholders</b>	<ul style="list-style-type: none"> <li>• Capital for Strategic Growth and Investments</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Premium</li> <li>• Continued trust in us</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Expert knowledge</li> <li>• Experience</li> <li>• Dedication and Professionalism</li> <li>• Insights for corporate growth</li> <li>• Representatives of the COOP brand</li> </ul>
<b>Business Partners</b>	<ul style="list-style-type: none"> <li>• Promotion of our solutions</li> <li>• Funneling of resources for increased business volume</li> <li>• Contributors to our market growth and reputation</li> </ul>
<b>Regulatory Agencies</b>	<ul style="list-style-type: none"> <li>• Providing regulations and insights for governance and stability of the industry</li> </ul>
<b>Community</b>	<ul style="list-style-type: none"> <li>• Opportunity to engage in social responsibility</li> </ul>

## Value Creation for Stakeholders

During the year, we contributed to the growth of our Shareholders and Stakeholders, delivering increased returns and enhanced performance to the best of our management capabilities.

<b>Shareholders</b>	<ul style="list-style-type: none"> <li>• A dividend of Rs. 86 Mn. was distributed by way of new shares to Shareholders.</li> <li>• The Annual General Meeting of Shareholders was conducted and approval obtained on numerous matters of importance.</li> <li>• Regular meetings on Company progress were organised with Co-operative societies.</li> <li>• Approval was obtained for all non-routine matters by the Board of Directors.</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Claims of Rs. 2,985 Mn. paid during the year</li> <li>• Fast claim settlement and low premiums</li> <li>• 2 new branches added</li> <li>• Time for accident inspection reduced with new app</li> <li>• 75% of Customer complaints resolved</li> <li>• Enhanced customer service/customer care</li> </ul>



<b>Employees</b>	<ul style="list-style-type: none"> <li>• Employee skill and career development through CITA</li> <li>• Activities and facilities for welfare</li> <li>• Overseas training for Corporate and Senior management</li> <li>• Welfare and leisure activities for work-life balance</li> </ul>
<b>Business Partners</b>	<ul style="list-style-type: none"> <li>• Recognition and Rewards</li> <li>• Support with information</li> </ul>
<b>Regulatory Agencies</b>	<ul style="list-style-type: none"> <li>• Compliance with Regulatory Requirements by IRCSL</li> <li>• Central Bank</li> <li>• National Insurance Trust Fund</li> <li>• Companies Registrar</li> <li>• CICA continues to be compliant with all reporting and auditing requirements by regulatory institutions.</li> <li>• Department of Inland Revenue, CA Sri Lanka</li> </ul>
<b>Community</b>	<ul style="list-style-type: none"> <li>• Financial Contributions and Coordination of CSR Initiatives</li> </ul>

## Engaging with Stakeholders

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.

<b>Shareholders</b>	<ul style="list-style-type: none"> <li>• Annual general meeting</li> <li>• Annual report presentation with Audited Financial Statements</li> <li>• Quarterly Reports to Shareholders</li> <li>• Continuously providing assistance in CSR activities to Shareholders (Co-operative Societies)</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Call centre assistance</li> <li>• Speedier arrival of assessors to accident sites</li> <li>• Faster claim settlement and higher claim settlement ratio</li> <li>• Diversified product portfolio and low premiums</li> <li>• Increasing branch network and ease of access to services</li> <li>• Access to information through call centre assistance and corporate website</li> <li>• Enhanced customer service through our call centre</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Staff Annual Awards</li> <li>• Management and staff meetings</li> <li>• Branch-wise meetings</li> <li>• Sales Personnel meetings</li> <li>• Online learning portal and core business systems</li> <li>• Cooperative Insurance Training Academy (CITA)</li> <li>• Overseas workshop exposure</li> <li>• Outbound training</li> <li>• Technical and sales trainings and workshops</li> <li>• Staff welfare and leisure activities</li> </ul>
<b>Business Partners</b>	<ul style="list-style-type: none"> <li>• Monthly review meetings</li> <li>• Trainings</li> <li>• Encourage win-win partnership</li> <li>• Encourage ethical conduct</li> </ul>
<b>Regulatory Agencies</b>	<ul style="list-style-type: none"> <li>• Compliance with Regulatory Requirements by IRCSL</li> <li>• Central Bank</li> <li>• National Insurance Trust Fund</li> <li>• Companies Registrar</li> <li>• CICA continues to be compliant with all reporting and auditing requirements by regulatory institutions.</li> </ul>
<b>Community</b>	<ul style="list-style-type: none"> <li>• CSR Activities</li> <li>• Employment opportunities</li> <li>• Enhance knowledge by updating corporate website</li> </ul>

# Growth Strategy

## Strategic Plan

With a focus on key strategic areas, Stakeholders and regulatory compliance, our Strategic Plan focuses on separate objectives with relevant KPIs that measure performance across core areas. We have taken an inclusive look at each Core Area, with objectives that impact every aspect of business.

Performance Area	Objective	KPI	Outcomes in 2019
FINANCIAL CAPITAL: Financial and Investment Management	Increase in Profitability	Increase in GWP and market share	GWP Rs. 4,305.79 Mn in total. Increase in market share during the year
	Increase in Shareholder returns	Increase in revenue	Rs. 668 Mn increase in revenue
		Increased investments and investment income	Rs. 64.25 Mn investment income and a 7% increase
	Statutory requirements	Maintaining statutory RBC level at 120%	187% RBC
HUMAN CAPITAL: Developing Employees	Employee Training and Development	More education programs through CITA	Partnered with CII, for new courses.
		Training for sales and non-sales staffers	Training for underwriting staff
		Increase training in professional and soft skills development	Training for Sales Staff, newcomers, regional staff and sales staff
			Training to branch staff on systems
	Employee Retention, Recognition and Rewards	Performance based rewards	Annual Awards
		Welfare benefits	Rs. 8 Mn in benefits
		Competitive salaries	Salary increments for selected employees based on performance
	Recruitment	Internal promotions	Several during the year
		Training new recruits	Induction programs
INTELLECTUAL CAPITAL: Develop ICT and internal efficiencies	Develop customized software and systems for driving efficiency	Fully Integrated core business systems	On-going
		In-house claims management system	Completed
		Document Management Systems for a paperless environment	Completed
		Digitized Solutions	Assessor App
	Digital and web-based customer solutions	Digital services introduced to customers	In-progress
	Customer Service	Call Centre improvements	Upgraded call centre systems
	CITA	New additions in programs and partners	New partner – CCI New CII course
		Increase in student registrations	30 new students

Performance Area	Objective	KPI	Outcomes in 2019
SOCIAL CAPITAL: Strong Social Relationships	Enhanced service to customers	Customer complaints resolved and claims settlement	75% resolved
		Providing affordable and diversified solutions (Blue Ocean Strategy)	On-going progress
		New Touch Points and expanding channel network	New branches, brokers and agents during the year
		Faster claims settlement and reduced processing time	Time reduced in motor claims
		Increase brand value and image	CSR and promotional activities
	Strengthened relations with Business Partners	Continued engagements, product and sales training	Increased commissions and training conducted
	Increased contribution to community	Financial and non-financial contributions	Several donations made to institutions
MANUFACTURED CAPITAL: Managing assets and expanding physical presence	Expand touch points	New branches, New partners	2 new branches
	Investment and Optimum use of PPE	New PPE	Rs. 78 Mn in capital expenditure
		Improved facilities in branches	Branch infrastructure improved
NATURAL CAPITAL: Positive impact on the environment	Contributions to environment	Tree planting	New trees planted
		Consumer energy and water mindfully	Energy efficient equipment
		Reduce paper usage, adopt a paperless environment	Document Management System
Governance and Internal Controls	Compliance to statutory rules and regulations	Adherence to IRCSL regulations	Adhered with few exceptions
		Adherence to SLFRS and accounting standards	Preparations for SLFRS 16 and 17
		RBC above statutory levels	187% RBC
	Responsible oversight by Leadership and sub-committees	Periodic Reviews and Audits	Board meetings and sub committee meetings (Refer Director Report)
	Adherence to Governance Framework	Carrying out of responsibilities of sub-committees	(Refer CG Note)
Risk Assessment	Managing Key Risk Areas	Following Risk Control Mechanisms	Risk areas assessed
	Maintaining adequate and balanced financial investments	New investments and changes to investment mix	Investment portfolio increased by Rs. 610 Mn
	Re-insurance	Graded re-insurance companies	A and AA graded reinsurers and government backed NITS

# Value Creation Model

## CAPITAL INPUTS >>

### FINANCIAL CAPITAL



**Rs. 1,516 Mn**

Stated Capital

**Rs. 1,130 Mn**

Retained Earnings & Other Reserves

**Rs. 426 Mn**

Operating Cash Flows

**Rs. 3,498 Mn**

Investment Portfolio

### HUMAN CAPITAL



**1,352**

Talented Employees

**Rs. 3 Mn**

Invested in Training and Development

**Academy**

Training academy for continuous improvement of employees

### SOCIAL AND RELATIONSHIP CAPITAL



**247**

Field Staff

**Projects**

Continuous Investment in Community

**Back up**

Strong Reinsurance

**Banking**

Eminent Banking Panel

**Cashless**

Hospital Network for Cashless indoor treatments

### INTELLECTUAL CAPITAL



**Strength**

Experienced Board and Competent Corporate Management

**Brand**

Co-op brand which is closer to the people

**Academy**

Training academy for continuous improvement of employees

### MANUFACTURED CAPITAL



**Rs. 915 Mn**

Investment in Property Plant & Equipment

**104**

Branch Network - General Insurance

**53**

Branch Network - Life Insurance



### 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.

## >> VALUE CREATION MODEL

## >> 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.



### 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

### PROUDLY LAUNCHED MOBILE APP



#### FINANCIAL



### Rs. 18.5

Net Assets per Share

### 22%

Growth in Reserves

### 10%

Return on Equity

### Rs. 265.7 Mn

Profitability

#### HUMAN



### Training

Increase in Employee Training

### Revenue

Increase Revenue per Employee

### 97%

Employee Retention

### Rs. 1.5 Mn

Value added per Employee

#### SOCIAL AND RELATIONSHIP



### 15%

Revenue growth

### Retention

Increased customer retention

### Rs. 2,810 Mn

Claims paid

#### INTELLECTUAL



### Software

New software solutions for claims management, administrations and HR

### 104 CICL

Networking software connecting 104 CICL Branches including 23 New Branches

### Energy

Natural Depletion of energy by converging to low consumption lighting

### Eco-Friendly

In the process of converting to a paperless office

#### MANUFACTURED CAPITAL



### 02

New branches

### Equipment

New ICT equipment

# Economic & Regulatory Environment

## Global Economy

The global economy experienced deceleration in 2019 owing to weakness in trade and investment, global trade tensions, setbacks in major economies and financial drawbacks in Emerging Market and Developing Economies (EMDE). Global growth experienced a reduction to 2.4% which was the slowest since the global financial crisis.

Activity across trade in goods, manufacturing and service related developments slowed down during the year. In October, bilateral discussions between US and China resulted in a decrease in tariffs which has eased tension between the two power houses – as part of a Phase One agreement.

According to the World Bank, the subdued developments in international trade and investment were also impacted by a decelerated global demand, policy uncertainty and an increase in tariffs. Weaker demand has further restrained commodity prices which were offset partially by restrictions in supply.

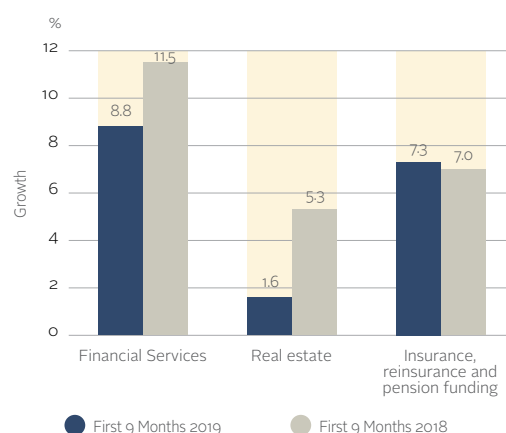
## Local Economy

In 2019, the country witnessed several setbacks and uncertainties which resulted from political unrest, the November Presidential election and the terror attacks of April. The consequences of the latter, impacted economic and social stability of our country, ultimately impacting GDP growth to fall from 3.8% in the first quarter to 1.5% by Q2 of 2019; and as per the Department of Census and Statistics Gross Domestic Product for 2019 has been estimated at 2.3%. Sector-wise, Agriculture, Industry, Services and Taxes less subsidies contributed to GDP at 7.4%, 27.4%, 58.2% and 6.9%, respectively.

With pertinence to the insurance industry, Services related activities grew by a decelerated rate of 2.8% during January and September of 2019, in relation to 5.1% in the corresponding period in 2018. Demonstrating the consequences of the Easter attacks even further, growth in accommodation, food and beverage services declined with transportation showing only a marginal growth.

Financial service activities grew by 8.8% within the same period against 11.5% in the corresponding period with the highest contribution to the service sector. Real estate activities grew by 1.6%, compared to 5.3% from the corresponding period of 2018. Most notable was the marginal growth of Insurance, Reinsurance and Pension Funding activities at 7.3%, compared to 7% in the last corresponding period.

## Service Sector Growth



Data Source: Central Bank of Sri Lanka | Recent Economic Developments: Highlights of 2019 and Prospects for 2020.

## External Sector

During the period between January and September, 2019, the trade deficit narrowed as a result of reduced expenditure on imports and a moderate growth in export earnings. The trade deficit declined to USD 4,854 Mn in the said period, a sharp contrast to the USD 7,240 Mn deficit reported in the previous corresponding period. Earnings from both merchandise and industrial exports had risen in the same period. Agricultural exports represented 21% of total exports but had decreased by 3.2% in the period.

Expenditure on imports declined by 14.6% during the period, with 11.7% decline in intermediate goods, which account for 57% of the country's total import expenditure. The country's trade deficit is projected to increase in 2020, by CBSL with export earnings being surpassed by increased imports demanded from higher economic activity.

Through the issuance of International Sovereign Bonds, foreign exchange buys by CBSL from the domestic Forex market and the IMF-EFF helped increase the Gross Official Reserves to USD 7.6 Bn. from USD 6.9 Bn. in the previous year. The Balance of Payment (BOP) recorded a surplus in the overall balance during January-September, enabled by a strong financial account and lower current account deficit.

## Inflation

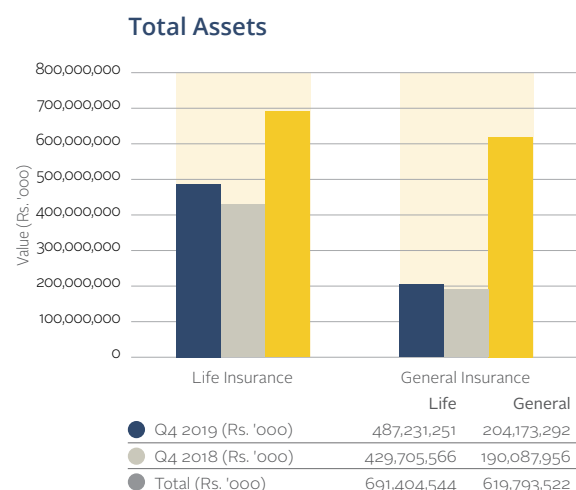
Inflation based on the National Consumer Price Index (NCPI) reached 6.2% in December from 4.1% in November. The Year-on-Year inflation of food category has increased from 4.0% in November 2019 to 8.6% in December 2019; non-food category inflation stayed without deviations at 4.2%.



## Industry Performance

Insurance penetration remains low, with GWP as a percentage of GDP being reported at 1.24%. However, there is optimism that with the increasing per capita income the industry can expect to gain a better level of saturation in both general and Life Insurance segments.

As of end 2019, 26 insurance companies were registered with the IRCSL, formed by 12 General Insurance companies and 12 Life Insurance firms along with 2 composite insurers. Approximately 50% of the industry's total GWP is shared by five companies of which close to 20% has been achieved by the state-backed insurer; in addition 80% of GWP in the Life Insurance sector is shared by five insurers. The industry also has 65 insurance brokerage companies.



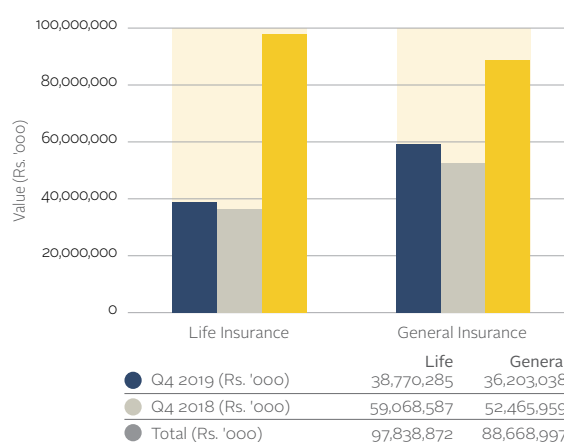
Data Source: Industry Highlights - Q4 of 2019 vs. Q4 of 2018.

Several companies have entered into partnerships and acquisitions while six insurers operating with equity from foreign partner companies.

Profit before tax in the Life Insurance sector showed a decline at the end of Q4 of 2019; PBT of General Insurance has also decreased by 13%. Total assets of the industry has grown by 12%, reporting Rs. 691 Mn with Rs. 487 Mn of total assets in the Life Insurance Business followed by Rs. 204 Mn in total assets within General Insurance businesses.

Premium growth for Life Insurance and General Insurance Businesses were 11%, and 7%, respectively; overall industry premium growth was 8%. Growth in Claims of Life Insurance business was by 7% and 13% for General Insurance Business. Total claims by insurance companies stood at Rs. 97,838,872 Mn in 2019, which was an increase compared to Rs. 88,668,997 Mn in 2018.

## Claims



Data Source: Industry Highlights - Q4 of 2019 vs. Q4 of 2018.

Gross Premiums by 4Q of 2019 amounted to Rs. 197 Bn. up from Rs. 181 Bn. in 2018. The Life Insurance Business marked Rs. 89 Bn. from total Gross Premiums and General Insurance Business recorded a value of Rs. 108 Bn., marking an increase from the previous period.

## Industry Regulations

In 2011 the industry changed its stance on composite insurance companies, requiring such insurers to split their Non-Life and Life Insurance businesses into two separate entities, which were required to prepare separate financial statements rather than a consolidated report. The regulation came into effect on 1st January 2015, as per the terms of Section 53 of the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011. 26 companies have complied with this requirement, 2 insurers are yet to segregate their business.

In 2013, in adopting international standards, the industry welcomed a risk-based capital model (RBC), replacing the previously followed factor based solvency regime. Under the new model, insurers were required to maintain a minimum Capital Adequacy Ratio of 120% and were further required to maintain a minimum of Rs. 500 Mn in total available capital.

In 2018, with the introduction of a new IR Act, the tax liability of Sri Lankan insurance companies (life) was revised as the taxable income included the surplus provided to shareholders and policy bearers. As a result, Life Insurance policyholders (participatory) was taxed at 14% on bonuses and dividends issued by their insurers, Shareholders (participatory and non-participatory) was charged at 28%. However, this rate was made applicable for a period of three years ending in 2020/21, after which the surplus transferred to policyholders were stipulated to be charged at 28%.

# Economic & Regulatory Environment

In 2019, CBSL, IRCSL and the Securities and Exchange Commission of Sri Lanka entered into a three-party MoU on risk-based consolidated supervision with CBSL acting as the main regulator.

## Financial Reporting Standards – SLFRS & IFRS

SLFRS 9 came into effect on 1st January 2018 and replaces LKAS 39. It applies to classification and measurement of financial assets and liabilities based on the company's model of managing contractual cash flows of the financial asset. However, SLFRS 04 provides a temporary exemption that allows an insurer to apply for LKAS 39 "Recognition and Measurement" in lieu of SLFRS 9 for financial periods that begin prior to 1st January 2021 due to adoption of SLFRS 17 - "Insurance Contracts". Company has used this exemption and will be implementing SLFRS 09 simultaneous to SLFRS 17.

CA Sri Lanka issued SLFRS 17 in line with IFRS 17. It's expected to be in effect from 1st of January 2023. SLFRS 17 will be replacing SLFRS 4 on Insurance contracts. This is expected to enhance transparency and consistency in financial reporting across all contracts.

The domestic equivalent of IFRS 16 for Lease contracts, came into effect through SLFRS 16 on 1st January 2019, and replaced LKAS 17. With the new adoption, operating leases which were previously recorded as off -balance-sheet will now follow a single on balance sheet accounting model similar to current finance lease accounting.

The industry has now begun preparations in moving away from the Sri Lankan Financial Reporting Standards 4 to the International Financial Reporting Standard 17 or IFRS – 17 in 2023. The shift requires changes to IT systems and operational processes in adapting to the new standard. IRCSL has set up a committee in addressing concerns of insurers when making the necessary adaptations. The move is expected to change the industry as well as the regulatory framework.

## IRCSL Regulations

Gazette No.2123/14 of the Financial Intelligence Unit (FIU) issued rules mandated for Life Insurers pertaining to Customer Due Diligence (CDD) for identifying, assessing and managing risks related to money laundering and terrorist financing.

Circular # 40 was issued in February 2019 on health insurance covers underwritten by long term insurers. The circular included that stand alone health covers could not be issued for less than five years. Long term

insurers can also provide health insurance benefits coined with life policies.

Circular # 41 issued in November stipulates enforcement procedure for violations/non compliances to reporting requirements mandated by IRCSL, under the RII Act, No. 43 of 2000 and subsidiary legislations.

Direction #17 was amended during the year, which provides the code of best practice on corporate governance procedures.

Direction # 18 was issued under Section 96A of the Regulation of Industry Act No. 43 of 2000 on Unclaimed benefits of long term insurance business and prohibits companies from transferring any unclaimed benefits to Shareholders.

Amended and Combined Direction # 2 - Supply of Policy Documents

The Direction mandates Life Insurers to obtain a written acknowledgment from the Policyholder or Insured life, assured within 14 days from when the policy was issued. In addition, a separate requirement is informed to General Insurance Companies with regard to policies issued through brokers, leasing or finance companies and banks.

Direction # 19 sets out the minimum net capital requirement for insurance brokering companies.

Direction # 20 prohibits the payment to parent, related and/ or unrelated companies by insurers for usage of acronym and/or trademark.

## Digital Transformation and the Industry

Technology and its eco-system is a significant driving force on the growth of the industry. With more potential for reaching a wider market base, through the convenience of secure and innovative digital services, the future of the industry requires convergence with digital transformations. While several industry leaders have adopted the use of tech platforms in providing ease of usage and more access to services, the industry as a whole is yet to fully benefit from its potentials.

By converging the digital space and insurance services, the industry can create better awareness amongst the younger populations, as well as providing convenience of faster and self-help services for the older demographics. It also offers access to data on customer behaviours, preferences and choices while allowing insurers to better gauge their prospects of customer conversions and lead gathering through interactions on digital media E.g. Social media platforms and data analytics.

# Changes to Capital

## Financial Capital

### Financial Performance in 2019

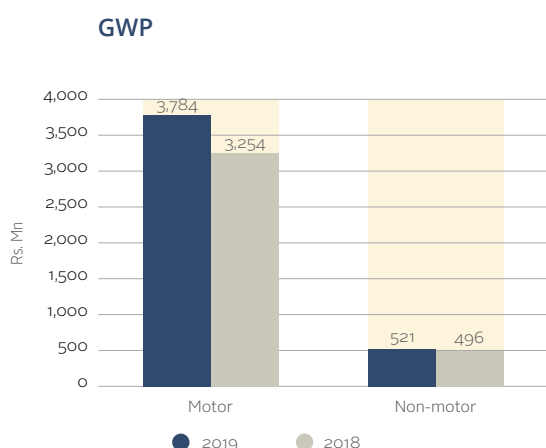
In 2019 the Group faced some significant challenges from unfavourable macroeconomic developments, from political instability, and from the negative impacts of the terror attacks in April 2019. In addition, we continued to operate in a saturated and competitive industry, achieving satisfactory operational and financial results by the end of 2019.

### Revenue

During the year under review, total revenue increased to a sum of Rs. 4,044 Mn from Rs. 3,376 Mn reported in 2018. This is a direct result of a 20% increase in Net Earned Premium (NEP), a moderate 8% increase in Investment Income and a 43% increase in Policy Administration Fees from the financial year.

At the end of the financial year, Gross Written Premium of CICL (General Insurance) for 2019 amounted to Rs. 4,306 Mn, showing a consistent and stable growth from the previous year's GWP of Rs. 3,751 Mn. The highest contribution to revenue was from Motor Insurance and amounted to Rs. 3,785Mn (a 75% share of the Group's GWP) and was higher than the amount reported in 2018, which was reported as Rs. 3,255 Mn.

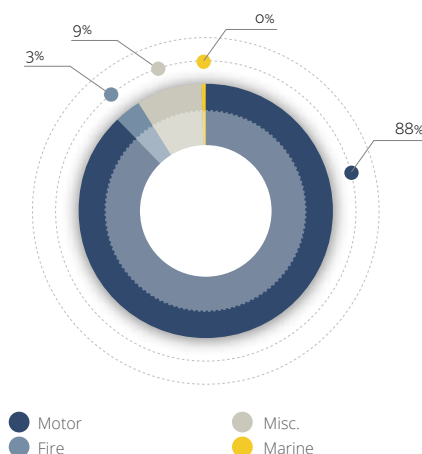
Non-motor segment also increased when compared to 2018 with GWP of Fire Insurance at Rs. 145 Mn, Marine Insurance at Rs. 14 Mn, and Miscellaneous Segments recording a GWP of Rs. 362 Mn in 2019. All segments excluding GWP of Miscellaneous Insurance have increased during the period under review.



Revenue from Other Income sources including investment income accounted for 15% of total revenue and income from Investments totalled Rs. 370 Mn in 2019, higher than the value reported in 2018 at Rs. 345 Mn.

Class	Amount (Rs. Mn)	Contribution	Growth
Motor	3,784	88%	16.3%
Fire	145	3.4%	20%
Marine	14	0.32%	79%
Misc.	362	8.4	-1.44%
Total GWP	4,305	100%	15%

Revenue Composition (GWP) - CICL



Despite a marked decline in vehicle registrations, CICL continued to witness a commendable growth rate of 16% in motor insurance, which was higher than the industry average of 5%. Motor Insurance accounts for 88% of our total GWP.

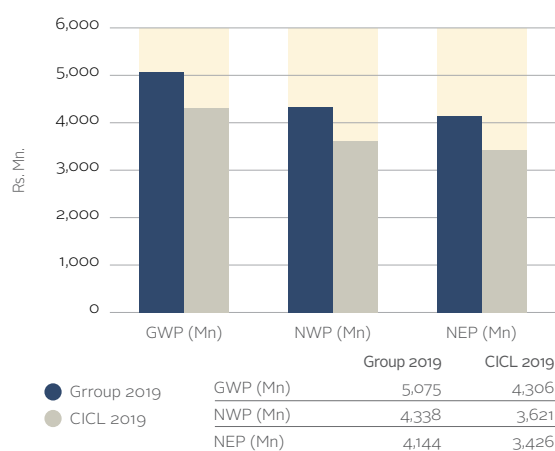
Market Share of CICL increased at a marginal rate – recording 4.27% for 2019; however, we continue to sustain our position amongst the top ten insurance companies within the country – demonstrating notable performances across Motor and Life Insurance segments.

The non-motor premium growth rate increased to 5%, compared to the industry average growth rate of 1%. Net Written Premium (NWP) of 2019 was Rs. 3,621 Mn, and had grown by 13% from 2018's NWP of Rs. 3,192 Mn. This growth was lower than the growth rate of 27% reported in 2018. Net Earned Premium (NEP) increased by 20%, in 2019 growing up to Rs. 3,427 Mn from Rs. 2,844 Mn from last year. GWP of the Group also rose to Rs. 5,075 Mn from Rs. 4,368 Mn reported in the previous financial period, NEP and NWP has also experienced an increase from the previous year's values.

# Changes to Capital

## Financial Capital

### Growth in Premiums - Group and CICL

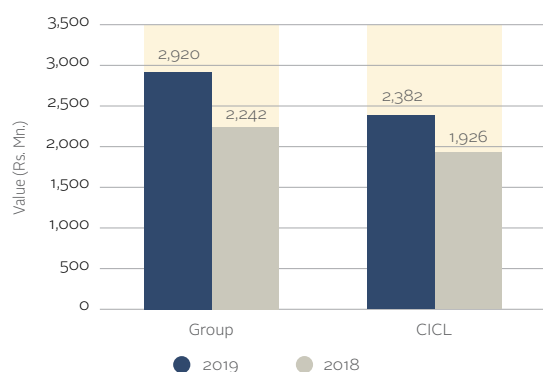


## Expenditure

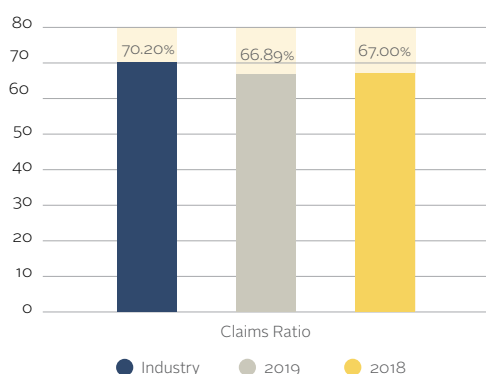
### Net Claims and Benefits

CICL recorded net benefits and claims at Rs. 2,382 Mn, which had increased from Rs. 1,926 Mn in 2018. Across the Group net claims and benefits amounted to Rs. 2,920 Mn, an increase from Rs. 2,242 Mn reported in the previous year.

### Net Claims and Benefits



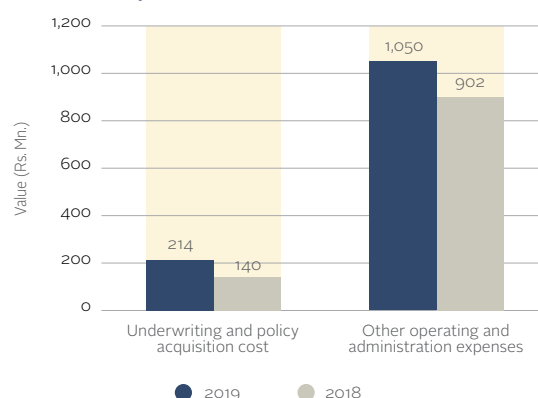
### Claims Ratio



### 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 6.25%. This ratio for the previous year was 4.94%. Policy Administration fees increased in 2019 by Rs. 70 Mn, to Rs. 231 Mn of which a majority is attributed to motor insurance which amounted to Rs. 224 Mn.

### Underwriting and Policy Acquisition Cost



### Other Operating Expenses

Costs increased during the year by 16%, mainly due to increased staff costs and administrative expenses. CICL expanded our branch network, with two new additions, which contributed to the increment in other operating expenses.

### Finance costs

Finance costs including interest costs increased significantly from 2018 to Rs. 39 Mn in 2019. This was mainly due to the Adaption of SLFRS 16 – Finance cost of Right of use assets.

### Income Tax

Income tax expenses for the year showed a declined value when compared to 2018. In 2019, Rs. 132 Mn was incurred as taxes, lower than Rs. 138 Mn expensed in 2018.

## Profitability

### Profit before taxation (PBT)

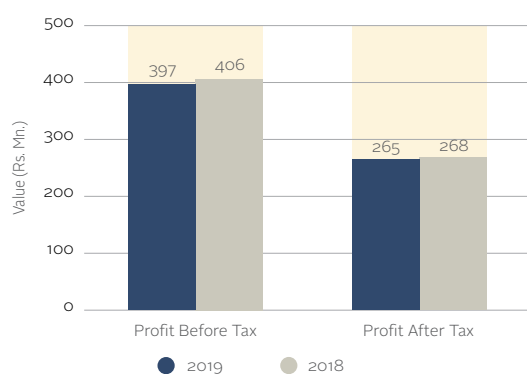
PBT for 2019 was reported as Rs. 397 Mn and had declined slightly from the Profit before tax of Rs. 405 Mn reported in 2018. Profit before tax as a percentage to net earned premium stood at 12% against 14% in the previous year.

## Profit after taxation (PAT)

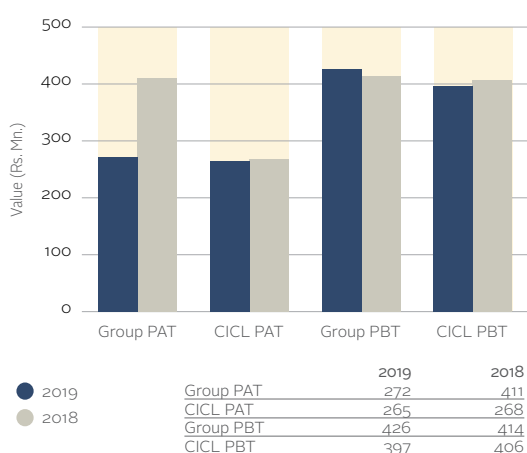
The net profit after tax (PAT) for the year was Rs. 266 Mn compared to Rs. 268 Mn in the previous Financial Year. Although, PAT showed a slight decline, the Company has been able to maintain a stable level of profitability without any significant discrepancy. Political turmoil during the year and relatively weak corporate earnings had substantial negative impact on business performance, thereby, impacting the bottom-line for both Company and the Group.

Return on assets (ROA) of CICL was 3.98%, compared to 4.88% in 2018, and Return on equity (ROE) was 10.04%, compared to 11.36% in 2018.

### Profitability CICL



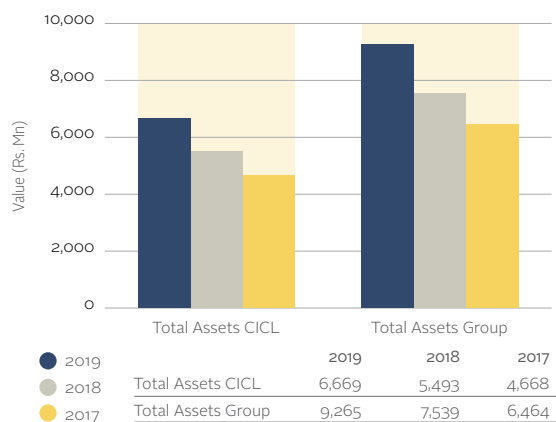
### Profitability - CICL and Group



## Assets

During the year, Total Assets grew by 21.4% when compared to 2018. Value of Total Assets was Rs. 6,669 Mn, which increased from Rs. 5,493 Mn in 2018.

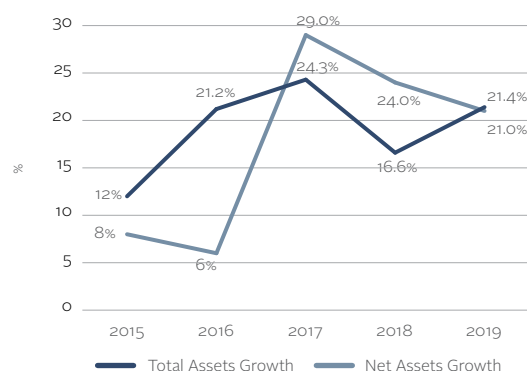
### Total Assets CICL and Group



Property, Plant and Equipment increased by 6.84% in 2019 mainly due to investment in new branches, acquisition of the new land in Ja-Ela 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. 78 Mn in 2019 against Rs. 79 Mn in the previous Financial Year. Carrying value of Property, Plant and Equipment of the Company amounted to Rs. 915 Mn in 2019.

Further Information on Property, Plant & Equipment of Company and Group are given in Note 04 to the Financial Statements.

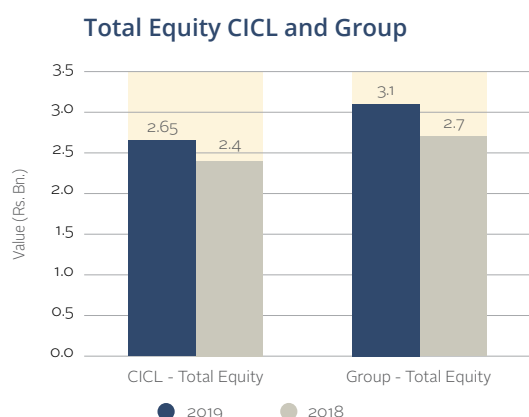
### Total Assets and Net Assets Growth



Total Equity of CICL grew to Rs. 2.65 Bn during the year from Rs. 2.4 Bn in the previous year. Total Equity of Group also increased during the 12-month period in 2019 to Rs. 3.10 Bn from Rs. 2.7 Bn in 2018.

# Changes to Capital

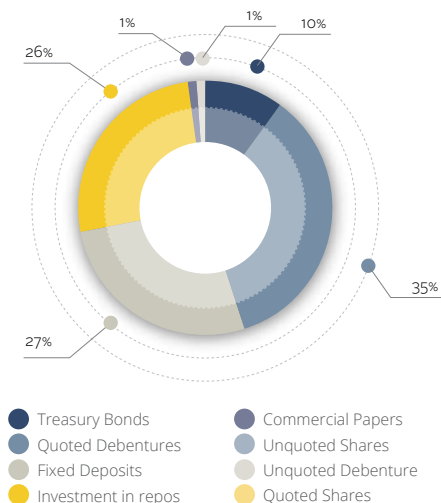
## Financial Capital



### Financial Investments

The Company and Group maintain a sound investment portfolio based on timely devised strategies that seek to optimise returns based on interest rate movements. This mix of investments ensures maximum protection to assets as expected by regulatory bodies, and allows the Company to ensure optimum returns to Policyholders and Shareholders for their investments. The investment committee takes on decision-making subject to subsequent Board approvals, while the investment policy ensures sound governance of such decisions. Decisions are based on their contribution towards solvency status and security to investments while also considering the returns on investments. The current portfolio contains 36% of government securities, which exceeds 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.

### Investment Portfolio Composition – 2019



Investment Composition %	
Treasury Bonds	10
Quoted Debentures	35
Fixed Deposits	27
Investment in Repos	26
Commercial Papers	1
Unquoted Shares	0
Unquoted Debenture	1
Quoted Shares	0

### Reinsurance and Premium Receivables

During the year, Reinsurance receivables due from reinsurance companies for paid/outstanding claims and incurred but not reported claims amounted to Rs. 358.6 Mn and 35.7 Mn, respectively. Reinsurance receivables are recognised under the terms of reinsurance contracts and the values due are estimated to be consistent with the outstanding claim provision or settled claims associated with reinsurers' policies. Both Reinsurance and Premium receivables showed an increase in comparison with the growth of GWP, and is a result of the growth in sales in 2019. Recovering reinsurance receivables in a prompt manner enables the Company to keep the amount at a minimum.

### Other Assets and Cash Equivalent

Deposits, prepayments and staff loans form other assets of the Company. During the year, outstanding staff loans were Rs. 14 Mn in comparison with Rs. 16.4 Mn in 2018. The said loans were provided at a nominal rate.

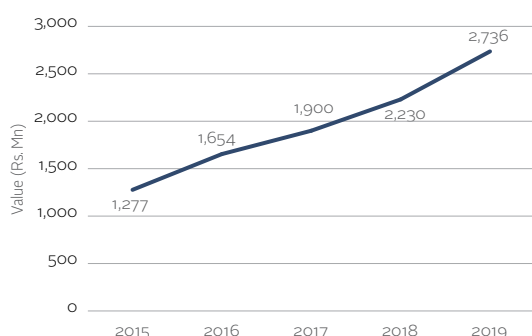
Cash and cash equivalents enable the Company to meet any immediate liquidity requirements. The recoverability of these assets is monitored on a timely basis and provisions are made in cases where the recoverability is doubtful.

### Insurance Liability

Insurance Liabilities include outstanding claims, Unearned Premium Reserve (UPR), Incurred but not Reported Claims (IBNR) and Incurred But not Enough Reported Claims (IBNER). The liability fund, which indemnifies clients from expected future losses increased by 23% from 2018.



### Insurance Liabilities



A Liability Adequacy test was conducted by M/s NMG Financial Services Consulting (Pvt) Limited, confirming that the liabilities are recorded in tandem with future obligations and they confirm that CICL has made adequate reserves in fulfilling future obligations. The test was conducted in compliance with the Sri Lanka Accounting Standard SLFRS 4 – Insurance Contracts.

### Solvency Margin

In accordance with Section 26 of the Regulation of Insurance Industry Act No. 43 of 2000, the Group maintains the appropriate and mandated solvency margins as stipulated by IRCSL. In 2019, the Group has successfully implemented the Risk Based Capital (RBC) framework on solvency margin as required by IRCSL and maintains an above industry average position Risk based Capital Adequacy Margins (RBC). The capital positions of the Group's operating companies as of 31st December 2019 and 2018 are as follows.

Criteria	CICL 2019	CICL 2018	CICL 2017
Total Available Capital (TAC) (Rs. '000)	1,698,534	1,353,242	1,299,737
Minimum capital requirements (Rs. '000)	500,000	500,000	500,000
Risk based capital adequacy	187%	178%	180%
Regulatory minimum CAR	120%	120%	120%

### Financial Value of Employee Productivity

Employee productivity as measured by revenue per employee declined from last year's figures, which was Rs. 3.4 Mn and stood at Rs. 3.1 Mn in 2019; this was impacted by an increase in the number of employees in 2019 and a decline in profit during the year under concern.

Profit before tax per employee also showed a clear decline compared to last year and was reported as Rs. 294,000 in 2019 against Rs. 371,000 in 2018. Value added per employee also showed a decline in 2019.

Class	CICL 2019 (Rs.'000')	CICL 2018 (Rs.'000')
Revenue per employee	3,185	3,432
Profit before tax per employee	294	371
Value added for employee	1,512	1,593

### Shareholders Value Creation

Profit attributable to Equity Holders of the Company was Rs. 265.6 Mn, compared to Rs. 268.15 Mn from 2018. Earnings per Share (EPS) stood at Rs. 1.91, lower compared to Rs. 2.08 of last year. Number of shares at the end of 2019 was 143,058,837 compared to 137,354,891 in 2018. Number of issued shares has increased over the 12-month period, which ended on 31st December 2019. Stated capital at the end of 2019 was Rs. 1,516 Mn and was Rs. 1,430 Mn in the previous financial period.

## FINANCIAL CAPITAL

### COOPLIFE INSURANCE LIMITED

Financial performance of CICL's subsidiary Cooplif Company Limited showed considerable growth during the year marking a Rs. 41 Mn Profit after Tax. This was despite a backdrop of economic setbacks, political instability. In addition, the regulatory environment also had an impact on the business.

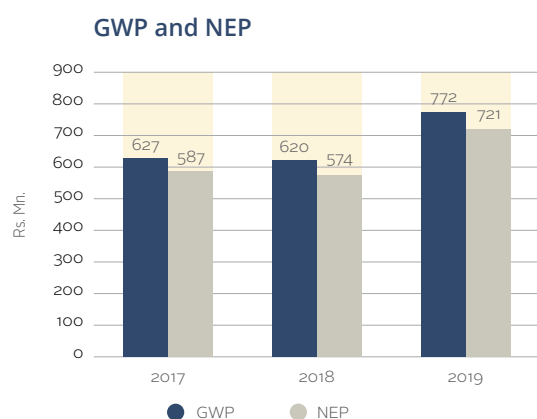
With a promise to safeguard our customers and their dependents from financial strains during challenging moments, Cooplif continued to compensate clients with timely claim disbursements. During the year Cooplif also strengthened sales volumes, providing considerable growth in GWP, becoming the second highest contributor to Group revenue.

# Changes to Capital

## Financial Capital

### GWP and Income

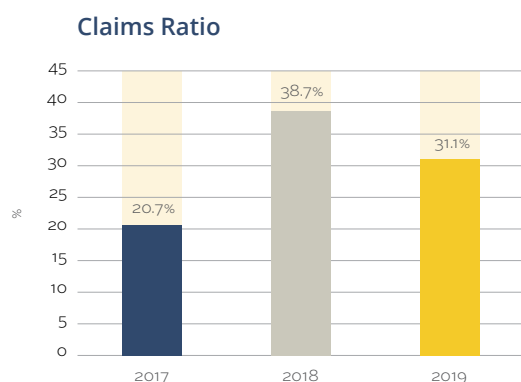
During the period, which ended on 31st December 2019, Cooplife reported a GWP of Rs. 773 Mn compared to Rs. 620 Mn in 2018. Net Earned Premium amounted to Rs. 721 Mn in comparison to Rs. 574 Mn, indicating a clear increase over the 12-month period under review.



### Gross Claims and Claims Ratio

Maintaining the promise and assurance of fulfilling customers' claims, Cooplife made a pay-out of Rs. 224 Mn during the year, as Gross Benefits and Claims compared to Rs. 222 Mn in 2018, indicating a Rs. 2 Mn increase over the period.

As indicated below the Claims ratio was computed as 31.1% for the period under review in contrast to the claim ratio of 38.7% reported in 2018. The claim ratio indicates the claims incurred in relation to earned premiums.

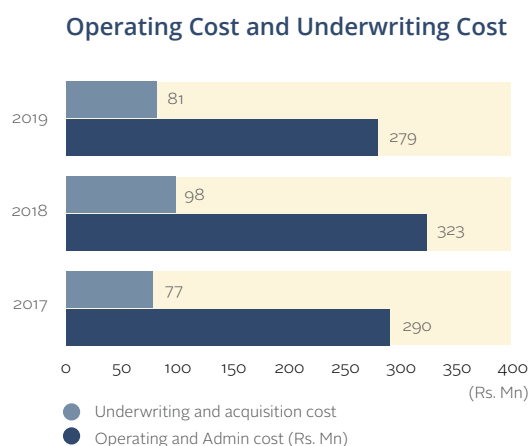


### Expenditure

Underwriting and policy acquisition costs decreased during the year, by Rs. 17 Mn to Rs. 81 Mn. Consequently, the cost to earned premium also declined in 2019, which was 11% a stark contrast to the previous year's reported 17%.

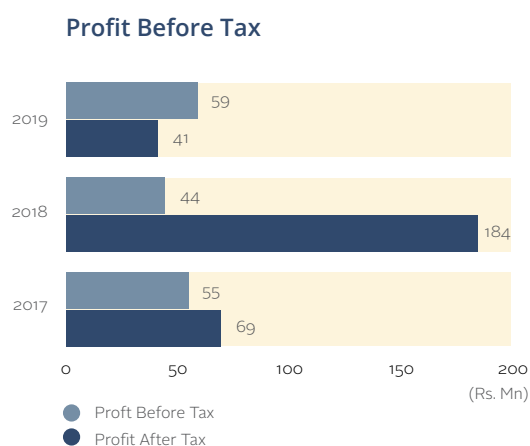
Other operating expenses also decreased during the year, and were reported as Rs. 279 Mn in comparison to Rs. 323 Mn from the previous financial year.

The finance cost has increased due to the adoption of SLFRS 16, Leases with effect from 01.01.2019. Accordingly finance cost of the year represents the interest on lease liability that arises on acquisition of right-of-use assets.



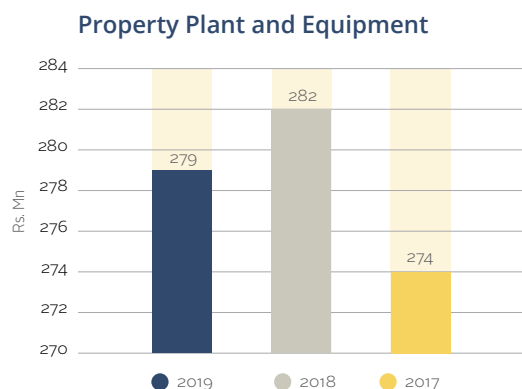
### Profitability

Profit before taxation was reported as Rs. 59 Mn during the period, which ended on 31st December 2019. PBT increased during the year compared to Rs. 44 Mn in the previous financial year. However, Profit after tax declined during the year in tandem with PBT, as a result of deferred tax reversal on carry forward tax losses.



### Property, Plant and Equipment

During the year, Company incurred Rs. 5.4 Mn of capital expenditure in acquiring PPE. Total value of PPE was recorded as Rs. 279 Mn lower than Rs. 281.19 Mn reported in 2018.

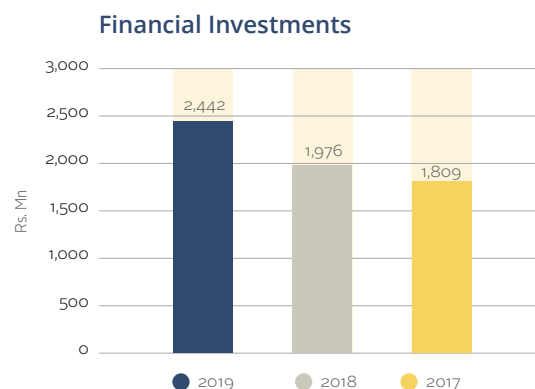


The increase in capital expenditure was due to the purchase of computers, office equipment and furniture for the expansion of the branch network and upgrade of the working environment for the existing employees. Further information on Property, Plant & Equipment of the Group are given in Notes 4 to the Financial Statements.

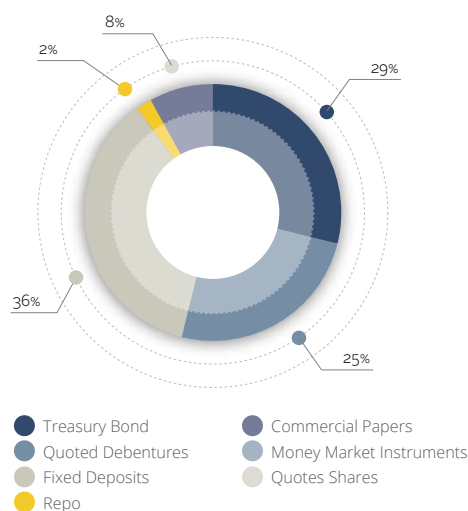
### Financial Investments

A combination of strategic investments are maintained to ensure higher returns for Policyholders and Shareholders, while assuring maximum protection to assets as per regulatory requirements. Cooplife maintains an appropriate mix of investments. All decisions pertaining to the management of the investment portfolio falls under the purview of the Investment Committee and is further ratified by the Board of Directors. Several objectives guide investment decisions and include contribution towards solvency status and the safety of investments. These factors outweigh the expectancy of returns. At present, the portfolio contains 30% of government securities and remains in excess of statutory requirements.

Financial Investments for the year recorded an increase when compared with the previous year. The total value of the investment portfolio stood at Rs. 2,442 Mn, marking an increase from Rs. 1,976 Mn reported in 2018.



### Investment Portfolio



	Investment Portfolio %
Treasury Bond	28
Quoted Debentures	25
Fixed Deposits	35
Repo	2
Commercial Papers	8.2
Money Market Instruments	1.76
Quotes Shares	0.04

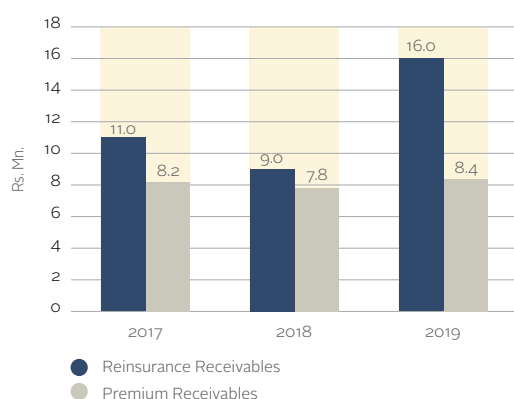
# Changes to Capital

## Financial Capital

### Reinsurance and Premium Receivables

Recognised according to the terms of reinsurance contracts, Reinsurance Receivables are dues from reinsurance companies for paid and unpaid losses and loss adjustments. This is estimated as consistent with the outstanding claims provision or settled claims associated with reinsurers' policies. Management has taken action to recover reinsurance receivables in a timely manner, striving to maintain the total amount at a minimum.

Premium Receivables was reported as a decline compared to 2018, which emanated from having promptly recovered receivables.

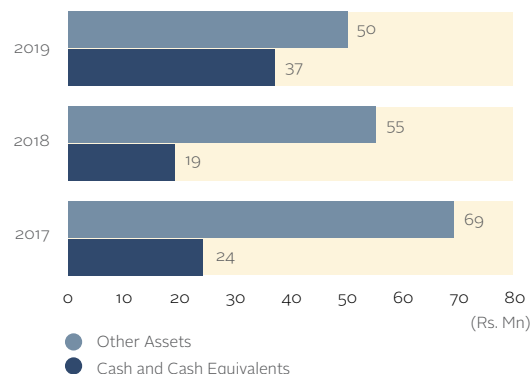


### Shareholder Capital

The Financial Period showed a value of Rs. 544 Mn as the Company's stated capital and has remained unchanged during the end of 2018 to the end of 2019.

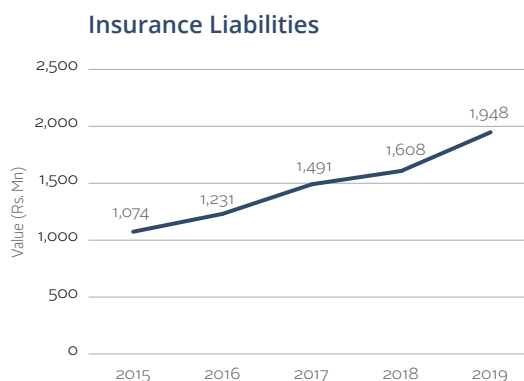
### Other Assets, Cash and Cash Equivalents

The total value of other assets pertaining to Cooplife was reported at a total of Rs. 50 Mn and includes deposits, prepayments and staff loans. The Company also maintained a sufficient amount of cash and cash equivalents of Rs. 37 Mn so as to meet liquidity requirements. Loan to employees and sales staff declined to Rs. 7 Mn from Rs. 11 Mn in 2018, provided at nominal rates.



### Insurance Liability

The company's fund for insurance liabilities was reported as Rs. 1,949 Mn, which is maintained to compensate clients from specified future losses. During the year, the fund had grown by 21% over the preceding financial period.



The provision is formed with the inclusion of claims outstanding. The existence of sufficient reserves to meet future obligations has been confirmed by the Actuary for Cooplife Insurance Limited Mr. M. Poopalanathan of Actuarial and Management Consultants (Private) Limited. The liability adequacy test was conducted in accordance with the Sri Lanka Accounting Standard SLFRS 4 – Insurance Contracts.

# Changes to Capital

## Manufactured Capital

### Highlights of 2019

- Purchase of 7 acre land
- Two new branches
- Improving existing branches
- Total PPE Group – Rs. 1.2 Bn
- Total PPE CICL – Rs. 915 Bn
- Capital Expenditure in 2019 CICL – Rs. 78 Mn.

### Full Extent of PPE

Property, Plant and Equipment forms manufactured capital which has significant impact on our business. Manufactured Capital and related assets remain enablers of our growth strategy, especially in expanding our distribution network and in managing our operational processes and services from dedicated locations such as our Head Office, Branches, Regional Offices it also includes property which has been purchased or obtained on lease agreements.

Collectively, the Group's PPE or Capital Asset Base was reported as Rs. 1.2 Bn as at 31st December 2019, whilst CICL's PPE value stood at Rs. 915 Mn; CICL currently claims full ownership of the Head Office building and property, as well as infrastructure across our branch network, islandwide and the newly purchased property in 2019.

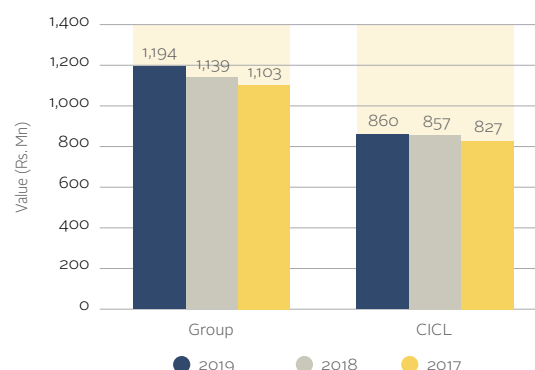
Further, our purchased infrastructure comprises of furniture, information technology based hardware and office facilities such as scanners, photocopiers and modern fixtures. The total value of our Group's PPE underwent a marginal increase in comparison to Rs. 1,138.5 Mn in 2018, while PPE of CICL increased during the year in comparison to the previous year.

### Manufactured Capital Asset Base

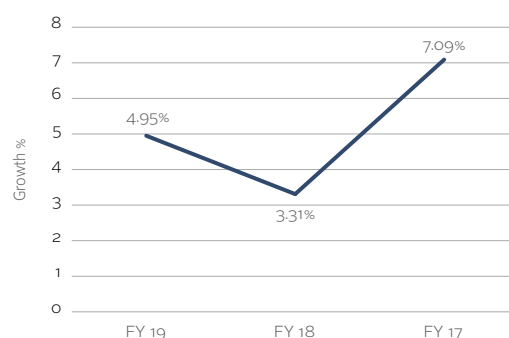
PPE Balance	2019 (Rs. Mn.)	2018 (Rs. Mn.)	2017 (Rs. Mn.)
Group	1,194	1,139	1,103
CICL	915	857	827

In the year under review, CICL's capital expenditure dropped from that of last year's Rs.79 Mn and was reported as Rs. 78 Mn at the end of 2019.

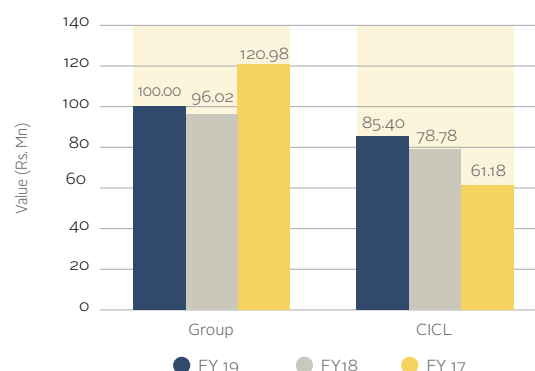
### Manufactured Capital Assets



### PPE Growth



### Capital Expenditure



### New Property Acquisition

During the year, we made a significant investment in the purchase of a new 7 acre land in Ja-ela, for the purpose of developing our salvage yard as well as in setting up a fully-fledged training centre; the property is also expected to house an auditorium which will accommodate over 2000 individuals, at any given time. Our current auditorium facility is limited to accommodating only 700 individuals, thus limiting our capacity in hosting corporate functions and training based programs for our growing workforce.

# Changes to Capital

## Financial Capital

### Technological Infrastructure

CICL's IT division continues to revamp existing core business system while developing new functionalities and applications in making our technological system more integrated and seamless. During the year, we developed several key technological advancements, namely, an in-house motor claims management system, payroll functionality for the HR system, new e-mail service, an assessor app as well as a salvage system; all with the goal of enabling our growth strategy through digital and technological innovations for faster and improved service.

With software being developed and maintained in-house, we continue to save on investment costs related to third party vendors, while also enjoying the flexibility of modifying and troubleshooting system with minimum costs. However, several gaps do exist within the systems, which have been integrated with third party functionalities, i.e. the Document Management System which has been integrated with a leading third party software provider in filling the gaps between business and technology.

Within the year, Rs.15.94 Mn (Group-wide) was invested in acquiring hardware for supporting ICT functions, which provides critically required support to our objectives of fast tracking processes, improving productivity and the move from a traditional paper-based manual operational environment to a paperless, more systematic digital platform. During the year, the Group also invested a sum of Rs. 7.9 Mn in software developments. Our ICT and network infrastructure allows employees real time work processes to occur across our 104 branches effectively enabling faster claims processing and settlement, eliminating ineffective processes, improving organisational efficiency as well as improving cost efficiencies, reducing operational costs in the mid-long term prospect.

Rs. 15 Mn and Rs. 7.9 Mn has also been invested during the year by CICL in purchasing new hardware and for developing software, respectively.

### New Branches

In 2019, the newly inaugurated 2 branches were integrated across our branch system, facilitating speedier and efficient networking that facilitates decentralised operations. These investments contribute to CICL's brand equity by enhancing brand visibility and brand image as an insurer with rapid progression.

### Call Centre Infrastructure

Equipment of our call centre infrastructure enables our service team to assist customers on inquiries and most importantly in providing assistance during roadside accidents. The call centre and our assessors are now integrated through an application that allows our call centre to respond to client requests for onsite inspections in the least amount of time by locating an assessor closest to the inspection site. This has helped CICL improve service through reduced response time, enhanced accessibility and reliability,

During the year, certain required upgrades were made to the call centre system, further improving it to help our team to provide a swift and efficient service.



# Changes to Capital

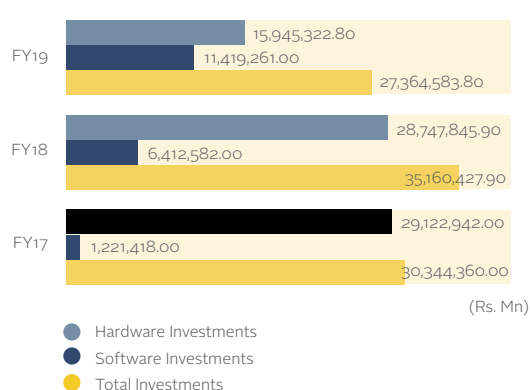
## Intellectual Capital

### Highlights of 2019

- New Education Partner - CII
- New Assessor and Call Centre Application
- Newly developed Salvage Management System
- Pay roll system
- New e-mail service
- New agricultural sector based Product (Partnership)
- Investment in IT CICL – Rs. 23 Mn

Our knowledge-based intangibles remain one of our pertinent resources which provide significant leverage in enhancing our services, employee productivity, as well as differentiating what we offer to our customers.

#### Group IT Investments



### Technological Infrastructure

The IT Division of CICL plays a vital role of facilitating the Company to reach its growth objectives. All our core business systems have been developed in-house with no third party involvements, enabling us to retain and claim full ownership of our most valuable intellectual asset.

Our core business systems and internal processes continue to be upgraded to facilitate efficiency across all key business operations and boost employee productivity with the goal of providing a better and improved level of service to all our customers. In 2019, we injected an investment of Rs. 8 Mn to developing and improving the core system software, and applications, this was in addition to an investment or cost of Rs. 15 Mn incurred for the purchase of hardware equipment including computers, servers and supporting equipment for our Head Office and Branches. Our Group spent Rs. 16 M. and Rs. 8 Mn

on hardware and software during the year while total IT investments decreased during the year than 2018 and 2017.

Our new core insurance system for General and Life Insurance businesses is developed and in-house. The core operational systems comprise of main modules such as sales and marketing, commission, underwriting, claims, payment, general ledger and administration, which are fundamental for the seamless flow 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 104 branch network. In 2018, a new Life Quotation module was also developed and integrated to the system, with quick turnaround time (TAT) in delivering quotations to customers.

#### • Assessor and Call Centre Application

In 2019, the team completed our in-house Mobile Assessor App, one of the most advanced in the industry which integrates with our Call Centre allowing our staff to track an Assessor closest to the site of an accident and direct him to the location promptly or in the least time possible using GPS tracking technology, giving customers the final benefit of a faster and reliable service.

Assessors also have the functionality of processing the onsite/garage inspection through the mobile app and it also enables real-time uploading of image to the main system. It also enables better handling of payments by the assessor, compared to the existing set-up.

#### • In-house Motor Claims system

Our motor-claims system was completed during the year allowing our staff to be more effective when settling motor-related claims.

#### • Salvage System

In order to improvise the claim handling process and as a facilitating functionality, our IT Division developed a system to better handle the process of salvage collection.

#### • Payroll system

A new system for managing payrolls for the HR department was developed and introduced in 2019. The new development was integrated with the Human Resource Management system's attendance management. Its objective is to develop a comprehensive HR system covering all elements of HRM.

# Changes to Capital

## Intellectual Capital

- New e-mail service implementation

A new service for electronic mail sending and receiving was also implemented during the Financial Year under concern.

- Document Management System

In avoiding the use of physical files and documentation the IT division has previously introduced a Document Management System (DMS) which allows relevant staff to view documents and images through an online platform. The system has been most beneficial in Claims Settlement processes which require large numbers of paperwork and space, as well as manpower required to manage documentation. Subsequent to the implementation of the DMS this has reduced by 90% with an increase in cost savings. The system has been integrated with third party system which fills gaps between our business and technology.

With the development of our Document Management System, we have envisioned a complete shift in the future from a paper based operational environment to a paperless workspace, with documents being stored and managed online.

### Building Brand Image

We continue to focus on changing our brand and corporate image towards a more compassionate stance, through the title 'Manushathwaye Rakawaranaya' we hope to reinforce this more empathetic attitude amongst our staff in how they engage with customers and the wider society, as well as increasing respect and camaraderie amongst each other at the work place and in the external environment.

The management believes that unless our corporate culture does not itself fully adopt an attitude of such nature that it will not be reflected by our services towards our customers. Hence, we are now hoping to train and motivate our employees to hone their outlook towards each other, customers and society understanding their social obligations as those who serve to insure and protect the lives and interests of others.

Our brand's visibility was augmented and engagement with the brand has increased by expanding our physical network from 102 branches to 104 in the operational year; in 2018, we added 23 new branches to our network which drastically enhanced our brand visibility and image.

### Promotions

A number of promotional programs were conducted in collaboration with FM Derana. The programs were conducted in several rural areas, targeting our core base of customers. Further, several promotions were also carried out with the use of the Company's propaganda vehicle.

Cooplife organised an annual national inter-school art competition, during the year.

### Future Technological Developments

By innovating the way we work through digital transformations, our operations are now being streamlined for enabling our employees to be more effective with reduced dependencies on unnecessary procedures. Due to the required changing in accounting principles to international standards we will be developing our in-house accounting software, merging SLFRS requirements in line with IFRS 17.

In fulfilling the needs of underwriting tasks, IT division has initiated several projects such as UW motor/non motor/salvage image upload system, online third party, and online cover note systems. Further, there are several infrastructure developments that have been set in place such as Firewall migration, Domain migration, Backup replication and some security enhancement processes.

## Certifications

- In 2019, CICL received the Award of Certificate of Compliance for the 2018 Annual Report at the Annual Report Award Competition organised by the Institute of Chartered Accountants of Sri Lanka.



- CII Initiative of the Year award was presented to CEO Mr. Pubudu Wimalaratne, awarded at the 2019 CII network conference held in New York.
- Recognized as the "Fastest Growing General Insurance Company Sri Lanka 2019" by Global Banking & Finance Review Awards UK.

## Training and Development

### Coopinsu Training Academy (CITA)

Empowering young professionals with the right education and practical training required to progress within the industry and within the ranks of Cooperative Insurance's hierarchy, the Company initiated the Coopinsu Training Academy in 2015. Registered under the Tertiary and Vocational Education Commission (TEVC) of Sri Lanka and registered as a private limited liability Company, CITA offers its students both employees and non-staff students the right knowledge and education in best practices through several certificate level qualifications and training.

CITA is the first and only insurance training academy in Sri Lanka to be approved by the TVEC, offering courses in partnership with the Insurance Institute of India and the Chartered Insurance Institute – our newest partner since 2019. CITA continues to develop in its capacity and scalability to offer widely accepted qualifications to our students with exposure to industry operations equipping them with a well-rounded learning experience.

- Empowering Career Progression

As the only insurer to provide professional training and education, we continue to facilitate our own employees with the chance to complete exams at no cost, bearing examination fees as part of our contribution to their career progression.

- New Alliance with CII - UK

In 2019, CICL partnered with the Chartered Insurance Institute (CII) of UK initiating a new alliance in providing internationally accepted course programs to students of CITA.

# Changes to Capital

## Intellectual Capital



In 2019, the Coopinsu Training Academy introduced a new diploma level program in partnership with the Chartered Institute of Insurance – UK. The newly launched program – Award in General Insurance, provides our own employees and young professionals from the insurance sector and those who are aspiring to join the industry with a unique learning experience that is accepted worldwide and in its learning outcomes.

The Company also invited the regional team of CII to address an audience of over 100 students in Colombo, as our first program together with CII. Upon its completion, 30 students registered for the CII's foundation qualification – Award in General Insurance (WO1). This was the first such cohort to receive training under the partnership between CICL and CII, providing our young professionals with an entirely new avenue to gaining an international educational qualification.

CITA currently focuses in three core area;

1. Certificate courses
2. Diploma courses
3. Professional skills development, advisory and competency enhancement

CITA not only focuses on empowering students with academic qualifications but we also focus exclusively on developing and upgrading student and employee professional skills including sales skills and personal skills – providing a complete package of programs to help them be prepared for the industry and the corporate world.



Currently, CITA has 26 students following Diploma in Insurance. In addition, 20 students are currently pursuing Diploma in Business Management with 33 students who had completed the CII Exam – W01 in 2019. During the year, another 300+ participants have undergone non-academic training related to sales and non-sales functions during the respective year. CITA provides CICL employees and learners the options of following, multiple Courses in Insurance and Marketing, including:

1. Certificate Course in Insurance
2. Certificate Course In General Insurance
3. Diploma In Insurance
4. Higher Diploma In Insurance
5. Diploma In Business Management

For the year 2020/2021 we have planned to introduce two new course programs for students: Certificate Course in Insurance Marketing and Diploma in Insurance Marketing which is pending approval from the Tertiary and Vocational Education Commission (TVEC).

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.

# Changes to Capital

## Human Capital

At Cooperative Insurance our employees are the vital strands that connect each function of our business, and are the conduits that bring service in line with objectives – allowing us to grow within a competitive and continuously evolving industry.

Contributing to growth objectives, our employees stay committed to their responsibilities. Not only do they represent Co-operative Insurance across the society, but we consider them as advocates of insurance, who are mindful of their duty to promoting insurance as a sustainable solution for minimising financial and social uncertainty.

### HR Committee

At Cooperative Insurance and Coopliflife, the Human Resource Committee ensures that vital functions of HRM are fulfilled, maintaining systematic recruitments that fulfil gaps in the workforce as well as training of employees whilst ensuring that proper recognition is awarded for hard work and commitment.

The committee which is led by Chairman and Managing Director ensures that a healthy balance is maintained in the work environment, overseeing regular review of performance and grievance handling amidst other areas that are crucial to ensuring employee satisfaction and growth.

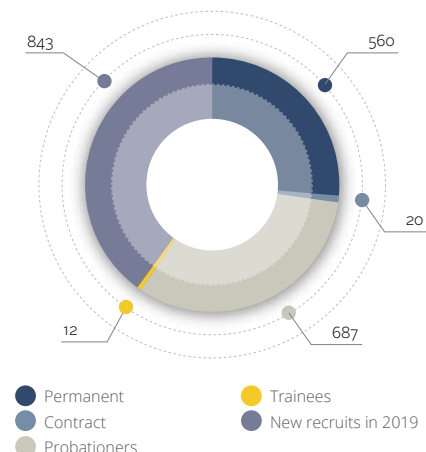
### The Team

Across the Group, our work is driven by a team of 1352 employees in Cooperative Insurance Company Limited and another team of 190 professionals who work under Coopliflife Insurance Limited. Recruited from diverse backdrops and from across the country, our team of professionals is vibrant in their skills with a solid collective of strengths that has helped us immensely to progress within the industry.

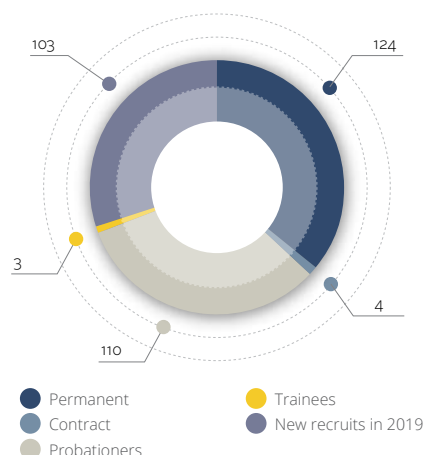
This places on us a far greater responsibility in ensuring that their service is rewarded and nurtured. Hence, we strive to equip our team with the right incentives and initiatives that provides them with professional development, self-growth and training for career growth.

### Employee Segments in 2019 – Group

CICL



Coopliflife



### Recruitment and Gender Diversity

During 2019, we recruited a total of 946 employees across the Group, adding to our growing workforce of sales, technical and administrative staff. Our recruitment procedures are developed to select individuals that match pre-requisites ideal for fulfilling job conditions. Internal recruitment takes precedence over external recruitment, giving employees the opportunity to expand career paths.

External recruits are selected based on aptitude assessments, relevant professional qualifications and most importantly based on demonstrable experience and achievements that will enhance the value they offer. Internal recruitments are based on objective assessment of candidates, in accordance with business requirements.

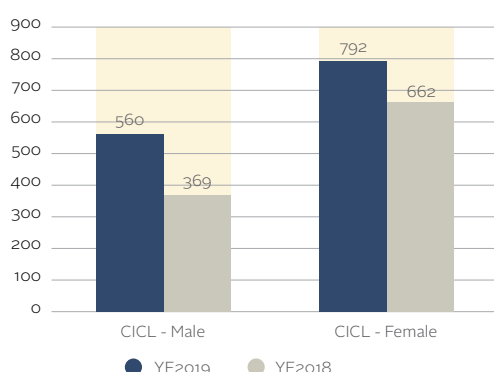


# Changes to Capital

## Human Capital

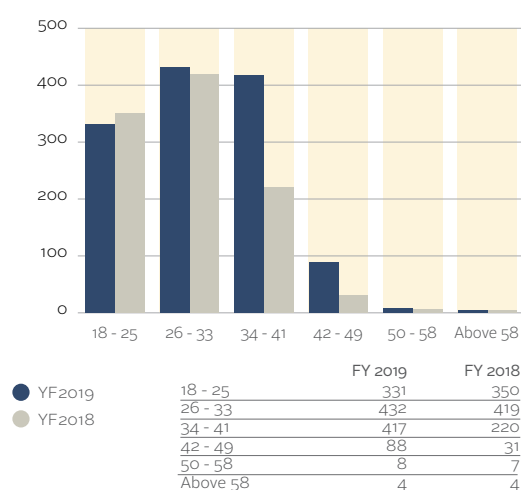
The workforce of Co-operative Insurance includes a dynamic mix of individuals with diversity in gender, age and work experience. Gender balance is a critical focus of the Company. At present, CICL has a male to female employee ratio of 1.5:1 and we continue to ensure that employees are treated without gender bias and without any tolerance of discriminatory behaviour.

**Gender Diversity - CICL**



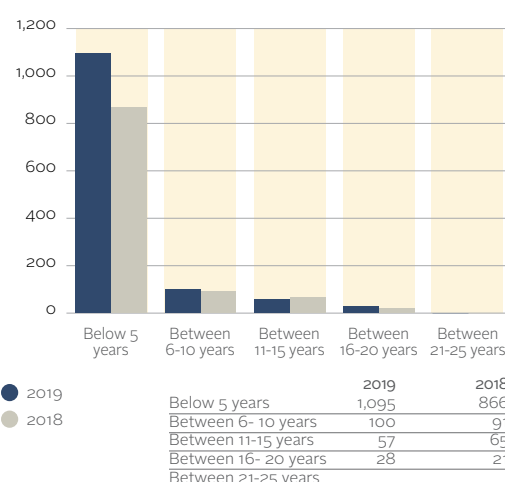
Our workforce also includes employees from diverse age categories; the majority falls within the age range of 18-41, demonstrating a strong involvement of young employees whose ideas and innovative thinking continues to shape our solutions and the way we operate.

**Workforce by Age**



In addition, CICL's workforce also represents a dynamic mix of individuals with varying degrees of experience and expertise in the field, adding different depths of value to our business.

**Workforce - By Experience**



The workforce of CICL has a provincial distribution of employees with the majority concentrated in the Western Province. There is also a balance in gender diversity with female employee numbers exceeding that of their male counterparts in certain provinces and vice versa.

## Geographical and Ethnic Diversity

Co-operative Insurance is spread across the country, serving customers from diverse backdrops, various ethnicities of society. Our employees reflect this diversity, as we continue to recruit employees from across the island, gathering a team of ethnically and socially diverse individuals.

## Developing Potentials

Employees are provided ample opportunities to expand their experience and expertise in insurance. Through our subsidiary, professional training academy CITA, our employees have the necessary impetus to select courses from internationally reputable institutions, ranging from certificate level courses to diploma level certifications.

Employees receive on the job training and selected employees receive exposure to local and international industry symposiums and workshops – adding value to their professional life as well as value to the service they offer to the organisation.

## Training and Development Programs

During the year, the Company provided training to Sales Personnel, equipping them with knowledge to improve customer service, negotiation skills and professional grooming.



Training programs were conducted for our Underwriting Staff in order to equip them with the best practices and knowledge that adds value to their personal and professional development.

In 2019 our subsidiary, Coopinsu Training Academy (CITA), partnered with Chartered Insurance Institute of (CII), UK, to offer professional qualifications in insurance - opening up an entirely fresh avenue for our employees who wish to further enhance their career prospects. This partnership offers our employees a unique opportunity to receive an internationally accredited qualification approved by the Tertiary and Vocational eEducation Commission in Sri Lanka. In addition, CITA offers new recruits as well as other employees the ideal learning environment to enhance their careers in Insurance as well as to follow several course programs from CII and the Insurance Institute of India.

Training was provided for Reinsurance Staff through a Seven day workshop in September on Reinsurance Management and a five day training program was held in October on Issues and Challenges with a focus on Reinsurance treaty designing. Both programs had 2 and 9 participants, respectively.

CITA Partnered with CII, UK



## Recognition

Fostering a corporate culture of professional growth and recognition, Cooperative Insurance together with our subsidiary Cooplife maintain periodical reviews of employees in ascertaining their performance against corporate growth objectives and short term goals. At Cooperative Insurance, we are preparing to welcome a more performance-driven work environment based on a KPI based recognition system, that not only recognises executive staff, but also non-executive employees – ranging from top management to minor staff. Envisioning a more inclusive and open work culture, the management plans to introduce a KPI based reward system – paving the way for a completely objective, clear and decisive reward system.

As part of the value we provide to our employees, monetary and non-monetary rewards both take equal importance in elevating their morale and work performances. Monetary incentives offered by the Company include performance based variable pay, vehicle allowances, medical covers, personal loans to permanent employees amongst others. In terms of non-financial rewards we provide our employees with opportunities to advance their career prospects by encouraging them to follow professional examinations, while also bearing the cost of examinations at the Company's expense for deserving employees.

Our annual Corporate Awards Ceremony remains a much awaited event – and was organised in 2019 to reward and recognise those with commendable performances. The 2019 event was attended by over 800 sales and non-sales employees. The award for 'Best Employee' is one of the most coveted titles awarded during the event and recognises an employee based on his or her behaviour, teamwork and personal astuteness in achieving business results that are in line with measurable goals and objectives.

## MD's Club – 2019

Recognising the substantial contributions of our Sales teams, we have initiated a special program dedicated to rewarding and appraising top-performers in Sales. During the year, 28 high profile sales teams were recognised as MD Club members – a special recognition that rewards top teams and sales personnel. Besides their performance against set targets we also take into account discipline, attendance and customer feedback which enable us to gauge their levels of performance, behaviour and professionalism as per quantifiable objectives and qualitative values.

# Changes to Capital

## Human Capital



### Work Environment

In enabling our employees to work in a positive and professionally conducive environment that piques their morale, we continue to improve the physical appearance of our offices and improve facilities for employee convenience. During the year, the Company invested in several branch renovations giving our more seasoned branches new layouts and interiors. Our branches in Kegalle and Galle were renovated and brandished with new exterior designs.

### Employee Retention

The sustained employments of those we recruit determine the Company's ability to provide a consistent level of service to all our customers. Most importantly, longstanding employee relations ensure that the long term objectives of Cooperative Insurance continue to be fulfilled without significant disruptions. In addition, low employee turnover enable a two-way value stream, where we sustain their services while enabling employees to increase experience and expertise – adding value to their career paths.



Maintaining a healthy level of attrition remains a key focus across the HR Department and in doing so we ensure that we make all necessary provisions to help employees in growing their potentials. At present, our

employee turnover rate remains at 2.06% indicating a low level in the number of employees that step down from their positions at CICL. We believe that a positive work environment, attractive benefits, and opportunities for growth have prompted most employees to remain with the Company.

### Grievance Handling

In maintaining an open door policy across the Company, we encourage employees to approach the higher management with grievances. Employees can air concerns, conflicts with co-workers or simply any difference in ideas can be presented to the higher management.

### Employee Welfare

During the year, we organised several endeavours to strengthen employee welfare, ensuring that employees receive financial and non-financial benefits and contributions that help fulfil their needs. During the year we conducted Zumba workout sessions, promoting health and wellness amongst our employees. In addition, the Company also conducted a Medical Camp for our staff.

### Work-life Balance

Creating a backdrop that enables employees to dedicate time to improving their personal lives, the Company organised several events which included recreational activities, sports programs, religious events and social-welfare related activities.

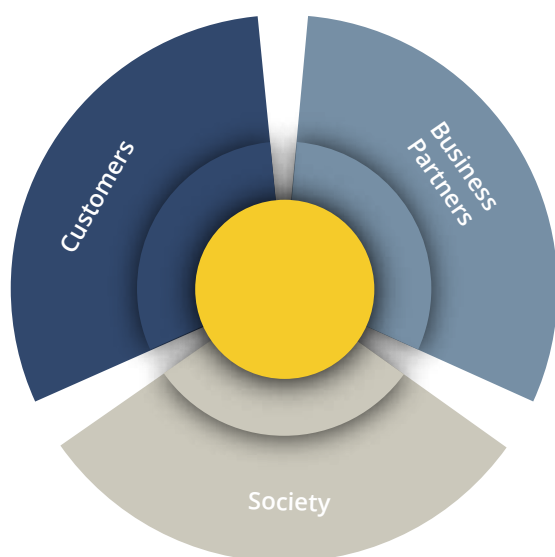


# Changes to Capital

## Social Capital

### Highlights of 2019

- 862,300 customers served
- Rs. 218 Bn Mn Claims Pay-out
- New CSR Initiatives
- Increase in Business Partners (Brokers, Agents and Field Officers) – 8 new brokers and 5 new institutional agents



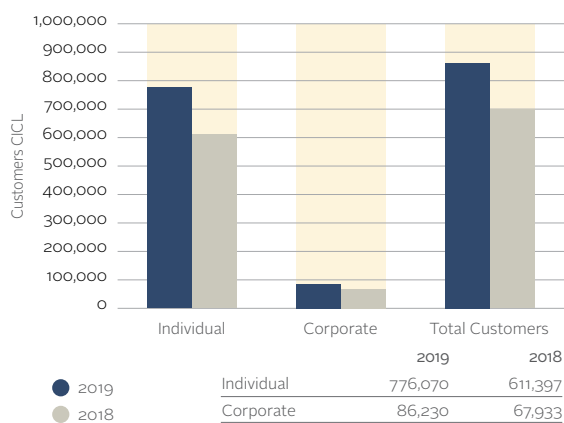
The relationships we build with key Stakeholders remains the essence of our Social Capital. Cooperative Insurance continuously revives its relationships with Stakeholders, managing our contributions for their sustainable growth as well effectively managing Stakeholder contributions for the growth of our organisation. Mutual understanding and cooperation with customers, business partners and the wider society is critical for our growth, without which the state of stability we enjoy will remain in constant flux. Our achievements are shared with these segments in various forms; compensating clients in the form of claims and solutions, commissions and payments for business partners for their invaluable service and as philanthropic duties to underserved communities.

The relationships we foster with our Stakeholders also enables to differentiate ourselves through our growing base of customers, in business partners that stay committed and loyal to our growth objectives and our connection with the communities we support. By nurturing these relationships we continue to enable growth from a two-sided approach – one being the growth of our objectives, second being the increased value we provide to our Stakeholders.

### Dedicated Service to Customers

Customers are a central Stakeholder in the progress of the Company, with strong influence on our strategic growth. We are constantly improving business services, enhancing product solutions in better serving our customers, while identifying and reducing gaps in what we offer and how we offer services. Striving to elevate our level of service quality in every way, our service processes and products are integrated with customer-oriented requirements, as we anticipate changing customer demands as well as lifestyle changes that impact buying decisions.

Customer Base



### Higher Claims Payout

In 2019, we distributed a total of Rs. 2.8 Bn claims with a Net Claim Ratio of 67%, the fifth highest NCR in the industry. This rate has remained unchanged from that of the previous Financial Year.

### Streamlined Processes Through Core Systems

With the constantly renewing competitive nature of our industry, Service remains a key aspect which requires competitive leverage, especially within the much broad demand and need for motor insurance. In 2019, we continued to streamline our motor claims settlement process by completing our in-house developed Assessor app which is integrated with our call centre in providing faster response times during motor accidents.

Our internal processes continue to be integrated, connecting departments and branches across key functions including administration, HR, finance, underwriting, actuaries, sales, policy generation etc...

# Changes to Capital

## Social Capital

With our Document Management System, access to digitized documents now result in faster turnaround times enabling an increased level of productivity and provides a reliable system in managing documentation without the retaining of physical paperwork.

## Inclusive Product Portfolio

Given the increasing demand for diverse insurance needs and the strong competitive offerings of industry players, we are constantly reevaluating our offering, striving to remediate gaps in our portfolio. At present, our solutions are comprehensive in nature with more room for modifications in riders and benefits provided; however, we need to fulfill the gap in our digital solutions in line with the current consumer preference for digital based services and ease of access for obtaining policies, premium payments and hassle-free claim settlement via digital solutions.

But, as the insurer of the Cooperative sector our primary focus will be in constantly providing affordable solutions to the rural masses, eliminating cost of bearing higher premiums. With cross-segment focus on providing inclusive insurance solutions, we aspire to help stabilise financial security and uncertainties of customers.

## Customer Retention

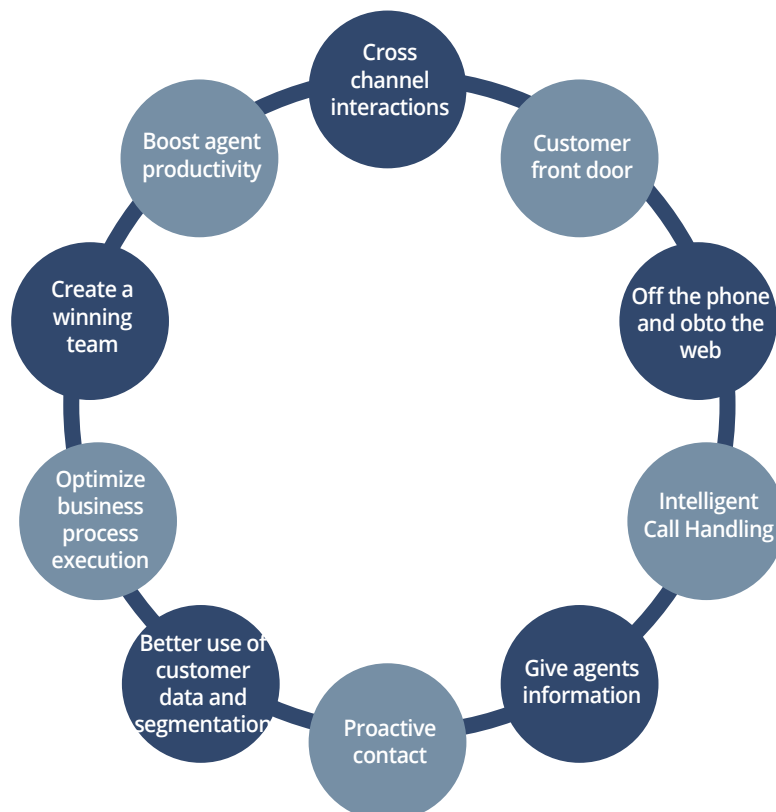
We encourage our customers to make timely premium payments by maintaining communication with clients through SMS by sending frequent notifications on payments and renewals.

## Touch Points

During the year, we continued to expand our presence by adding 2 new branches to the CICL branch network, which has now reached 104 branches, this, is in addition to 117 co-operative society owned service centres, 3409 post offices and 653 sub post offices, 74 agents and 58 brokers as well as a strong base of Field Officers and Permanent Sales Force. Our head office also operates 12 hours, 365 days of the year offering services, especially our dedicated Motor Division that continues to offer customer convenience.

During 2019, we continued to strengthen our cashless motor vehicle repair service with more garages being added to the network, from Colombo and suburbs. Furthermore, we continued to strengthen and expand our cashless motor vehicle repair service with more garages being added to the network, from Colombo and suburbs.

## Customer Service Strategy (Customer Care)





Focusing on improving service quality through our contact support centre/call centre, Cooperative Insurance has implemented a 10 point Customer Service Strategy.

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.
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.

## Regional Underwriting and Faster Claims Processing

Regional underwriting managers provide branches with flexibility in processing underwriting, while fast-tracking the process for quick and efficient policy generation. With claims operations across our branch network through our online business systems, we are able to process claims faster than before, with time reduced by 50%.

For a faster motor claims settlement process we have completed our in-house motor claims system which now assists employees to be more efficient with access to all necessary procedures through a central system. Our assessor app, allows our staff to respond to motor accidents in the shortest possible time and our customers to reduce their waiting time for an assessor to arrive at the accident site.

## Cooplife Policy Conservation Unit

Policy Conservation Unit of our subsidiary Cooplife ensures the swift transition of policies and policyholders to new agents when existing agents leave the Company, customers are conveyed of the transition and the team at Cooplife ensures the timely payments of premiums by customers while providing them with an reliable and undisrupted service.

## Business Partners

Apart from our own branch network, we operate through several external distribution and service networks in reaching customers, acquiring new customers, obtaining premium collections, providing claim disbursements and other services.

# Changes to Capital

## Social Capital

### Cooperative Societies

Our services extend across the island through 117 Co-operative Society run Service Centres. They are crucial for our business growth based on its saturated geographical presence which covers main town areas as well as rural locations.

### Postal Department

Our customers can submit premium payments via post offices and sub post offices, with access to a total of 4,066 offices across the country.

### Brokers and Agents

As of 2019, CICL has partnered with 58 Insurance Brokering Companies registered with IRCSL and 74 Institutional Agents. They provide a vital service by operating as independent business partners, promoting our solutions to customer segments untapped by our own branch network and sales force.

We continue to share knowledge of our products and services, updating our agents and brokers in disseminating accurate information amongst customers, on our policy solutions.

### Field officers and Sales Staff

CICL's has within our network the service of 247 field officers and 550 permanent sales staff. Our subsidiary Cooplife has obtained the service of 439 field officers/advisors.

We provide our sales force with attractive income through commission and our permanent sales force with attractive basic salaries in addition to commissions. They are justly compensated and rewarded for their experience and capabilities, while providing them with adequate training and development on improving their sales and negotiation abilities, as well as their expertise on insurance and our solutions.

### Sustaining Society and Environment

In 2019, our CSR initiatives had an impact on workplace, the market, society as well as the environment, as we applied our employees, processes and capabilities in promoting and engaging in corporate citizenship. In this regard, Corporate Social Responsibility and engaging with communities and the environment remains a crucial part of our growth strategy as it reflects a section of our holistic approach to creating

sustainable value to our Stakeholders and as part of a comprehensive growth strategy.

Our 2019 CSR report also features our contributions to communities where we operate as well as our social impacts, including safety, health, and the environment; inclusion and diversity; and ethics and integrity.



Donation to Deaf Rehabilitation Organisation, Sri Lanka

### Donation to Sri Sangabodhi Temple

A significant donation was made to the Sri Sangabodhi Temple in Dematagoda, to assist renovation efforts. The financial contribution was provided for paint work to be carried out on the temple and premises. The initiative further substantiates our cooperation in promoting religious faiths.

The donation exemplifies the Company's endeavours in the promotion of spiritual values by way of infrastructure development of places of worship and provision of assistance to resident religious dignitaries for various purposes. Our efforts continue in this regard, as we have done across the years.





## Assisting Blood Donation Program

For the 04th consecutive year, Co-operative Insurance held its annual blood donation camp in cooperation with the Ahugoda Sanasa Bank. The event attracted more than 75 donors who donated their blood in the hope of sustaining the life of those in need. Co-operative Insurance acknowledges all the donors with a deep sense of gratitude for voluntarily participating in this worthy cause.

## Support to Veterinary Sportsman

In support of the Sri Lanka Master Athletics, Co-operative Insurance donated few required sports equipment to Mr. Gamini Ranasinghe, one of the country representatives of World Master Athletic event which was held in May 2019.

We are pleased to be working with Sri Lanka Master Athletics to provide some much needed equipment for these determined sportsmen. Their determination and perseverance to succeed and grow have indeed been an inspiration for us at Co-operative insurance. We hope that their confidence and continued efforts will motivate and benefit the larger community significantly.

## Sponsoring “National Three-Wheeler Professionals Awards Ceremony”

The awards ceremony organised by one of the main three-wheelers association in Sri Lanka recognises and rewards three wheeler professionals that have excelled in each of the excellence criteria such as Ethics, Capacity Building, Performance Management, and Social Responsibility and Financial Results.



The ceremony has helped in elevating motivation towards better social development. Cooperative Insurance believes that such recognition can develop social values amongst three wheeler drivers. In addition, the criteria included many important elements which are recognised by the independent panel as per the survey report based on the society requirements. Therefore, based on its impact to the drivers we decided to offer sponsorship to this important awards ceremony.

## Plant a Tree – “Nakatata Palayak”

Trees purify the air we breathe, filter the water we consume, and provide habitation to over 80% of the world's bio-diversity. Ingredients taken from trees are found in 25% of all medicines, and provide the vital function of absorbing harmful carbon form the atmosphere. In addition, this vital natural resource also provides jobs to over 1.6 billion of the world's population.

In this respect, tree planting has become one of the new additions to our CSR activities given its enormous impact on the survival and future of the planet. In 2019, we organised a one-day tree planting program with the participation of Customers, Employees and their family members. The initiative not only served a CSR purpose but also provided a team-building endeavour between employees.







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# 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 2019, 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 26, 2020

# 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

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 Executive Officer, and Heads of Finance, Marketing, Human Resources, Information Technology attend the meetings on invitation. Manager Internal Audit functions as the Secretary to the Audit Committee. During the Financial Year 2019, seventeen meetings have been conducted and all the matters material have been reported to the Board. Audit Committee held two meetings with the External Auditors, Jayasinghe & Company, Chartered Accountants in relation to the audit of financial statements of 2019.

## 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 2019. 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 to the business processes. The Company's Internal Audit has been effective and External Auditor rotation was also made during 2019. External Auditors have been independent throughout the year.



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

May 26, 2020

# Independent Auditor's Report

## Jayasinghe & Co

CHARTERED ACCOUNTANTS

Correspondent Firm of Russell Bedford International

94/12, Kirulapone 2nd Lane, Colombo 05.

Tel/Fax: +94 11 2512069, 2512400, 2512514

Website: [www.aajco.lk](http://www.aajco.lk), E-mail: [audit@aajco.lk](mailto:audit@aajco.lk)

## 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 comprises of the statement of financial position as at December 31, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and the 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 December 31, 2019, 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 Matter

The comparative financial information of the Company for the year ended December 31, 2018, included in these financial statements, are based on the previously issued

statutory financial statements prepared in accordance with Sri Lanka Accounting Standards, which have been audited by the predecessor auditor, whose report for the year ended December 31, 2018 expressed an unmodified opinion on those financial statements.

### 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 and if we have identified an uncorrected material misstatement of the other information obtained after the date of the auditor's report, we have a legal obligation to take specific action in response.

## 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 controls as the management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



**Russell Bedford International**  
Global network of independent accountancy firms,  
business consultants and specialist legal advisers

L.D.A. Jayasinghe FCA,FCMA  
G.V.M.Nanayakkara FCA,FCMA(UK)  
P.I.S.Jayathilaka B.Sc.(Spe),FCA,ACMA

Indranee Jayasinghe FCA,MPA(Harvard)-USA, PG Dip.(ISS)-Netherlands  
G.D.N. Mendis B.Sc.(Spe.),FCA,ATII(SL),FCMA  
Ganga Tilakaratne B.Sc.(Spe),ACA,CCM,ACMA



In preparing the financial statements, the 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 the management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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 controls 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the 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 controls 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.



JAYASINGHE & CO.  
CHARTERED ACCOUNTANTS  
Colombo.

04th May 2020  
AJ/GT/JG/751/804/982/995/1013/1034/1069/1084

# Statement of Financial Position

		Group		Company	
AS AT 31ST DECEMBER		2019	2018	2019	2018
(All Amounts Are In Sri Lanka Rupees)	Note				
<b>Assets</b>					
Property, Plant & Equipment	04	1,194,954,597	1,138,599,047	915,227,525	856,627,241
Right of Use Assets	04.1	375,581,396	-	284,133,939	-
Intangible Assets	05	13,135,150	5,331,334	9,260,615	2,861,955
Deferred Tax Asset	20	109,799,486	130,316,665	-	-
Financial Investments	06	5,942,014,536	4,864,354,265	3,498,089,564	2,887,575,983
Investments in Subsidiaries	07	-	-	455,260,050	445,260,050
Loans to Life Policy Holders	08	24,937,390	20,629,674	-	-
Reinsurance Receivables	09	410,408,812	340,059,225	394,409,744	331,971,907
Premium Receivables	10	931,663,908	758,588,418	923,241,077	750,717,081
Related Party Receivables	34	-	-	16,676,075	11,535,904
Other Assets	11	104,853,653	140,820,074	53,763,400	85,488,497
Cash & Cash Equivalents	12	158,121,067	140,830,613	119,168,796	120,708,829
<b>Total Assets</b>		<b>9,265,469,995</b>	<b>7,539,529,315</b>	<b>6,669,230,785</b>	<b>5,492,747,446</b>
<b>Equity &amp; Liabilities</b>					
<b>Equity Attributable to Equity Holders of The Parent</b>					
Stated Capital	13	1,515,756,670	1,430,194,585	1,515,756,670	1,430,194,585
Revaluation Reserve		505,808,920	382,768,644	421,742,144	322,407,068
Available for Sale Reserves		4,164,581	(82,409,685)	(39,439,817)	(48,607,352)
Retained Earnings		922,980,778	827,222,541	748,360,117	656,163,366
		2,948,710,949	2,557,776,085	2,646,419,114	2,360,157,667
<b>Non-Controlling Interest</b>	17	<b>147,979,663</b>	<b>142,828,874</b>	<b>-</b>	<b>-</b>
<b>Total Equity</b>		<b>3,096,690,612</b>	<b>2,700,604,959</b>	<b>2,646,419,114</b>	<b>2,360,157,667</b>
<b>Liabilities</b>					
Retirement Benefit Obligations	18	68,737,098	54,230,085	53,695,603	40,738,427
Interest Bearing Borrowings	14	-	3,051,458	-	1,763,819
Lease Liability under SLFRS 16	15	382,802,969	-	290,817,618	-
Insurance Liabilities	16	4,684,517,194	3,838,045,290	2,735,576,692	2,229,943,844
Reinsurance Creditors	19	325,434,673	302,532,420	309,664,298	291,709,148
Deferred Tax Liability	21	61,110,824	51,698,297	61,110,824	51,698,297
Other Liabilities	20	613,392,375	494,858,519	539,162,386	422,227,958
Bank Overdrafts	12	32,784,250	94,508,287	32,784,250	94,508,287
<b>Total Liabilities</b>		<b>6,168,779,383</b>	<b>4,838,924,356</b>	<b>4,022,811,671</b>	<b>3,132,589,779</b>
<b>Total Equity &amp; Liabilities</b>		<b>9,265,469,995</b>	<b>7,539,529,315</b>	<b>6,669,230,785</b>	<b>5,492,747,446</b>

Notes on pages 125 to 201 form an integral part of these Financial Statements.

I certify that 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;



**W.L.A. Pieris**

Chairman

04th May 2020

Colombo.



**K.R.W. Ranasinghe**

Managing Director

# Statement of Profit or Loss And Other Comprehensive Income

FOR THE YEAR ENDED 31ST DECEMBER (All Amounts Are In Sri Lanka Rupees)		Group		Company	
		2019	2018	2019	2018
	Note				
Gross Written Premium	22	5,075,046,995	4,368,316,886	4,305,789,306	3,750,838,457
Less Premium Ceded to Reinsurers	23	(736,597,391)	(604,773,448)	(684,620,967)	(558,940,279)
<b>Net Written Premium</b>		<b>4,338,449,604</b>	<b>3,763,543,438</b>	<b>3,621,168,339</b>	<b>3,191,898,178</b>
Net Change in Reserves for Unearned Premium	24	(194,571,009)	(347,458,112)	(194,571,009)	(347,458,112)
<b>Net Earned Premium</b>		<b>4,143,878,595</b>	<b>3,416,085,326</b>	<b>3,426,597,330</b>	<b>2,844,440,065</b>
<b>Other Revenue</b>					
Investment Income	25	571,150,294	510,646,589	370,026,369	344,570,627
Unrealized Changes in Losses of Financial Instruments		86,685	(251,200)	-	-
Net Realized Gain in Financial Investments		131,781	4,326	-	-
Policy Administration Fees	26	231,719,804	161,535,448	231,719,804	161,535,448
Other Income	27	16,715,224	25,730,268	15,354,297	25,154,337
		819,803,788	697,665,431	617,100,470	531,260,412
<b>Total Net Revenue</b>		<b>4,963,682,383</b>	<b>4,113,750,757</b>	<b>4,043,697,800</b>	<b>3,375,700,477</b>
<b>Net Benefits &amp; Claims</b>					
Gross Benefits & Claims Incurred	28	3,034,727,143	2,404,324,730	2,810,318,997	2,181,895,843
Claims Ceded to Reinsurers		(442,723,844)	(272,922,102)	(428,325,941)	(255,028,531)
Change in Life Contract Liabilities		328,131,183	110,736,893	-	-
		2,920,134,482	2,242,139,522	2,381,993,056	1,926,867,312
<b>Other Expenses</b>					
Underwriting & Policy Acquisition Cost	29	295,039,683	238,951,866	214,255,963	140,612,881
Other Operating & Administrative Expenses	30	1,321,577,643	1,217,911,302	1,050,194,569	902,443,863
		1,616,617,326	1,456,863,168	1,264,450,532	1,043,056,744
<b>Profit Before Income Tax</b>	31	<b>426,930,575</b>	<b>414,748,068</b>	<b>397,254,212</b>	<b>405,776,420</b>
Income Tax Expenses	32	(154,351,695)	(3,102,128)	(131,590,732)	(137,622,275)
<b>Profit For The Year</b>		<b>272,578,879</b>	<b>411,645,940</b>	<b>265,663,480</b>	<b>268,154,146</b>
<b>Other Comprehensive Income</b>					
<b>Items That Will Not Be Reclassified Subsequently to Profit or Loss ;</b>					
Revaluation of Property ,Plant & Equipment		136,072,216	66,023,329	106,524,696	44,101,987
De-Recognition of Revaluation Reserve		-	-	-	-
Actuarial Gains/ (Losses) on Defined Benefit Plan		(5,825,658)	5,332,800	(4,908,095)	4,584,095
<b>Items That May Be Reclassified Subsequently to Profit or Loss ;</b>					
Net Change in Fair Value of Available-For-Sale Financial Assets		108,518,143	(4,536,866)	15,193,797	18,805,805
Tax on Other Comprehensive Income		(12,451,637)	(66,514,968)	(10,081,143)	(55,428,491)
		226,313,063	304,295	106,729,255	12,063,396
<b>Total Comprehensive Income For The Year, Net of Tax</b>		<b>498,891,942</b>	<b>411,950,235</b>	<b>372,392,734</b>	<b>280,217,543</b>
<b>Profit Attributable To :</b>					
Equity Holders of The Company		265,880,839	378,176,880	265,663,480	268,154,146
Non Controlling Interest		6,698,040	33,469,060	-	-
		272,578,879	411,645,940	265,663,480	268,154,146
<b>Total Comprehensive Attributable To :</b>					
Equity Holders of The Company		472,638,993	380,620,156	372,392,734	280,217,543
Non Controlling Interest		26,252,950	31,330,079	-	-
		498,891,942	411,950,235	372,392,734	280,217,543
<b>Earnings Per Share</b>					
Basic Earnings Per Share	33	1.91	2.93	1.91	2.08

Notes on pages 125 to 201 form an integral part of these Financial Statements.

# Statement of Changes in Equity Group

(All Amounts Are In Sri Lanka Rupees)

Group	Stated Capital (Note 13)	Revaluation Reserve	Available For Sale Reserve	Retained Earnings	Non Controlling Interests	Total
<b>Balance As At 01st January 2018</b>	1,260,251,770	381,932,353	(78,884,689)	614,177,830	111,368,634	2,288,845,898
Changes in Holding without Change in Control	-	(110,665)	16,907	(36,403)	130,161	-
<b>Total Comprehensive Income</b>						
Profit For The Year	-	-	-	378,176,880	33,469,060	411,645,940
<b>Other Comprehensive Income for the Year</b>						
Net Change in Revaluation of Propert,Plant & Equipment	-	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
<b>Total Comprehensive Income for the Year</b>	-	<b>946,957</b>	<b>(3,541,903)</b>	<b>383,215,102</b>	<b>31,330,079</b>	<b>411,950,236</b>
Issue of Shares	169,942,815	-	-	-	9,000,000	178,942,815
Ordinary Dividends - 2017	-	-	-	(170,133,989)	(9,000,000)	(179,133,989)
<b>Balance As At 31st December 2018</b>	<b>1,430,194,585</b>	<b>382,768,644</b>	<b>(82,409,685)</b>	<b>827,222,541</b>	<b>142,828,874</b>	<b>2,700,604,961</b>
<b>Balance As At 01st January 2019</b>	1,430,194,585	382,768,644	(82,409,685)	827,222,541	142,828,874	2,700,604,961
Effect on Partial Investment in Subsidiary	-	1,342,764	(656,776)	3,741,174	(14,427,161)	(10,000,000)
	1,430,194,585	384,111,408	(83,066,461)	830,963,714	128,401,713	2,690,604,961
<b>Total Comprehensive Income</b>						
Profit For The Year	-	-	-	265,880,839	6,698,040	272,578,879
<b>Other Comprehensive Income For the Year</b>						
Net Change in Revaluation of Property, Plant & Equipment	-	131,240,464	-	-	4,831,752	136,072,216
De-Recognition of Revaluation Reserve	-	(1,043,721)	-	1,043,721	-	-
Net Change in Fair Value of Available For Sale Financial Assets	-	-	93,257,304	-	15,260,839	108,518,143
Actuarial Gains/ (Losses) on Defined Benefit Plan	-	-	-	(5,675,614)	(150,044)	(5,825,658)
Tax on Other Comprehensive Income	-	(8,499,231)	(6,026,261)	2,461,489	(387,635)	(12,451,637)
	-	121,697,512	87,231,043	(2,170,403)	19,554,912	226,313,063
<b>Total Comprehensive Income for the Year</b>	-	<b>121,697,512</b>	<b>87,231,043</b>	<b>263,710,436</b>	<b>26,252,950</b>	<b>498,891,942</b>
Issue of Shares	85,562,085	-	-	-	-	85,562,085
Ordinary Dividends - 2018	-	-	-	(171,693,373)	(6,675,000)	(178,368,372)
<b>Balance As At 31st December 2019</b>	<b>1,515,756,670</b>	<b>505,808,920</b>	<b>4,164,581</b>	<b>922,980,778</b>	<b>147,979,663</b>	<b>3,096,690,616</b>

Notes on pages 125 to 201 form an integral part of these Financial Statements.

# Statement of Changes in Equity

## Company

(All Amounts Are In Sri Lanka Rupees)

Company	Stated Capital (Note 13)	Revaluation Reserve	Available For Sale Reserve	Retained Earnings	Total
<b>Balance As At 01st January 2018</b>	1,260,251,770	333,597,638	(67,029,162)	553,311,052	2,080,131,297
<b>Total Comprehensive Income</b>					
Profit For The Year	-	-	-	268,154,147	268,154,147
<b>Other Comprehensive Income For The Year</b>					
Net Change in Revaluation of Property Plant & Equipment	-	44,101,987	-	-	44,101,987
De-Recognition of Revaluation Reserve	-	(1,810,833)	-	1,810,833	-
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
Tax on Other Comprehensive Income	-	(53,481,723)	(383,995)	(1,562,773)	(55,428,491)
	-	<b>(11,190,569)</b>	<b>18,421,811</b>	<b>4,832,156</b>	<b>12,063,397</b>
<b>Total Comprehensive Income For The Year</b>	-	<b>(11,190,569)</b>	<b>18,421,811</b>	<b>272,986,303</b>	<b>280,217,544</b>
Issue of Shares	169,942,815	-	-	-	169,942,815
Ordinary Dividends - 2017	-	-	-	(170,133,989)	(170,133,989)
<b>Balance As At 31st December 2018</b>	<b>1,430,194,585</b>	<b>322,407,068</b>	<b>(48,607,352)</b>	<b>656,163,366</b>	<b>2,360,157,667</b>
<b>Balance As At 01st January 2019</b>	<b>1,430,194,585</b>	<b>322,407,068</b>	<b>(48,607,352)</b>	<b>656,163,366</b>	<b>2,360,157,667</b>
<b>Total Comprehensive Income</b>					
Profit For The Year	-	-	-	265,663,480	265,663,480
<b>Other Comprehensive Income For The Year</b>					
Net Change in Revaluation of Property, Plant & Equipment	-	106,524,696	-	-	106,524,696
Net Change in Fair Value of Available For Sale Financial Assets	-	-	15,193,797	-	15,193,797
Actuarial Gains/ (Losses) on Defined Benefit Plan	-	-	-	(4,908,095)	(4,908,095)
De-Recognition of Revaluation Reserve	-	(673,249)	-	673,249	-
Tax on Other Comprehensive Income	-	(6,516,371)	(6,026,261)	2,461,489	(10,081,143)
	-	<b>99,335,076</b>	<b>9,167,535</b>	<b>(1,773,356)</b>	<b>106,729,255</b>
<b>Total Comprehensive Income For The Year</b>	-	<b>99,335,076</b>	<b>9,167,535</b>	<b>263,890,124</b>	<b>372,392,734</b>
Issue of Shares	85,562,085	-	-	-	85,562,086
Ordinary Dividends - 2018	-	-	-	(171,693,373)	(171,693,372)
<b>Balance As At 31st December 2019</b>	<b>1,515,756,670</b>	<b>421,742,144</b>	<b>(39,439,817)</b>	<b>748,360,117</b>	<b>2,646,419,115</b>

Notes on pages 125 to 201 form an integral part of these Financial Statements.

# Statement of Cash Flows

(All Amounts Are In Sri Lanka Rupees)

FOR THE YEAR ENDED 31ST DECEMBER	Note	Group		Company	
		2019	2018	2019	2018
<b>Cash Flows From Operating Activities</b>					
Net Profit Before Taxation		426,930,575	414,748,068	397,254,212	405,776,422
<b>Adjustments For:</b>					
Interest Income		(571,150,294)	(512,067,951)	(379,656,860)	(345,556,661)
Interest Expense		51,478,371	1,421,362	39,257,405	986,035
Depreciation on Property, Plant & Equipment		159,798,644	122,536,062	123,277,527	91,647,523
Depreciation on Right of Use Asset		71,460,283	-	54,665,639	-
Reversal of Impairment Loss On Property, Plant & Equipment		(102,240)	-	-	-
Impairment Loss on Premium Receivables		12,387,758	19,272,100	11,972,827	5,819,807
Amortization of Intangible Assets		3,615,445	2,227,436	1,485,601	1,401,573
(Profit) / Loss on Sale of Tangible Assets		(1,595,947)	171,511	(1,210,102)	(171,511)
Writing Off of Intangible Assets		-	995,582	-	995,582
Provision for Employee Benefits		16,114,987	12,971,876	12,673,545	9,797,036
<b>Operating Profit Before Working Capital Changes</b>		<b>168,937,582</b>	<b>62,276,046</b>	<b>259,719,794</b>	<b>170,695,805</b>
Changes in Operating Assets		(235,467,690)	(273,823,158)	(256,787,902)	(263,321,684)
Changes in Operating Liabilities		141,436,109	250,835,181	135,674,201	142,951,151
Changes in General Insurance Reserves		505,632,848	329,878,860	505,632,848	329,878,861
Increase in Long Term Insurance Provision		340,839,055	-	-	-
Cash Flows from Operating Activities		921,377,902	383,698,451	644,238,940	380,204,134
Gratuity Paid		(7,433,633)	(5,285,078)	(4,624,465)	(2,468,206)
Taxation Paid		(139,255,515)	(109,453,847)	(133,043,972)	(100,367,391)
Rent & Advance Paid		(101,849,539)	-	(80,720,963)	-
<b>Cash Flows From / (Used In) Operating Activities</b>		<b>672,839,216</b>	<b>268,959,527</b>	<b>425,849,541</b>	<b>277,368,537</b>
<b>Cash Flows From Investing Activities</b>					
Purchase of Investments Net of Sale Proceeds		(969,142,129)	(693,658,787)	(595,319,784)	(513,405,727)
Investments in Subsidiaries		(10,000,000)	-	(10,000,000)	-
Interest Received		570,750,986	507,085,834	379,656,860	268,798,493
Dividend Received		399,308	4,982,117	30,026,222	35,682,061
Interest Paid		(172,092)	(1,421,362)	(106,455)	(986,035)
Proceeds on Sale of Tangible Assets		4,627,682	2,709,314	3,439,890	2,330,527
Purchase of Intangible Assets		(11,419,261)	(6,412,580)	(7,884,261)	(3,123,082)
Purchase of Tangible Assets		(83,011,474)	(96,062,161)	(77,582,903)	(78,783,699)
<b>Net Cash Flows From / (Used In) Investing Activities</b>		<b>(497,966,979)</b>	<b>(282,777,625)</b>	<b>(277,770,431)</b>	<b>(289,487,462)</b>
<b>Cash Flows From Financing Activities</b>					
Repayment of Finance Leases		(3,051,458)	(8,535,002)	(1,763,819)	(6,650,430)
Dividend Paid		(92,806,288)	-	(86,131,288)	-
<b>Net Cash Flows From / (Used In) Financing Activities</b>		<b>(95,857,746)</b>	<b>(8,535,002)</b>	<b>(87,895,107)</b>	<b>(6,650,430)</b>
Decrease in Cash & Cash Equivalents		79,014,491	(22,353,100)	60,184,003	(18,769,355)
Cash & Cash Equivalents At The Beginning Of The Year		46,322,326	68,675,427	26,200,543	44,969,898
<b>Cash &amp; Cash Equivalents At The End Of The Year</b>	12	<b>125,336,817</b>	<b>46,322,327</b>	<b>86,384,546</b>	<b>26,200,543</b>
<b>Note A</b>					
<b>Cash &amp; Cash Equivalents At The End Of The Year</b>					
Cash At Bank		150,412,005	134,585,846	112,284,079	114,990,385
Cash In Hand		7,206,517	6,020,944	6,884,717	5,718,444
Cash In Transit		502,545	223,823	-	-
Bank Overdrafts		(32,784,250)	(94,508,287)	(32,784,250)	(94,508,288)
		<b>125,336,817</b>	<b>46,322,327</b>	<b>86,384,546</b>	<b>26,200,543</b>

Notes on pages 125 to 201 form an integral part of these Financial Statements.



# Notes to the Financial Statements

For the year ended 31st December

## 1. CORPORATE INFORMATION

### 1.1 Reporting Entity

Co-opexrative Insurance Company Limited is a Company incorporated on 11th 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, while the registered office of its Subsidiary (Cooplife Insurance Limited) is situated at "Coop House", No. 455, Galle Road, Colombo 03.

### 1.2 Consolidated Financial Statements

The consolidated financial statements for the year ended and as at 31st December 2019 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 are listed in note 3.1.1.

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

### 1.3 Principal Activities & Nature of Operations

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

Cooplife Insurance Limited provides life insurance solutions for both individual and corporate customers. Coopinsu 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 31st December 2019 was 1352 (2018 – 1093) and the Group as at that date was 1542 (2018 – 1352)

### 1.5 Date of Authorization for Issue

The consolidated financial statements for the year ended 31st December 2019 were authorized for issue by the board of directors on 04th May 2020.

### 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 the Regulations 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 consolidated 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 Regulations of Insurance Industry Act, No. 43 of 2000 taken together with subsequent amendments.

The financial statements have the following components:

Components	Page
Consolidated statement of financial position	120
Consolidated statement of profit or loss and other comprehensive income	121
Consolidated statement of changes in equity	122
Consolidated statement of cash flows	124
Notes to the financial statements	125 - 201

### 2.2 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:

# Notes to the Financial Statements

Item	Measurement Basis	Note No.
Land and buildings	Fair value	4
Motor vehicles	Fair value	4
Held to maturity instruments	Amortized cost	6.1
Loans and receivable investments	Amortized 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 recognized at present value	18

## 2.3 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.

## 2.4 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.

## 2.5 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 Rupee.

## 2.6 Comparative Information

The comparative information have been reclassified, where relevant for better presentation and to be comparable with those of the current year.

## 2.7 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 recognized 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 recognized in the financial statements are included in the following notes:

Critical Accounting Estimates/Judgments	Disclosure Note
Useful lives of property and equipment	3.5.7
Impairment of non-financial assets	3.3.8
Classification of financial instruments	3.3
Unearned Premium	3.9.3a
Insurance provision- Life	3.9.1
Liability adequacy	3.9.2
Provision for IBNR/IBNER	3.9.3b
Employee benefits	3.12
Deferred taxation	3.19.2

## 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 2019, in terms of SLFRS 10 - Consolidated Financial Statements.

### 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 investees. The financial statements of the Subsidiary are included in the consolidated financial statements from the date on which control commences, until the date on which the control ceases.

#### Critical Judgments in Applying the Entity's Control

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

#### Interest in Subsidiaries

Set out below is the Group's principal Subsidiary as at 31st December 2019.

Name of Entity	Place of Business/ Country of Incorporation	Percentage of Ownership		Principal Activities
		2019	2018	
Co-op Life Insurance Limited	Colombo / Sri Lanka	84%	82%	Life Insurance
Coopinsu Training Academy	Colombo / Sri Lanka	100%	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 unrealized income and expenses arising from intra-group transactions, are eliminated.

#### Loss of Control

Upon the loss of control of a Subsidiary, the Group de-recognises the assets (including goodwill) & liabilities, any related non-controlling interests and the other components of equity. Any surplus or deficit arising on the loss of control is recognised in the profit or loss. Any interest retained in the former Subsidiary, is measured at fair value at the date, the control is lost. Subsequently it is accounted for as equity accounted investee or as an

available for sale financial asset depending on the level of influence retained.

### 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 recognized in the profit or loss; except for the difference arising on the retranslation of available for sale equity instruments, which are recognized 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 liability category.

#### 3.3.1 Non-Derivative Financial Assets and Financial Liabilities – Recognition and De-Recognition

The Group initially recognizes 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 recognized 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.

# Notes to the Financial Statements

The Group de-recognizes 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 assets 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-recognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

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

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 realize 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 recognized in other comprehensive income and accumulated in the available-for-sale reserve. When these assets are derecognized, 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 the 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 recognized 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 recognized 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 of 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 recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

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

### (d) Loans & Receivables

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

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

- **Reinsurance Receivables**

Group cedes insurance risk in the normal course of business to recognized 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 the profit and loss.

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

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

Insurance receivables are recognized when due and measured on initial recognition at the fair value of the consideration receivable. Collectability of premium 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 premium on accrual basis in accordance with Sri Lanka Accounting Standards. Accordingly, life insurance premium for policies within one-month grace period are considered as due premium, subject to a provision for premium default as at each reporting date.

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

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

- **Cash & Cash Equivalents**

Cash and cash equivalents comprise of 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 recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized 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 an asset or paid to transfer a liability, in 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 categorized.

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

# Notes to the Financial Statements

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 maximizes the use of relevant observable inputs and minimizes 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 recognized in the 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 assumptions 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 Amortized Cost Measurement

The amortized 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 amortization using the effective interest rate method of any difference between the initial amount recognized 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 the 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 loans and receivables category, when 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 asset for the foreseeable future or until maturity.

Financial assets are transferred out of the available for-sale category to the loans 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 recognized in shareholder's equity prior to the date of reclassification are amortized to the profit or loss over the remaining life of those financial assets, using the effective interest method.

### 3.3.8 Impairment

#### a) Non-Derivative Financial Assets

Financial assets not classified at fair value through the 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 Amortized Cost** The Company considers evidence of impairment for these assets at both an individual asset and at 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 recognized 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 amortization) and the current fair value, less any impairment loss previously recognized 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 recognized, then the impairment loss is reversed through the statement of profit or loss; otherwise, it is reversed through other comprehensive income.

#### 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 cash generating unit 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 cash generating unit.

An impairment loss is recognized if the carrying amount of an asset or cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the 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 amortization, if no impairment loss had been recognized.

### 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.

# Notes to the Financial Statements

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 expired. 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 & Equipment

### 3.5.1 Recognition & 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 recognized in other income/other expenses in the 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.

When an asset is revalued, any increase in the carrying amount is credited directly to equity under the caption revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of profit or loss and other comprehensive income, in which case the increase is recognized in that statement.

Any revaluation deficit that offsets a previous surplus in the same asset is directly offset against the surplus in the revaluation reserve and any excess recognized as an expense to profit or loss. Upon disposal, any revaluation reserve relating to the asset sold is transferred to retained earnings.

### 3.5.4 Subsequent Costs

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul costs, are capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognized in the statement of profit or loss and other comprehensive income as an expense as incurred.

### 3.5.5 Depreciation

Provision for depreciation is calculated by using the straight-line method on the cost or valuation of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic lives of such assets.

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

	2019	2018
Buildings	40 years - 60 years	40 years - 60 years
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 – leasehold	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-recognized 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 the 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. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty. 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 the property, plant and equipment, and are recognized 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 incomplete projects. Once the project is over and ready for use, the amount will be transferred to property, plant and equipment and depreciated over the useful life time of the asset.

### 3.5.10 Right of Using Assets

SLFRS 16 "Leases" supersedes LKAS 17 "Leases", IFRIC 4 in determining whether an arrangement contains a lease, SIC-15 Operating Leases- Incentives and SIC-27 in evaluating the substance of transactions involving the legal form of a lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. The Company has adopted SLFRS 16 using modified retrospective method from 01st January 2019, without restating comparatives for 2018 reporting period, as permitted under the specific transitional provisions in the standard.

### 3.5.11 Recognition

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset
- the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

The Group recognizes a right of using an asset and a lease liability at the lease commencement date. The right of using assets of the Group consists of branch premises taken on rent, which were previously recognized as operating leases under LKAS 17.

### 3.5.12 Measurement

The right of using asset is initially measured at cost, which comprises the initial amount of the lease liability (present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined Company's incremental borrowing rate) adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred.

Where the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right of using the asset is subsequently depreciated adopting the straight-line method from the

# Notes to the Financial Statements

commencement date to the earlier of the end of the useful life of the right of using asset or the end of the lease term. Right of using assets are subject to impairment. The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date.

## 3.6 Intangible Assets – Software

### 3.6.1 Basis of Recognition

An intangible asset is recognized 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 Group, 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 amortization and any accumulated impairment losses.

### 3.6.2 Subsequent Expenditure

Subsequent expenditure on software assets is capitalized 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 Amortization

Amortization is recognized in the profit or loss on 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.

Amortization 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-recognized 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 are included in the profit or loss, when the item is de-recognized.

## 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 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 realizable 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 recognized based on the salvage value on the claim reporting date supported by realizable values from independent sources or value subsequently sold.

## 3.7 Foreign Currency Translation

All foreign exchange transactions are converted to Sri Lanka Rupees, which is the reporting currency, at the rate of exchange prevailing at the time the transaction was effected. Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lanka Rupee equivalent using year-end spot foreign exchange rates. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The resultant gains and losses are accounted for in the statement of profit & loss.

## 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 recognized as a deduction from equity, net of any tax effects.

### 3.8.2 Dividends on Ordinary Shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Company's Board of Directors in 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 recognized when contracts are entered into and premium 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 premium 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 recognized when contracts are entered into and premium 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 have 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 premium represents premium 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 recognized as premium income.

The provision is recognized 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 services provided under the 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 premium. If these calculations show that the carrying amount of the unearned premium (less related deferred acquisition costs) is inadequate, the deficiency is recognized 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 deviations. No provision for equalization or catastrophe reserves is recognized. The liabilities are derecognized 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 premium. This calculation uses current estimates of future contractual cash flows after



# Notes to the Financial Statements

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 premium (less related deferred acquisition costs) is inadequate, the deficiency is recognized 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 recognized 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 represent 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 the 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 contracts.

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

Reinsurance assets or liabilities are de-recognized when the contractual rights are extinguished or expired 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 recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans, if the Group has a present legal or a 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 recognized as an expense in the profit and loss, when incurred.

#### a) Employees' Provident Fund

All employees of the Company are members 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 recognizes 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 18. 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 recognized 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 Premium**

Gross written premium (GWP) comprise the total premium 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 premium are those proportions of premium 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 premium 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 premium.

### **3.15.3 Reinsurance Premium**

Gross reinsurance premium on insurance contracts are recognized as an expense on the earlier of the date when premium are payable or when the policy becomes effective. Reinsurance premium are decided based on rates agreed with reinsurers.

### **3.15.4 Unearned Reinsurance Premium**

Unearned reinsurance premium are the proportions of premium written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premium are calculated on 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 premium to meet future claims 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 premium. All other acquisition costs are recognized as an expense when incurred.

### **3.15.7 Reinsurance Commission Income**

Reinsurance commission income on outwards reinsurance contracts are recognized as revenue when receivable. Subsequent to initial recognition, reinsurance

# Notes to the Financial Statements

commission income on outward reinsurance contracts are deferred and amortized on straight-line basis over the term of the expected premium payable.

## 3.15.8 Gross Benefits & 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 recognized in respect of direct and inward reinsurance business. The liability covers claims reported but not yet paid, incurred but not reported (IBNR) claims, 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 and 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 recognized when the related gross insurance claim is recognized according to the terms of the relevant contract. This includes reinsurance exposure of IBNR.

## 3.16 Revenue Recognition -Life Insurance

### 3.16.1 Gross Premium

Gross written premium on life insurance contracts are recognized 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 recognized on the date on which the policy is effective.

### 3.16.2 Reinsurance Premium

Gross reinsurance premium on insurance contracts are recognized as an expense on the earlier of the date when premium are payable or when the policy becomes effective. Reinsurance premium are decided based on rates agreed with reinsurers.

### 3.16.3 Acquisition Costs

All acquisition costs are recognized as an expense when incurred.

### 3.16.4 Reinsurance Commission Income

Gross reinsurance premium on insurance contracts are recognized as an income on the earlier of the date when premium are payable or when the policy becomes effective. Reinsurance premium are decided based on rates agreed with reinsurers.

### 3.16.5 Gross Benefits and Claims Expenses

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. are accounted on accrual basis.

### 3.16.6 Reinsurance Claims Recoveries

Reinsurance claims recoveries are recognized when the related gross insurance claim is recognized according to the terms of the relevant contract.

## 3.17 Other Revenue

### 3.17.1 Interest Income

Finance income comprises interest income on funds invested (including available-for-sale financial assets) and dividend income. Interest income is recognized 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 recognized as an adjustment to the effective interest rate of the instrument.

### 3.17.2 Dividends

Dividend income is recognized when the right to receive income is established. Usually this is the ex-dividend date for equity securities.

### 3.17.3 Finance Expenses

Finance expenses consisting of costs relating to investment include custodial fees, bank guarantee fees and brokerage fees. These expenses are recognized on an accrual basis.

### 3.17.4 Realized Gains and Losses

Realized 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 amortized 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 the profit or loss.

### 3.17.6 Other Income

Other income comprises of 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 recognized on a net basis.

## 3.18 Expenses Recognition

Other expenses are recognized 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 recognized in the profit or loss on the basis of a direct association between the cost incurred and the earnings 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, in arriving 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 of current and deferred tax. Current tax and deferred tax are recognized in items recognized directly in equity or in the income statement and in the statement of profit or loss and other comprehensive income.

### 3.19.1 Current Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized 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 32.

### 3.19.2 Deferred Taxation

Deferred tax is recognized 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 recognized 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 Group 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.

# Notes to the Financial Statements

- 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 realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax is not recognized 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 realized.

## 3.19.3 Tax Exposures

In determining the amount of current and deferred tax, the Group 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 Group 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 1st 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 to a 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 of 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 indicated as 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 Group 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 1st 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 fair 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 Coop Life Insurance 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 17 – Insurance Contracts**

SLFRS 17 issued by the Institute of Chartered Accountants of Sri Lanka is in line with IFRS 17 issued by the International Accounting Standard Board and will come in to effect from 01st January 2021. SLFRS 17 will supersede SLFRS 4 - “Insurance Contracts”. The standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of SLFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives basis for users of financial statements to access the effect that insurance contract have on entity's financial position, financial performance and cash flows.

# Notes to the Financial Statements

(All Amounts Are In Sri Lanka Rupees)

## NOTE 4 - PROPERTY, PLANT & EQUIPMENT - GROUP

Cost/Valuation	Land	Buildings	Building Improvements	Partition	Computers
<b>Balance As At 01st January 2018</b>	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)	-	-
<b>Balance As At 31st December 2018</b>	<b>224,420,000</b>	<b>410,469,000</b>	<b>71,511,000</b>	<b>19,790,849</b>	<b>258,238,016</b>
<b>Balance As At 01st January 2019</b>	224,420,000	410,469,000	71,511,000	19,790,849	258,238,016
Additions During The Year	40,015,265	-	-	4,736,529	15,945,323
Disposals During The Year	-	-	-	-	(4,333,845)
(Impairment)/ Reversal of Impairment	-	-	-	-	-
Transfers	-	-	-	-	-
Revaluation	24,411,735	12,743,324	11,918,500	-	-
Depreciation Reversal on Revaluation	-	(7,770,324)	(11,918,500)	-	-
<b>Balance As At 31st December 2019</b>	<b>288,847,000</b>	<b>415,442,000</b>	<b>71,511,000</b>	<b>24,527,378</b>	<b>269,849,493</b>
<b>Depreciation</b>					
<b>Balance As At 01st January 2018</b>	-	-	-	587,921	134,530,148
Depreciation Impact on Impairment	-	-	-	-	-
Depreciation For The Year	-	7,421,037	10,093,571	1,731,304	27,571,780
Depreciation on Disposal	-	-	-	-	-
Depreciation on Revaluation	-	(7,421,037)	(10,093,571)	-	-
<b>Balance As At 31st December 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,319,225</b>	<b>162,101,928</b>
<b>Balance As At 01st January 2019</b>	-	-	-	2,319,225	162,101,928
Depreciation For The Year	-	7,856,748	11,918,500	2,876,905	28,867,991
Depreciation on Disposal	-	-	-	-	(4,333,845)
Transfers	-	-	-	-	-
Depreciation on Revaluation	-	(7,856,748)	(11,918,500)	-	-
<b>Balance As At 31st December 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,196,130</b>	<b>186,636,074</b>
<b>Carrying Amounts</b>					
<b>As at 31st December 2018</b>	<b>224,420,000</b>	<b>410,469,000</b>	<b>71,511,000</b>	<b>17,471,625</b>	<b>96,136,088</b>
<b>As at 31st December 2019</b>	<b>288,847,000</b>	<b>415,442,000</b>	<b>71,511,000</b>	<b>19,331,249</b>	<b>83,213,419</b>



Office Equipment	Furniture & Fittings	Motor Vehicles	Leasehold Equipment	Leasehold Motor Vehicles	Total
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)
<b>160,850,987</b>	<b>271,009,461</b>	<b>104,156,959</b>	<b>6,640,200</b>	<b>18,850,000</b>	<b>1,545,936,472</b>
160,850,987	271,009,461	104,156,959	6,640,200	18,850,000	1,545,936,472
10,069,568	8,785,974	10,683,815	-	-	90,236,474
(2,728,809)	-	(4,236,000)	-	-	(11,298,654)
-	-	102,240	-	-	102,240
6,640,200	-	11,625,000	(6,640,200)	(18,850,000)	(7,225,000)
-	-	86,998,656	-	-	136,072,216
-	-	(78,850,711)	-	-	(98,539,536)
<b>174,831,947</b>	<b>279,795,436</b>	<b>130,479,959</b>	<b>-</b>	<b>-</b>	<b>1,655,284,212</b>
60,291,310	120,006,991	5,349,199	2,302,716	26,666,151	349,734,437
-	-	(138,720)	-	-	(138,720)
14,737,532	24,457,561	28,717,095	800,766	7,005,417	122,536,063
-	(369,822)	17,376,052	-	(18,200,000)	(1,193,769)
-	-	(46,085,976)	-	-	(63,600,584)
<b>75,028,842</b>	<b>144,094,729</b>	<b>5,217,651</b>	<b>3,103,482</b>	<b>15,471,568</b>	<b>407,337,426</b>
75,028,842	144,094,729	5,217,651	3,103,482	15,471,568	407,337,426
16,320,145	26,391,541	68,699,041	800,766	1,933,432	165,665,067
(2,459,752)	-	(1,473,322)	-	-	(8,266,919)
3,904,248	-	11,625,000	(3,904,248)	(17,405,000)	(5,780,000)
-	-	(78,850,711)	-	-	(98,625,959)
92,793,483	170,486,270	<b>5,217,658</b>	-	-	460,329,615
<b>85,822,144</b>	<b>126,914,732</b>	<b>98,939,309</b>	<b>3,536,718</b>	<b>3,378,432</b>	<b>1,138,599,047</b>
<b>82,038,463</b>	<b>109,309,166</b>	<b>125,262,301</b>	<b>-</b>	<b>-</b>	<b>1,194,954,597</b>

# Notes to the Financial Statements

(All Amounts Are In Sri Lanka Rupees)

## NOTE 4 - PROPERTY, PLANT & EQUIPMENT - Company

Cost/Valuation	Land	Building	Building Improvements	Partition	Computers
<b>Balance As At 01st January 2018</b>	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)	-	-
<b>Balance As At 31st December 2018</b>	<b>200,000,000</b>	<b>268,489,000</b>	<b>71,511,000</b>	<b>19,790,849</b>	<b>235,083,496</b>
Balance As At 01st January 2019	200,000,000	268,489,000	71,511,000	19,790,849	235,083,496
Additions During The Year	40,015,265	-	-	4,736,529	15,141,400
Disposals During The Year	-	-	-	-	(4,333,845)
Transfers	-	-	-	-	-
Revaluation	23,984,735	4,704,275	11,918,500	-	-
Depreciation Reversal on Revaluation	-	(4,704,275)	(11,918,500)	-	-
<b>Balance As At 31st December 2019</b>	<b>264,000,000</b>	<b>268,489,000</b>	<b>71,511,000</b>	<b>24,527,378</b>	<b>245,891,051</b>
<b>Depreciation</b>					
<b>Balance As At 01st January 2018</b>	-	-	-	587,921	128,817,220
Depreciation For The Year	-	4,628,362	10,093,571	1,731,303	24,642,639
Depreciation on Disposal	-	-	-	-	-
Transfer	-	-	-	-	-
Depreciation on Revaluation	-	(4,628,362)	(10,093,571)	-	-
<b>Balance As At 31st December 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,319,225</b>	<b>153,459,859</b>
<b>Balance As At 01st January 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,319,225</b>	<b>153,459,859</b>
Depreciation For The Year	-	4,790,698	11,918,500	2,876,905	25,424,702
Depreciation on Disposal	-	-	-	-	(4,333,845)
Transfer	-	-	-	-	-
Depreciation on Revaluation	-	(4,790,698)	(11,918,500)	-	-
<b>Balance As At 31st December 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,196,130</b>	<b>174,550,716</b>
<b>Carrying Amounts</b>					
<b>As At 31st December 2018</b>	<b>200,000,000</b>	<b>268,489,000</b>	<b>71,511,000</b>	<b>17,471,625</b>	<b>81,623,637</b>
<b>As At 31st December 2019</b>	<b>264,000,000</b>	<b>268,489,000</b>	<b>71,511,000</b>	<b>19,331,249</b>	<b>71,340,335</b>

Office Equipment	Furniture & Fittings	Motor Vehicles	Leasehold Equipment	Leasehold Motor Vehicles	Total
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)	78,783,700
-	(245,558)	(3,093,000)	-	-	(3,338,558)
-	-	27,380,054	-	-	44,101,987
-	-	(36,060,765)	-	-	(50,782,698)
<b>127,262,060</b>	<b>181,896,386</b>	<b>77,935,000</b>	<b>6,640,200</b>	<b>11,625,000</b>	<b>1,200,232,990</b>
127,262,060	181,896,386	77,935,000	6,640,200	11,625,000	1,200,232,990
8,196,911	6,143,983	3,348,815	-	-	77,582,903
(2,719,309)	-	(3,158,000)	-	-	(10,211,154)
6,640,200	-	11,625,000	(6,640,200)	(11,625,000)	-
-	-	65,917,186	-	-	106,524,697
-	-	(58,286,000)	-	-	(74,908,776)
<b>139,379,863</b>	<b>188,040,368</b>	<b>97,382,000</b>	<b>-</b>	<b>-</b>	<b>1,299,220,660</b>
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)
<b>64,985,808</b>	<b>109,323,306</b>	<b>-</b>	<b>3,103,482</b>	<b>10,414,068</b>	<b>343,605,749</b>
64,985,808	109,323,306	-	3,103,482	10,414,069	343,605,749
12,398,453	16,092,933	47,850,062	800,766	1,210,932	123,363,951
(2,458,466)	-	(1,189,055)	-	-	(7,981,366)
3,904,248	-	11,625,000	(3,904,248)	(11,625,000)	(0)
-	-	(58,286,000)	-	-	(74,995,198)
<b>78,830,043</b>	<b>125,416,239</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>383,993,136</b>
<b>62,276,252</b>	<b>72,573,080</b>	<b>77,935,000</b>	<b>3,536,718</b>	<b>1,210,932</b>	<b>856,627,242</b>
<b>60,549,820</b>	<b>62,624,129</b>	<b>97,381,993</b>	<b>-</b>	<b>-</b>	<b>915,227,525</b>

# Notes to the Financial Statements

(All Amounts Are In Sri Lanka Rupees)

## NOTE 04 - 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 31st December 2019 on "Contractors Basis" and the excess of Rs. 40.6 million over the net book value as at 31st December 2019 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 categorized 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 31st December	Land Extent	Building Area	No. of Buildings	Date of Valuation	Fair Value (Rs.)
Property At Grandpass	33.15Perches	28262 sq ft	1	23.12.2019	545,000,000
Property At Ambalanthota	4.27 Perches	2,304 sq ft	1	31.12.2019	16,800,000
Property At Nikaveratiya	39.7 Perches	17,775 sq ft	1	30.12.2019	155,000,000
Property At Ja -Ela	991.29 Perches	-	-	31.12.2019	59,000,000
					<b>775,800,000</b>

### Fair Value Hierarchy

The table below analyses non financial instruments measured at fair value at the end of the reporting period.

Land And Buildings	Level 1 (Rs.)	Level 2 (Rs.)	Level 3 (Rs.)	Total (Rs.)
<b>2019</b>	-	-	<b>775,800,000</b>	<b>775,800,000</b>
<b>2018</b>	-	-	<b>706,400,000</b>	<b>706,400,000</b>

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 inputs used.

Location	Valuation Technique	Significant Unobservable Inputs	Significant Unobservable Inputs - Valued at
Property at Grandpass	Open market	Price per perch and sq.ft	5,500,000/-per perch and 9,500/- per sq.ft
Property at Ambalanthota	Open market	Price per perch and sq.ft	2,100,000/- per perch and 4,000 per sq.ft
Property at Nikaveratiya	Open market	Price per perch and sq.ft	400,000/- per perch and 8,000/- per sq.ft
Property at Ja-Ela	Open market	Price per perch	60,000/- per perch

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.)	Property at Ja-Ela (Rs.)
<b>Land</b>				
Cost	160,064,000	1,120,415	8,217,758	40,015,265
Accumulated Depreciation	-	-	-	-
Net Book Value As At 31st December 2019	160,064,000	1,120,415	8,217,758	40,015,265
Net Book Value As At 31st December 2018	160,064,000	1,120,415	8,217,758	-
<b>Buildings</b>				
Cost	175,796,923	10,423,590	88,712,132	-
Accumulated Depreciation	38,046,420	3,656,481	10,722,680	-
Net Book Value As At 31st December 2019	137,750,503	6,767,109	77,989,452	-
Net Book Value As At 31st December 2018	140,680,452	6,955,084	79,684,875	-

## Fully Depreciated Assets

Company's property, plant and equipment includes fully depreciated assets having a gross carrying amount of Rs.182,844,456 .(2018-155,200,115).

Cooplife property plant and equipment includes fully depreciated assets having a gross carrying amount of Rs. 18,851,878. (2018 - Rs. 18,306,508).

## Security

During the year there were no items of property, plant and equipment in the Group and in the Company, pledged as security for liabilities. (2018-nil).

## Useful Life of Property, Plant & Equipment are as follows:

	2019	2018
<b>Buildings</b>		
Grandpass	60 years	60 years
Ambalanthota	40 years	40 years
Nikaveratiya	50 years	50 years
Office Equipment	8 years	8 years
Computers	6 years	6 years
Motor Vehicles	5 years	5 years
Furniture & Fittings	8 years	8 years
Partitions	8 years	8 years
Improvements to Buildings	10 years	10 years

## Assessment of Impairment of PPE

The Board of Directors has assessed the potential impairment indicators of PPE as at 31st December 2019. Based on the assesment,no impairment imndicators were identified.

# Notes to the Financial Statements

(All Amounts Are In Sri Lanka Rupees)

## Capitalisation of Borrowing Costs

There were no capitalised borrowing costs relating to the acquisition of PPE during the year. (2018 – Nil)

## Temporarily idle Property, Plant & Equipment

There were no temporarily idle property as at the year ended 31st December 2019. (2018 – Nil)

## NOTE 04.01 - RIGHT OF USE ASSETS

Cost	Group	Company
Balance As At 01st January 2019	395,379,688	297,631,964
Additions During The Year	54,119,112	43,624,735
Disposals During The Year	(4,102,845)	(4,102,845)
<b>Balance As At 31st December 2019</b>	<b>445,395,955</b>	<b>337,153,854</b>
<b>Depreciation</b>		
Balance As At 01st January 2019	-	-
Depreciation For The Year	71,460,283	54,665,639
Depreciation on Disposals	(1,645,724)	(1,645,724)
Balance As At 31st December 2019	69,814,559	53,019,915
<b>Carrying Value As At 31st December 2019</b>	<b>375,581,396</b>	<b>284,133,939</b>

## NOTE 05 - INTANGIBLE ASSETS

Cost/ Valuation	Computer Software		Development Costs		Total	
	Group	Company	Group	Company	Group	Company
Balance As At 01st January 2018	15,652,476	7,310,586	995,582	995,582	16,648,058	8,306,168
Additions	6,323,082	3,033,582	89,500	89,500	6,412,582	3,123,082
Writeoff of Discontinued Developments	-	-	(995,582)	(995,582)	(995,582)	(995,582)
<b>Balance As At 31st December 2018</b>	<b>21,975,558</b>	<b>10,344,168</b>	<b>89,500</b>	<b>89,500</b>	<b>22,065,058</b>	<b>10,433,668</b>
Balance As At 01st January 2019	21,975,558	10,344,168	89,500	89,500	22,065,058	10,433,668
Acquisitions - Internally Developed	-	-	7,884,261	7,884,261	7,884,261	7,884,261
Additions	3,535,000	-	-	-	3,535,000	-
Transfers	89,500	89,500	(89,500)	(89,500)	-	-
<b>Balance As At 31st December 2019</b>	<b>25,510,558</b>	<b>10,344,168</b>	<b>7,973,761</b>	<b>7,884,261</b>	<b>33,484,319</b>	<b>18,317,929</b>
<b>Amortization</b>						
Balance As At 01st January 2018	14,506,288	6,170,140	-	-	14,506,288	6,170,140
Amortization For The Year	2,227,436	1,401,573	-	-	2,227,436	1,401,573
<b>Balance As At 31st December 2018</b>	<b>16,733,724</b>	<b>7,571,713</b>	<b>-</b>	<b>-</b>	<b>16,733,724</b>	<b>7,571,713</b>
Balance As At 01st January 2019	16,733,724	7,571,713	-	-	16,733,724	7,571,713
Amortization For The Year	3,615,445	1,485,601	-	-	3,615,445	1,485,601
<b>Balance As At 31st December 2019</b>	<b>20,349,169</b>	<b>9,057,314</b>	<b>-</b>	<b>-</b>	<b>20,349,169</b>	<b>9,057,314</b>
<b>Carrying Amounts</b>						
As At 31st December 2018					5,331,334	2,861,955
As At 31st December 2019					13,135,150	9,260,615



## Intangible Assets

Computer software represents the cost incurred to improve performance of core (Oracle) system.

Development cost represents the investment on new system development by Co-operative Insurance Company Ltd's software development unit.

## Amortization

The amortization of softwares and development costs is included in the operating expenses.

## NOTE 06 - FINANCIAL INVESTMENTS

	Note	Group		Company	
		2019	2018	2019	2018
Held to Maturity Financial Assets (HTM)	06.01	1,978,028,875	1,582,420,859	1,609,240,333	1,212,893,387
Loans & Receivables (L&R)	06.02	3,020,753,463	2,565,065,310	1,871,699,956	1,658,902,979
Available for Sale Financial Assets (AFS)	06.03	942,656,477	716,136,646	17,149,275	15,779,616
Financial Assets at Fair Value through Profit or Loss (FVTPL)	06.04	575,722	731,450	-	-
<b>Total</b>		<b>5,942,014,536</b>	<b>4,864,354,265</b>	<b>3,498,089,564</b>	<b>2,887,575,983</b>

### NOTE 06.01 - HELD TO MATURITY FINANCIAL ASSETS (HTM)

#### Amortized Cost

Treasury Bonds	06.01( a)	723,231,476	797,257,950	354,442,933	427,730,478
Quoted Debentures	06.01( b)	1,228,373,945	785,162,909	1,228,373,945	785,162,909
Unquoted Debentures	06.01( c)	26,423,454	-	26,423,454	-
		<b>1,978,028,875</b>	<b>1,582,420,859</b>	<b>1,609,240,333</b>	<b>1,212,893,387</b>

### NOTE 06.01 (a) - TREASURY BONDS

2019 Maturity Date	Group		Company	
	Face Value	Amortized Cost	Face Value	Amortized Cost
2022	26,279,623	27,003,361	26,279,623	27,003,361
2024	130,000,000	132,964,182	130,000,000	132,964,182
2026	50,000,000	44,510,087	50,000,000	44,510,087
2028	55,918,750	54,992,949	-	-
2029	144,511,428	149,965,304	144,511,428	149,965,304
2030	319,304,700	313,795,593	-	-
	<b>726,014,501</b>	<b>723,231,476</b>	<b>350,791,051</b>	<b>354,442,933</b>

# Notes to the Financial Statements

(All Amounts Are In Sri Lanka Rupees)

2018	Group		Company	
Maturity Date	Face Value	Amortized Cost	Face Value	Amortized Cost
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	-	-
	<b>774,099,358</b>	<b>797,257,950</b>	<b>424,099,358</b>	<b>427,730,478</b>

## NOTE 06.01 (b) - QUOTED DEBENTURES - GROUP & COMPANY

Issuer	Maturity Date	2019		Interest Rate
		No. of Debentures	Carrying Value Amortized Cost	
Sampath Bank PLC	12/21/22	800,000	80,258,019	12.50%
Nations Trust Bank PLC	11/8/21	383,300	38,687,314	12.65%
DFCC Bank PLC	11/9/21	1,300,000	131,002,826	12.15%
Commercial Bank of Ceylon PLC	10/27/21	890,500	89,933,713	12.00%
National Development Bank PLC	12/19/25	250,000	26,515,165	14.00%
National Development Bank PLC	12/19/23	100,000	10,749,011	13.90%
Bank of Ceylon	10/24/23	26,800	2,577,094	13.75%
Hatton National Bank PLC	8/29/23	120,000	11,505,362	8.00%
Seylan Bank PLC	4/18/24	1,000,000	103,276,968	14.50%
Nations Trust Bank PLC	12/16/24	683,900	68,593,220	12.80%
Peoples Leasing & Finance PLC	11/16/21	987,500	100,144,313	12.60%
Citizen Development Business Finance PLC	3/27/23	1,100,000	121,687,582	14.20%
Lanka Orix Finance PLC	7/31/23	1,000,000	106,131,942	14.75%
LOLC Holdings PLC	9/27/24	2,200,000	228,520,953	15.00%
Lanka Orix Finance PLC	7/31/23	588,394	58,545,118	14.75%
Softlogic Capital PLC	12/18/23	500,000	50,245,343	14.75%
			<b>1,228,373,945</b>	

Issuer	Maturity Date	2018		Interest Rate
		No. of Debentures	Carrying Value Amortized Cost	
Sampath Bank PLC	12/15/22	800,000	85,276,013	12.89%
Nations Trust Bank PLC	11/8/21	383,300	38,537,604	12.65%
DFCC Bank PLC	11/9/21	1,300,000	130,513,180	12.15%
Commercial Bank of Ceylon PLC	10/27/21	890,500	89,519,262	12.00%
National Development Bank PLC	12/19/25	250,000	26,326,691	14.00%
National Development Bank PLC	12/19/23	100,000	10,639,885	13.90%
Bank of Ceylon	10/24/23	26,800	2,547,272	13.75%
Hatton National Bank PLC	8/29/23	120,000	11,332,021	8.00%
Pan Asia Banking Corporation PLC	10/31/19	440,000	43,235,269	9.75%
Peoples Leasing & Finance PLC	11/16/21	987,500	100,093,742	12.60%
Janashakthi PLC	11/19/19	180,000	19,300,591	10.75%
Citizen Development Business Finance PLC	3/28/23	1,100,000	121,698,921	14.20%
Lanka Orix Finance PLC	7/31/23	1,000,000	106,142,459	14.75%
			<b>785,162,910</b>	

#### NOTE 06.01 (c) - UNQUOTED DEBENTURES - GROUP & COMPANY

Issuer	Maturity Date	2019		Interest Rate
		No. of Debentures	Carrying Value Amortized Cost	
Softlogic Holdings PLC	2/28/22	250,000	26,423,454	16.75%
			<b>26,423,454</b>	

2018				
Issuer	Maturity Date	No. of Debentures	Carrying Value Amortized Cost	Interest Rate

#### NOTE 06.02 - LOANS & RECEIVABLES (L&R)

##### Amortized Cost

	Group		Company	
	2019 re'	2018 re'	2019 re'	2018 re'
Fixed Deposits	1,779,323,808	1,779,692,628	929,291,562	1,151,321,324
Investment In Repos	969,963,257	342,132,541	94,435,490	250,746,698
Commercial Paper	228,359,537	443,240,141	27,972,904	256,834,957
Money Market	43,106,861	-	-	-
	<b>3,020,753,463</b>	<b>2,565,065,310</b>	<b>1,871,699,956</b>	<b>1,658,902,979</b>

# Notes to the Financial Statements

(All Amounts Are In Sri Lanka Rupees)

## NOTE 06.03 - AVAILABLE FOR SALE (AFS)

Group							
Unquoted Equity Instruments -	Note	Cost/Face Value	2019 Amortized Cost	Fair Value	Cost/Face Value	2018 Amortized Cost	Fair Value
Co-Operative Leasing Company Ltd		4,115,420	-	5,884,877	4,086,720	-	5,823,576
<b>Quoted Equity Instruments</b>							
Peoples Leasing Company PLC		10,944,400	-	11,264,398	10,322,520	-	9,956,040
Treasury Bonds	6.3(a)	277,456,731	312,918,067	310,131,252	366,898,962	410,075,023	375,531,498
Quoted Debentures	6.3(b)	531,759,124	556,057,302	615,375,949	307,369,124	327,002,743	324,825,532
		<b>824,275,675</b>	<b>868,975,369</b>	<b>942,656,477</b>	<b>688,677,326</b>	<b>737,077,766</b>	<b>716,136,646</b>

Company							
Unquoted Equity Instruments		Cost/Face Value	2019 Amortized Cost	Fair Value	Cost/Face Value	2018 Amortized Cost	Fair Value
Co-Operative Leasing Company Ltd		4,115,420	-	5,884,877	4,086,720	-	5,823,576
<b>Quoted Equity Instruments</b>							
Peoples Leasing Company PLC		10,944,400	-	11,264,398	10,322,520	-	9,956,040
		<b>15,059,820</b>	<b>-</b>	<b>17,149,275</b>	<b>14,409,240</b>	<b>-</b>	<b>15,779,616</b>

## NOTE 06.03 (a) - TREASURY BONDS

2019					
Group			Company		
Face value	Year of Maturity	Amortized Cost	Fair Value	Amortized Cost	Fair Value
23,720,377	2022	26,737,409	26,201,339	-	-
70,000,000	2024	79,882,422	77,914,410	-	-
83,736,354	2029	102,463,252	99,580,606	-	-
100,000,000	2030	103,834,984	106,434,898	-	-
<b>277,456,731</b>		<b>312,918,067</b>	<b>310,131,252</b>	<b>-</b>	<b>-</b>

2018					
Group			Company		
Face value	Year of Maturity	Amortized Cost	Fair Value	Amortized 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	-	-
<b>366,898,962</b>		<b>410,075,023</b>	<b>375,531,498</b>	<b>-</b>	<b>-</b>

## NOTE 06.03 (b) - QUOTED DEBENTURES - GROUP

### 2019

Issuer	Maturity Date	No. of Debentures	Cost	Amortized Cost	Fair Value
Hatton National Bank PLC	8/29/23	324,832	21,995,999	27,825,886	31,937,222
Hatton National Bank PLC	3/28/21	300,000	30,000,000	32,530,012	33,472,350
National Development Bank PLC	12/19/23	87,500	12,063,125	11,526,735	9,979,069
Seylan Bank PLC	4/18/24	500,000	50,000,000	51,443,679	59,638,750
Softlogic Finance PLC	2/28/22	600,000	60,000,000	63,347,080	69,744,300
DFCC Vardana Bank Ltd	6/10/20	263,100	26,310,000	27,658,725	27,823,693
Sampath Bank PLC	6/10/21	680,000	68,000,000	72,698,842	74,362,080
LOLC Holdings PLC	9/20/24	1,350,000	135,000,000	140,174,592	161,377,700
Softlogic Capital PLC	12/19/23	600,000	60,000,000	60,281,171	70,333,740
Nations Trust Bank PLC	12/23/24	683,900	68,390,000	68,570,581	76,707,045
		<b>5,389,332</b>	<b>531,759,124</b>	<b>556,057,302</b>	<b>615,375,949</b>

### 2018

Issuer	Maturity Date	No. of Debentures	Cost	Amortized Cost	Fair Value
Hatton National Bank PLC	8/29/23	324,832	21,995,999	26,737,042	33,514,444
Hatton National Bank PLC	3/28/21	300,000	30,000,000	32,532,336	32,831,130
National Development Bank PLC	12/19/23	87,500	12,063,125	11,847,550	8,613,553
Bank of Ceylon	9/21/19	330,000	33,000,000	33,700,632	32,884,500
Pan Asia Bank Corporation PLC	10/30/19	330,000	33,000,000	33,524,970	32,765,832
DFCC Vardana Bank Ltd	6/10/20	263,100	26,310,000	27,660,201	26,699,072
Sampath Bank PLC	6/10/21	680,000	68,000,000	72,704,829	73,421,028
Janashakthi PLC	11/19/19	330,000	33,000,000	36,557,987	32,116,623
Siyapatha Finance PLC	10/20/19	500,000	50,000,000	51,737,196	51,979,350
		<b>3,145,432</b>	<b>307,369,124</b>	<b>327,002,743</b>	<b>324,825,533</b>

# Notes to the Financial Statements

(All Amounts Are In Sri Lanka Rupees)

## NOTE 06.04 - INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Description	No of Shares	Group		Company	
		2019	2018	2019	2018
		Fair Value		Fair Value	
Lanka Tiles PLC	1,000	76,500	-	-	-
Galadari Hotels (Lanka) PLC	20,000	163,422	138,000	-	-
Commercial Bank Of Ceylon PLC	1,700	146,200	-	-	-
Colombo Dockyard PLC	2,000	120,600	111,200	-	-
Singer Sri Lanka PLC	2,000	69,000	60,000	-	-
COCO Lanka PLC	15,000	-	208,500	-	-
Heyleys MGT Knitting Mills PLC	12,500	-	113,750	-	-
Expo Lanka Holding PLC	25,000	-	100,000	-	-
<b>Total</b>		<b>575,722</b>	<b>731,450</b>	<b>-</b>	<b>-</b>

## NOTE 07 - INVESTMENTS IN SUBSIDIARIES

	Company	
	2019	2018
Coop Life Insurance Limited	455,260,040	445,260,040
Coopinsu Training Academy (Pvt) Ltd.	10	10
<b>Total</b>	<b>455,260,050</b>	<b>445,260,050</b>

## NOTE 08 - LOANS TO LIFE POLICY HOLDERS

	Group		Company	
	2019	2018	2019	2018
Loans	18,099,595	15,618,751	-	-
Interest Receivable	6,837,795	5,010,923	-	-
<b>Total</b>	<b>24,937,390</b>	<b>20,629,674</b>	<b>-</b>	<b>-</b>

## NOTE 09 - REINSURANCE RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
On Claims	374,666,589	315,747,083	358,667,521	307,659,765
On IBNR	35,742,222	24,312,142	35,742,222	24,312,142
<b>Balance At The End Of The Year</b>	<b>410,408,812</b>	<b>340,059,225</b>	<b>394,409,744</b>	<b>331,971,907</b>



### 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.

## NOTE 10 - PREMIUM RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
Premium Receivable - Non Life Insurance	949,209,868	764,713,045	949,209,868	764,713,045
Premium Receivable - Life Insurance	14,113,898	13,147,473	-	-
Impairment Allowance on Premium Receivables	(31,659,858)	(19,272,100)	(25,968,791)	(13,995,964)
	<b>931,663,908</b>	<b>758,588,418</b>	<b>923,241,077</b>	<b>750,717,082</b>
<b>Movement In The Allowance For Doubtful Debts ;</b>				
<b>Balance At Beginning Of The Year</b>	19,272,100	10,816,532	13,995,964	8,176,157
Impairment Allowance Recognised During The Year	26,646,631	19,272,100	25,968,791	13,995,964
Amounts Written Off During The Year As Uncollectable	(257,235)	7,753,584	-	7,753,584
Amounts Recovered During The Year	(14,001,638)	(18,570,116)	(13,995,964)	(15,929,741)
<b>Balance At End Of The Year</b>	<b>31,659,858</b>	<b>19,272,100</b>	<b>25,968,791</b>	<b>13,995,964</b>

### 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 recognized in other operating and administrative expenses

### Collateral Details

The Company does not hold any collateral as security against potential default by policyholders or intermediaries

# Notes to the Financial Statements

(All Amounts Are In Sri Lanka Rupees)

## NOTE 11 - OTHER ASSETS

	Group		Company	
	2019	2018	2019	2018
Deposits, Advances & Prepayments	10,742,738	40,755,733	10,742,738	40,755,733
Withholding Tax Receivable -11 (a)	24,621,684	19,427,437	-	-
Staff Loans	20,852,155	28,054,353	14,245,619	16,477,333
Salvage Inventory	14,438,011	14,445,874	14,438,011	14,445,874
Inventory - Compliment Items	8,340,084	8,918,124	455,573	456,946
Other Receivable	25,858,982	29,218,553	13,881,460	13,352,611
(-) Impairment - Other Assets	-	-	-	-
<b>Total</b>	<b>104,853,654</b>	<b>140,820,074</b>	<b>53,763,400</b>	<b>85,488,497</b>

### NOTE - 11 (a) Withholding Tax Receivable - Subsidiary

As per the Inland Revenue Act No 24 of 2017, the notional taxes on the interest of government securities have been withdrawn. However, as per the transitional provisions, the carried forward notional tax credit as per section 138(2) of Inland Revenue Act, No. 10 of 2006 may be carried forward to be set off against the income tax liability within three consecutive years of assessment commencing from the year of assessment 2018/2019. As the Subsidiary is planning to set off its future taxable profits against its carried forward tax losses, the management is of the view that the Subsidiary can only utilize notional tax receivable against the income tax liability that arises from other sources of income, within three years from 2018/19. Accordingly, the Subsidiary had made provision amounting to Rs. 14.5million in 2018.

### 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.

## NOTE 12 - CASH & CASH EQUIVALENTS

	Group		Company	
	2019	2018	2019	2018
Cash At Banks	150,412,005	134,585,846	112,284,079	114,990,385
Cash In Hand	7,206,517	6,020,944	6,884,717	5,718,444
Cash In Transit	502,545	223,823	-	-
<b>Cash &amp; Cash Equivalents</b>	<b>158,121,067</b>	<b>140,830,613</b>	<b>119,168,796</b>	<b>120,708,829</b>
Bank Overdrafts	(32,784,250)	(94,508,287)	(32,784,250)	(94,508,288)
<b>Cash &amp; Cash Equivalents (Net) in the Statement of Cashflows</b>	<b>125,336,817</b>	<b>46,322,326</b>	<b>86,384,546</b>	<b>26,200,541</b>

## NOTE 13 - STATED CAPITAL

	Note	Group		Company	
		2019	2018	2019	2018
Ordinary Shares	13.01	1,515,756,670	1,430,194,585	1,515,756,670	1,430,194,585
Number of Shares	13.02	143,058,837	137,354,891	143,058,837	137,354,891

### NOTE 13.01 - VOTING ORDINARY SHARES

Balance At The Beginning Of The Year		1,430,194,585	1,260,251,770	1,430,194,585	1,260,251,770
Share Issue		85,562,085	169,942,815	85,562,085	169,942,815
Balance At The End Of The Year		1,515,756,670	1,430,194,585	1,515,756,670	1,430,194,585

### NOTE 13.02 - RECONCILIATION OF NUMBER OF SHARES - VOTING ORDINARY SHARES

No of Shares At The Beginning Of The Year		137,354,891	126,025,177	137,354,891	126,025,177
Shares Issued During The Year		5,703,946	11,329,714	5,703,946	11,329,714
No of Shares At The End Of The Year		143,058,837	137,354,891	143,058,837	137,354,891

### NOTE 13.03 - ORDINARY SHARES & RIGHTS OF SHAREHOLDERS

All issued shares are fully paid. There is only 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 general meetings of the Company.

## NOTE 14 - INTEREST BEARING BORROWINGS

	Note	Group		Company	
		2019	2018	2019	2018
Finance Lease		-	3,051,458	-	1,763,819
<b>Total</b>		<b>-</b>	<b>3,051,458</b>	<b>-</b>	<b>1,763,819</b>

## NOTE 15 - LEASE LIABILITY UNDER SLFRS 16

		Group		Company	
		2019	2018	2019	2018
Lease Creditor		382,802,969	-	290,817,618	-
<b>Total</b>		<b>382,802,969</b>	<b>-</b>	<b>290,817,618</b>	<b>-</b>

# Notes to the Financial Statements

(All Amounts Are In Sri Lanka Rupees)

## NOTE 16 - INSURANCE LIABILITIES

	Note	Group		Company	
		2019	2018	2019	2018
Life Insurance					
Long Term Insurance Fund	16.01	1,898,155,568	1,570,024,385	-	-
Unclaimed Benefits		50,784,934	38,077,062	-	-
		1,948,940,502	1,608,101,447	-	-
Non Life Insurance					
Premium					
Unearned Premium	16.02	1,849,341,910	1,654,770,901	1,849,341,910	1,654,770,901
Net Deferred Acquisition Cost	16.03	(115,014,395)	(109,850,493)	(115,014,395)	(109,850,493)
Gross Claims Reserve	16.04				
Claims Outstanding		658,034,524	482,145,051	658,034,524	482,145,051
Claims Incurred But Not Reported (IBNR) - Net		343,214,653	202,878,384	343,214,653	202,878,384
		2,735,576,692	2,229,943,844	2,735,576,692	2,229,943,844
Total		4,684,517,194	3,838,045,291	2,735,576,692	2,229,943,844

## NOTE 16.01 - LONG TERM INSURANCE FUND

The movement in the life insurance fund is as follows:

	2019	2018
<b>Balance As At 1st January</b>	1,570,024,385	1,459,287,492
Increase in Long Term Insurance Fund	329,786,850	111,925,893
Transfer to Shareholder Fund	(1,655,667)	(1,189,000)
<b>Balance As At 31st December</b>	<b>1,898,155,568</b>	<b>1,570,024,385</b>

The valuation of the long term insurance business as at 31st December 2019 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. 1,897 million (2018 - 1,570 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 2019, as per the Solvency Margin (Risk Based Capital) Rules 2015 requirement prescribed under section 26 (1) of the Regulations of Insurance Industry Act No. 43 of 2000.

## 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 1st January 2016, and as per the guidelines 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. The surplus created due to change in valuation method from NPV to GPV on 1st January 2016 is as follows,

	Participating	Non-participating	Total
Policy Liability as per NPU	-	-	-
Policy Liability As Per GPV	700,495,000	347,370,000	1,047,865,000
One-off Surplus Due To Change In Valuation Method From NPV To GPV	664,836,000	333,258,000	998,094,000
	<b>35,659,000</b>	<b>14,112,000</b>	<b>49,771,000</b>

The surplus created due to change in valuation method from NPV to GPV as at 1st January 2016 was valued by Mr.M.Poopalanathan of Actuarial and Management Consultants (Private) Limited.

## Life Insurance Provision

Long duration contract liabilities included in the life insurance fund, result primarily from traditional participating and non-participating life insurance products, short duration contract liabilities are primarily accident and health insurance products. The insurance provision has been established based on the following;

- Interest rates which vary by product and year of assurance.
- Mortality rates based on published mortality tables adjusted for actual experience by geographic area and modified to allow the variations in policy form.
- Surrender rates based on actual experience by geographic area and modified to allow for variations in policy form.'

The amount of policyholder dividend to be paid is determined annually by the Company. The dividend includes life policyholders' share of net income that are required to be allocated by the insurance contract or by insurance regulations.'

## LIABILITY ADEQUACY TEST

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 31st December 2019 as required by SLFRS 4 - Insurance Contracts. When performing the LAT, the Company discounted all contractual cash flows and compared 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 31st December 2019. No additional provision was required against the LAT as at 31st December 2019.'

# Notes to the Financial Statements

(All Amounts Are In Sri Lanka Rupees)

## NOTE 16.02 - UNEARNED PREMIUM

	Group		Company	
	2019	2018	2019	2018
<b>Balance At The Beginning Of The Year</b>	1,654,770,901	1,307,312,789	1,654,770,901	1,307,312,789
Transferred To Income Statement During The Year	194,571,009	347,458,112	194,571,009	347,458,112
<b>Balance At The End Of The Year</b>	<b>1,849,341,910</b>	<b>1,654,770,901</b>	<b>1,849,341,910</b>	<b>1,654,770,901</b>

## NOTE 16.03 - NET DEFERRED ACQUISITION COST

<b>Deferred Acquisition Cost</b>				
Balance At The Beginning Of The Year	43,079,391	135,143,936	43,079,391	135,143,936
Transfers During The Year	164,192,081	43,079,391	164,192,081	43,079,391
<b>Balance At The End Of The Year</b>	<b>207,271,473</b>	<b>178,223,327</b>	<b>207,271,473</b>	<b>178,223,327</b>
<b>Deferred Reinsurance Commission</b>				
Balance At The Beginning Of The Year	(68,372,834)	(79,111,389)	(68,372,834)	(79,111,389)
Transfers During The Year	(23,884,243)	10,738,555	(23,884,243)	10,738,555
<b>Balance At The End Of The Year</b>	<b>(92,257,077)</b>	<b>(68,372,834)</b>	<b>(92,257,077)</b>	<b>(68,372,834)</b>
<b>Net Deferred Acquisition Cost</b>	<b>115,014,395</b>	<b>109,850,493</b>	<b>115,014,395</b>	<b>53,817,947</b>

## NOTE 16.04 - GROSS CLAIM RESERVE

	Group		Company	
	2019	2018	2019	2018
<b>Balance At The Beginning Of The Year</b>	482,145,051	481,310,252	482,145,051	481,310,252
Increase/ (Decrease) In Outstanding Claims	175,889,473	834,799	175,889,473	834,799
<b>Balance At The End Of The Year</b>	<b>658,034,524</b>	<b>482,145,051</b>	<b>658,034,524</b>	<b>482,145,051</b>
<b>IBNR/IBNER Balance At The Beginning Of The Year</b>	-	167,474,488	202,878,384	167,474,488
Increase/ (Decrease) In IBNR/IBNER	202,878,384	35,403,896	140,336,269	35,403,896
<b>IBNR/IBNER Balance At The End Of The Year</b>	<b>343,214,653</b>	<b>202,878,384</b>	<b>343,214,653</b>	<b>202,878,384</b>
<b>Total Reserve For Gross Outstanding Claims</b>	<b>1,001,249,177</b>	<b>685,023,435</b>	<b>1,001,249,177</b>	<b>685,023,435</b>



## NOTE 16.05 - RECONCILIATION BETWEEN INSURANCE PROVISION AND TECHNICAL RESERVE

	Company	
	2019	2018
Insurance Provision - Non Life	2,735,576,692	2,229,943,844
Reinsurance on Claims Reserves	(358,667,521)	(307,659,765)
	<b>2,376,909,170</b>	<b>1,922,284,079</b>

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 have 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.2,735,576,692 as at 31st December 2019 includes the provision of IBNR claims of Rs.307,472,431 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.

## NOTE 17 - NON-CONTROLLING INTEREST

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 & Principal Place of Business	Proportion of Ownership Interests Held by Non-controlling Interests As At 31st December		(Loss)/ Profit Allocated To Non-Controlling Interests For The Year Ended 31st December		(Loss)/ Profit Allocated To Non-Controlling Interests For The Year Ended 31st December	
		2019	2018	2019	2018	2019	2018
Cooplif e rlalK iud.u	Sri Lanka	16.35%	18.19%	6,698,040	33,469,060	147,979,663	142,828,874
		<b>16.35%</b>	<b>18%</b>	<b>6,698,040</b>	<b>33,469,060</b>	<b>147,979,663</b>	<b>142,828,874</b>

During the year, the Company has purchased 1million shares of Cooplife insurance Ltd , which has resulted in increase in ownership from 82% to 84%.

# Notes to the Financial Statements

(All Amounts Are In Sri Lanka Rupees)

## NOTE 18 - RETIREMENT BENEFIT OBLIGATIONS

Amounts Recognised In The Statement of Financial Position Are Made Up of As Follows;

	Group		Company	
	2019	2018	2019	2018
<b>Provision At The Beginning Of The Year</b>	54,230,085	51,876,087	40,738,427	37,993,692
Interest Cost	5,965,309	5,187,612	4,481,227	3,799,372
Current Service Cost	10,149,678	7,784,264	8,192,318	5,997,664
Actuarial (Gain)/ Loss on Obligation	5,825,659	(5,332,800)	4,908,096	(4,584,095)
Payments Made During The Year	(7,433,633)	(5,285,078)	(4,624,465)	(2,468,206)
<b>Balance At The End Of The Year</b>	<b>68,737,098</b>	<b>54,230,085</b>	<b>53,695,603</b>	<b>40,738,427</b>
<b>Expenses on Retirement Benefit Obligation Recognised In Profit or Loss</b>				
Interest Cost	5,965,309	5,187,612	4,481,227	3,799,372
Current Service Cost	10,149,678	7,784,264	8,192,318	5,997,664
	<b>16,114,987</b>	<b>12,971,876</b>	<b>12,673,545</b>	<b>9,797,036</b>
<b>Recognised in Other Comprehensive Income</b>				
Net Actuarial (Gain)/ Loss on Obligation	16,114,987	(5,332,800)	4,908,096	(4,584,095)
	<b>16,114,987</b>	<b>(5,332,800)</b>	<b>4,908,096</b>	<b>(4,584,095)</b>

As at 31st December 2019, 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

	2019	2018
<b>As At 31st December</b>		
Discount Rate	10%	11%
Future Salary Increase	18%	18%
	Once in two years	Once in two years
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

2019	Effect on Charge to the Statement of Profit or Loss & Other Comprehensive Income		Effect on Employee Benefit Obligation	
	Increase	Decrease	Increase	Decrease
Discount Rate (Change By 1%)	(3,969,324)	4,447,714	(3,969,324)	4,447,714
Salary Increment Rate (Change By 1%)	2,230,816	(2,140,021)	2,230,816	(2,140,021)

2018	Effect on Charge to the Statement of Profit or Loss & 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)

## Company

2019	Effect on Charge to the Statement of Profit or Loss & Other Comprehensive Income		Effect on Employee Benefit Obligation	
	Increase	Decrease	Increase	Decrease
Discount Rate (Change By 1%)	(3,381,797)	3,812,073	(3,381,797)	3,812,073
Salary Increment Rate (Change By 1%)	1,883,687	(1,801,665)	1,883,687	(1,801,665)

2018	Effect on Charge to the Statement of Profit or Loss & 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)

## NOTE 19 - REINSURANCE CREDITORS

	Group		Company	
	2019	2018	2019	2018
Foreign	325,434,673	302,532,420	309,664,298	291,709,148
<b>Total</b>	<b>325,434,673</b>	<b>302,532,420</b>	<b>309,664,298</b>	<b>291,709,148</b>

# Notes to the Financial Statements

(All Amounts Are In Sri Lanka Rupees)

## NOTE 20 - OTHER LIABILITIES

Note	Group		Company	
	2019	2018	2019	2018
Commission Payable	54,063,877	44,615,892	53,031,299	39,484,809
Government Levies & Taxes 20.01	73,000,214	106,229,385	72,654,490	106,033,097
Dividend - Ordinary	63,363	53,649	63,363	53,649
Accrued Expenses	50,711,750	72,658,806	37,106,887	56,811,327
Deposits & Other Funds	435,553,167	271,300,787	376,306,347	219,845,077
<b>Total</b>	<b>613,392,374</b>	<b>494,858,520</b>	<b>539,162,386</b>	<b>422,227,959</b>

### NOTE 20.01 - GOVERNMENT LEVIES & TAXES

Income Tax Payable	68,917,863	69,605,793	68,821,170	69,605,793
Value Added Tax Payable	1,451,184	30,651,340	1,451,184	30,651,340
Economic Service Charge	-	4,217,306	-	4,217,306
PAYE Tax Payable	224,380	161,264	169,217	91,921
Withholding Tax Payable	1,314,788	865,559	1,120,920	738,614
Diesel Tax Payable	1,092,000	728,123	1,092,000	728,123
	<b>73,000,214</b>	<b>106,229,385</b>	<b>72,654,490</b>	<b>106,033,098</b>

## NOTE 21 - DEFERRED TAX LIABILITY

The amount shown in the statement of financial position represents the following:

	Group		Company	
	2019	2018	2019	2018
<b>Deferred Tax Comprises of</b>				
Deferred Tax Assest-Subsidiary Company	109,799,486	130,316,665	-	-
Deferred Tax Liabilities-Parent Company	(61,110,824)	(51,698,297)	(61,110,824)	(51,698,297)
	<b>48,688,661</b>	<b>78,618,368</b>	<b>(61,110,824)</b>	<b>(51,698,297)</b>
Deferred Tax Liabilities	(116,632,446)	(107,266,829)	(92,703,069)	(85,707,946)
Deferred Tax Assets	165,321,108	185,885,197	31,592,244	34,009,649
	<b>48,688,661</b>	<b>78,618,368</b>	<b>(61,110,824)</b>	<b>(51,698,297)</b>

## Unrecognised Deferred Tax Assets - Subsidiary

A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available in the foreseeable future.

The breakdown of un-accounted deferred tax assets is given below;

	2019	2018
On tax losses	109,819,228	104,116,260
	<b>109,819,228</b>	<b>104,116,260</b>

As per Inland Revenue Act No. 24 of 2017 which is effective from 01st April 2018, the new Act allows to deduct 100% of taxable income against the tax losses incurred whereas Inland Revenue Act No.10 of 2006 and amendment thereto limited to 35% of the total statutory income. As at 31st March 2018, the Company had a cumulative tax loss of Rs. 973 million. According to the transitional provisions of new Act, brought forward tax losses can be claimed against taxable income for a period of 6 years with effect from 1st April 2018. The Company made an assessment of future taxable profit and recognized the deferred tax assets on the brought forward tax loss to the extent it is probable that future taxable profits will be available.

The movement in the deferred tax account is as follows:

	Group		Company	
	2019	2018	2019	2018
<b>At The Beginning of The Year</b>	78,618,368	30,250,576	(51,698,298)	30,250,576
Recognised in Profit or Loss	(17,478,068)	114,882,759	668,616	(26,520,382)
Recognised in Other Comprehensive	(12,451,638)	(66,514,966)	(10,081,143)	(55,428,491)
<b>At The End Of The Year</b>	<b>48,688,663</b>	<b>78,618,368</b>	<b>(61,110,824)</b>	<b>(51,698,298)</b>

	Assets		Liabilities		Net	
	2019	2018	2019	2018	2019	2018
Property Plant & Equipment	-	-	(114,847,214)	(107,266,829)	(114,847,214)	(107,266,829)
Intangible Assets	-	184,968	(1,785,232)	-	(1,785,232)	184,968
Available For Sale Financial Assets	12,472,790	18,499,052	-	-	12,472,790	18,499,052
Employee Benefits	12,886,945	11,406,759	-	-	12,886,945	11,406,759
Carryforward Tax Losses	133,728,863	151,875,547	-	-	133,728,863	151,875,547
Provisions	6,232,510	3,918,870	-	-	6,232,510	3,918,870
<b>Net Tax Assets (Liabilities)</b>	<b>165,321,108</b>	<b>185,885,196</b>	<b>(116,632,446)</b>	<b>(107,266,829)</b>	<b>48,688,661</b>	<b>78,618,367</b>

# Notes to the Financial Statements

(All Amounts Are In Sri Lanka Rupees)

## Movement in deferred tax balances during the year - Group

	Balance As At 1st January 2018	Recognized In Profit or Loss	Recognized In Other Comprehensive Income	Balance As At 31st December 2018	Balance As At 1st January 2019	Recognized In Profit or Loss	Recognized In Other Comprehensive Income	Balance As At 31st December 2019
Property Plant & Equipment	(26,461,975)	(20,238,029)	(60,566,827)	(107,266,829)	(107,266,829)	1,306,481	(8,886,866)	(114,847,214)
Intangible Assets	(46,059)	231,027	-	184,968	184,968	(1,970,200)	-	(1,785,232)
Available For Sale Financial Assets	22,387,599	-	(3,888,547)	18,499,052	18,499,052	-	(6,026,261)	12,472,790
Employee Benefits	14,525,303	(1,058,952)	(2,059,592)	11,406,759	11,406,759	(981,304)	2,461,489	12,886,945
Carryforward Tax Loss	17,192,006	134,683,541	-	151,875,547	151,875,547	(18,146,684)	-	133,728,863
Provisions	2,653,701	1,265,169	-	3,918,870	3,918,870	2,313,640	-	6,232,510
	<b>30,250,575</b>	<b>114,882,756</b>	<b>(66,514,966)</b>	<b>78,618,367</b>	<b>78,618,367</b>	<b>(17,478,068)</b>	<b>(12,451,638)</b>	<b>48,688,661</b>

	Assets		Liabilities		Net	
	2019	2018	2019	2018	2019	2018
Property Plant & Equipment	-	-	(90,917,836)	(85,707,946)	(90,917,836)	(85,707,946)
Intangible Assets	-	184,968	(1,785,232)	-	(1,785,232)	184,968
Available For Sale Financial Assets	12,472,791	18,499,052	-	-	12,472,791	18,499,052
Employee Benefits	12,886,944	11,406,759	-	-	12,886,944	11,406,759
Provisions	6,232,510	3,918,870	-	-	6,232,510	3,918,870
<b>Net Tax Assets (Liabilities)</b>	<b>31,592,244</b>	<b>34,009,649</b>	<b>(92,703,069)</b>	<b>(85,707,946)</b>	<b>(61,110,824)</b>	<b>(51,698,297)</b>

## Movement in deferred tax balances during the year - Company

	Balance As At 1st January 2018	Recognized In Profit or Loss	Recognized In Other Comprehensive Income	Balance As At 31st December 2018	Balance As At 1st January 2019	Recognized In Profit or Loss	Recognized In Other Comprehensive Income	Balance As At 31st December 2019
Property Plant & Equipment	(1,878,347)	(30,347,876)	(53,481,723)	(85,707,946)	(85,707,946)	1,306,481	(6,516,371)	(90,917,836)
Intangible Assets	(46,059)	231,027	-	184,968	184,968	(1,970,200)	-	(1,785,232)
Available For Sale Financial Assets	18,883,047	-	(383,995)	18,499,052	18,499,052	-	(6,026,261)	12,472,791
Employee Benefits	10,638,233	2,331,298	(1,562,773)	11,406,758	11,406,758	(981,304)	2,461,489	12,886,944
Provisions	2,653,701	1,265,169	-	3,918,870	3,918,870	2,313,640	-	6,232,510
	<b>30,250,575</b>	<b>(26,520,382)</b>	<b>(55,428,491)</b>	<b>(51,698,298)</b>	<b>(51,698,298)</b>	<b>668,616</b>	<b>(10,081,143)</b>	<b>(61,110,824)</b>



## NOTE 22 - GROSS WRITTEN PREMIUM

	Group		Company	
	2019	2018	2019	2018
Life Insurance	769,456,743	619,881,069		
Non Life Insurance				
Motor	3,784,394,609	3,254,307,502	3,784,593,663	3,254,676,122
Fire	145,277,224	120,612,097	145,277,224	121,113,473
Marine	13,964,778	7,790,680	13,964,778	7,790,680
Miscellaneous	361,953,641	365,725,537	361,953,641	367,258,182
<b>Total</b>	<b>5,075,046,995</b>	<b>4,368,316,886</b>	<b>4,305,789,306</b>	<b>3,750,838,457</b>

## NOTE 23 - PREMIUM CEDED TO REINSURERS

	Group		Company	
	2019	2018	2019	2018
Life	51,976,424	45,833,169		
Non Life Insurance				
Motor	342,479,569	303,374,550	342,479,569	303,374,550
Fire	80,029,919	75,816,077	80,029,919	75,816,077
Marine	10,643,315	2,463,399	10,643,315	2,463,399
Miscellaneous	137,978,403	119,142,608	137,978,403	119,142,608
Riots & Strikes	-			
Motor	69,450,682	28,063,252	69,450,682	28,063,252
Fire	39,875,521	26,937,372	39,875,521	26,937,372
Marine	426,209	87,135	426,209	87,135
Miscellaneous	3,737,350	3,055,886	3,737,350	3,055,886
<b>Total</b>	<b>736,597,391</b>	<b>604,773,448</b>	<b>684,620,967</b>	<b>558,940,279</b>

## NOTE 24 - NET CHANGE IN RESERVES FOR UNEARNED PREMIUM

	Group		Company	
	2019	2018	2019	2018
Unearned Premium				
Motor	236,895,514	251,939,865	236,895,514	251,939,865
Fire	(6,197,465)	1,259,094	(6,197,465)	1,259,094
Marine	(937,957)	3,990,718	(937,957)	3,990,718
Miscellaneous	(35,189,084)	90,268,435	(35,189,084)	90,268,435
<b>Total</b>	<b>194,571,009</b>	<b>347,458,112</b>	<b>194,571,009</b>	<b>347,458,112</b>

# Notes to the Financial Statements

(All Amounts Are In Sri Lanka Rupees)

## NOTE 25 - INVESTMENT INCOME

	Group		Company	
	2019	2018	2019	2018
<b>Available-For-Sale</b>				
Treasury Bonds	34,288,560	39,483,294	-	-
Debentures	51,050,564	42,353,695	-	-
Dividend Income	399,308	422,061	399,308	422,061
<b>Held To Maturity</b>				
Treasury Bonds	70,560,120	71,305,204	32,549,049	41,071,166
Debentures	125,258,820	91,649,899	125,258,820	91,649,899
<b>Loans &amp; Receivables</b>				
Fixed Deposits	227,324,782	186,988,391	146,754,470	120,891,697
Repo	18,956,358	12,534,810	6,949,667	1,410,182
Overnight Deposits	4,738,191	2,846,321	4,738,191	2,721,366
Commercial Paper	84,434,699	58,377,419	61,150,301	50,149,089
Money Market	928,737	1,117,588	-	-
<b>Fair Value Through Profit or Loss</b>				
Quoted Shares - Dividend	19,768	7,151	-	-
<b>Interest Income on</b>				
Savings Deposits	161,269	122,976	161,269	122,976
Policy Loans	2,416,461	2,230,401	-	-
Staff Loans	2,091,030	2,628,741	1,695,786	1,858,226
<b>Total Finance Income</b>	<b>622,628,666</b>	<b>512,067,951</b>	<b>379,656,860</b>	<b>310,296,662</b>
<b>Dividend From Subsidiary</b>	-	-	29,626,914	35,260,000
Interest on Finance Lease Agreements	172,092	1,421,362	106,455	986,035
Finance Cost - Right To Use Assets	51,306,279	-	39,150,950	-
<b>Total Finance Cost</b>	<b>51,478,371</b>	<b>1,421,362</b>	<b>39,257,405</b>	<b>986,035</b>
<b>Net Finance Income</b>	<b>571,150,294</b>	<b>510,646,589</b>	<b>370,026,369</b>	<b>344,570,627</b>

## NOTE 26 - POLICY ADMINISTRATION FEES

	Group		Company	
	2019	2018	2019	2018
Motor	223,723,043	154,378,579	223,723,043	154,378,579
Fire	1,645,435	1,302,260	1,645,435	1,302,260
Marine	527,098	248,423	527,098	248,423
Miscellaneous	5,824,228	5,606,186	5,824,228	5,606,186
<b>Total</b>	<b>231,719,804</b>	<b>161,535,448</b>	<b>231,719,804</b>	<b>161,535,448</b>

## NOTE 27 - OTHER INCOME

	Note	Group		Company	
		2019	2018	2019	2018
Gain / (Loss) on Foreign Currency Transaction		(233,968)	263,750	(233,968)	263,750
Gain on Sale of Property, Plant & Equipment		1,225,475	(171,511)	1,210,102	(171,511)
Miscellaneous Income	27.1	15,723,717	25,638,029	14,378,163	25,062,098
<b>Total</b>		<b>16,715,224</b>	<b>25,730,268</b>	<b>15,354,297</b>	<b>25,154,337</b>

## NOTE 27.01 - MISCELLANEOUS INCOME

		Group		Company	
		2019	2018	2019	2018
Other Income		9,630,128	4,188,737	8,945,870	4,135,004
Sundry Income		3,047,650	1,291,223	2,386,354	769,025
Policy Fee Charges		974,552	731,273	974,552	731,273
Unidentified Receipts Written Back		-	16,707,971	-	16,707,971
Profit Commission		-	1,129,130	-	1,129,130
Non Refundable Tender Fees		2,071,387	1,589,695	2,071,387	1,589,695
		<b>15,723,717</b>	<b>25,638,029</b>	<b>14,378,163</b>	<b>25,062,098</b>

## NOTE 28 - GROSS BENEFITS & CLAIMS INCURRED

	Group		Company	
	2019	2018	2019	2018
Life Insurance Contracts				
Death, Disability & Hospitalization	65,665,780	33,793,872	-	-
Policy Surrenders	35,019,737	41,379,052	-	-
Pension Benefits	3,379,833	2,739,406	-	-
Policy Maturity	112,658,798	135,703,811	-	-
Survival Benefits	7,683,998	8,812,746	-	-
	224,408,146	222,428,887	-	-
Non Life Insurance Contracts				
Motor	2,538,076,619	2,123,344,558	2,538,076,619	2,123,344,558
Fire	133,841,353	23,703,632	133,841,353	23,703,632
Marine	2,617,961	6,517,802	2,617,961	6,517,802
Miscellaneous	310,592,209	167,415,530	310,592,209	167,415,530
	2,985,128,142	2,320,981,523	2,985,128,142	2,320,981,522
Less: Salvage Income	(174,817,008)	(139,085,679)	(174,817,008)	(139,085,679)
Movement in Salvage Stock	7,863	-	7,863	-
	2,810,318,997	2,181,895,844	2,810,318,997	2,181,895,843
Total	3,034,727,143	2,404,324,730	2,810,318,997	2,181,895,843

# Notes to the Financial Statements

(All Amounts Are In Sri Lanka Rupees)

## NOTE 29 - UNDERWRITING & POLICY ACQUISITION COST

	Group		Company	
	2019	2018	2019	2018
Net Underwriting & Policy Acquisition Cost	497,644,433	458,158,219	409,647,261	353,386,235
Increase/ (Decrease) in Deferred Acquisition Cost	(29,048,146)	(53,817,947)	(29,048,146)	(53,817,947)
Reinsurance Commission	(173,556,605)	(165,388,408)	(166,343,152)	(158,955,409)
<b>Total</b>	<b>295,039,683</b>	<b>238,951,866</b>	<b>214,255,963</b>	<b>140,612,881</b>

## NOTE 30 - OTHER OPERATING & ADMINISTRATIVE EXPENSES

	Note	Group		Company	
		2019	2018	2019	2018
Staff Expenses	30.01	564,498,599	519,688,873	444,764,780	385,354,573
Administrative & Establishment Expenses		308,659,236	363,123,476	247,316,054	275,031,317
Selling Expenses		213,562,538	195,647,601	178,598,544	149,008,875
Depreciation		231,344,066	122,536,063	178,029,591	91,647,524
Amortization of Intangible Assets		3,615,444	2,227,435	1,485,601	1,401,573
Reversal of Impairment on Motor Vehicle		-	(19,354)	-	-
Impairment on Motor Vehicle		(102,240)	175,680	-	-
Notional Tax Written Off		-	14,531,528	-	-
<b>Total</b>		<b>1,321,577,643</b>	<b>1,217,911,302</b>	<b>1,050,194,569</b>	<b>902,443,863</b>

### NOTE 30.01 - STAFF EXPENSES

	Group		Company	
	2019	2018	2019	2018
Salaries & Wages	448,516,200	405,532,046	348,948,758	294,995,024
Contributions to Defined Contribution Plans	61,343,829	54,363,864	48,735,736	40,650,600
Contributions to Defined Benefit Plans	16,114,987	12,884,825	12,673,545	9,709,985
Contribution for Staff Group Term Assurance	542,602	2,254,800	3,459,487	1,758,450
Staff Welfare	10,152,487	8,734,876	7,752,375	6,176,710
Staff Bonus	11,181,700	18,413,893	9,991,279	18,413,893
Staff Training & Development	2,833,525	4,431,781	1,715,869	2,849,628
Other Staff Expenses	13,813,268	13,072,788	11,487,729	10,800,284
	<b>564,498,599</b>	<b>519,688,873</b>	<b>444,764,780</b>	<b>385,354,573</b>

## NOTE 31 - PROFIT BEFORE INCOME TAX

The Profit From Operations For The Year is Stated After Charging the Following Expenses.'

	Group		Company	
	2019	2018	2019	2018
Directors Remuneration	20,399,196	22,724,336	14,726,238	15,280,250
Directors Medical Insurance	133,852	133,617	133,852	133,617
Auditor's Remuneration	2,509,045	2,531,600	1,309,045	1,335,180
Impairment Loss on Premium Receivable	26,570,176	13,995,964	25,968,791	13,995,964
Depreciation	178,598,544	122,536,063	178,598,544	91,647,523
Amortization of Intangible Assets	1,485,601	2,227,435	1,485,601	1,401,573

## NOTE 32 - INCOME TAX EXPENSES

	Group		Company	
For The Year Ended 31 December	2019	2018	2019	2018
<b>Current Tax Expense</b>				
Current Year	131,211,726	106,857,705	131,115,033	105,714,714
(Over) / Under Provision For The Last Year	1,144,316	5,387,179	1,144,316	5,387,179
Withholding Tax on Inter Company Dividend	4,517,586	5,740,000	-	-
Capital Gain Tax	-	-	-	-
	<b>136,873,628</b>	<b>117,984,885</b>	<b>132,259,348</b>	<b>111,101,893</b>
<b>Deferred Tax Expense</b>				
(Origination) / Reversal of Deferred Tax Assets	15,833,044	(135,120,784)	(2,313,640)	(3,827,494)
Origination / (Reversal) of Deferred Tax Liabilities	1,645,024	20,238,028	1,645,024	30,347,876
	<b>17,478,068</b>	<b>(114,882,756)</b>	<b>(668,616)</b>	<b>26,520,382</b>
<b>Income Tax Expense</b>	<b>154,351,695</b>	<b>3,102,129</b>	<b>131,590,732</b>	<b>137,622,275</b>

# Notes to the Financial Statements

(All Amounts Are In Sri Lanka Rupees)

## NOTE 32.01 - RECONCILIATION OF ACCOUNTING PROFIT & TAXABLE INCOME

	Group		Company	
	2019	2018	2019	2018
Profit For The Year	272,578,879	411,645,940	265,663,480	268,154,147
Current Tax Expense	136,873,628	117,984,885	132,259,348	111,101,893
(Origination) / Reversal of Deferred Tax Assets	15,833,044	(135,120,784)	(2,313,640)	(3,827,494)
Origination / (Reversal) of Deferred Tax Liabilities	1,645,024	20,238,028	1,645,024	30,347,876
<b>Profit Before Tax</b>	<b>426,930,575</b>	<b>414,748,069</b>	<b>397,254,212</b>	<b>405,776,422</b>
At The Statutory Income Tax Rate of 28% (2018-28%)	119,540,561	116,129,459	111,231,179	113,617,398
Less: Exempted Interest Income	-	(8,790,851)	-	(5,599,017)
Less: Surplus Transferred From Long Term Insurance Fund	(463,587)	(332,920)	-	-
Add: Disallowable Expenses	69,619,788	33,299,053	69,612,866	31,070,952
Less: Allowable Expenses	(70,243,132)	(9,684,086)	(41,927,532)	(17,784,625)
Less: Profit From Life Insurance	-	(8,172,956)	-	-
Less: Other Income Considered Separately	(118,186,130)	(97,378,553)	(113,993,596)	(96,235,562)
Business Income	267,500	25,069,146	24,922,918	25,069,146
Other Sources Of Income	110,848,236	81,788,559	106,192,114	80,645,568
<b>Assessable Income</b>	<b>111,115,736</b>	<b>106,857,705</b>	<b>131,115,033</b>	<b>105,714,714</b>
Less: Deductions				
Deductions under Section 19 of the IR Act No. 24 of 2017	(20,095,991)	-	-	-
<b>Total Current Tax</b>	<b>131,211,726</b>	<b>106,857,705</b>	<b>131,115,033</b>	<b>105,714,714</b>

## NOTE 33 - BASIC EARNINGS 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, calculated as follows;

		Group		Company	
		2019	2018	2019	2018
	Note				
Profit Attributable to Ordinary Shareholders (Rs.)		265,880,839.26	378,176,879.92	265,663,480	268,154,147
Weighted Average Number of Ordinary Shares in Issue Applicable to Basic Earnings Per Share (Nos.)	33.1	138,890,569	129,075,485	138,890,569	129,075,485
<b>Earnings Per Share (Rs.)</b>		<b>1.91</b>	<b>2.93</b>	<b>1.91</b>	<b>2.08</b>



## NOTE 33.01 - WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

	Group		Company	
	2019	2018	2019	2018
<b>No. of Shares Held As At 1st January</b>	137,354,891	126,025,177	137,354,891	126,025,177
Add: Weighted Average Number of Shares Issued Due to Scrip Dividend 2019	1,535,678	3,050,308	1,535,678	3,050,308
<b>No. of Shares Held As At 31st December</b>	<b>138,890,569</b>	<b>129,075,485</b>	<b>138,890,569</b>	<b>129,075,485</b>

## NOTE 34 - RELATED PARTY TRANSACTION

### NOTE 34.01 - TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL (KMP)

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;

	2019	2018
Short term employee benefits	14,726,238	15,039,973

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 31st December 2019.

### Loans Obtained from Directors

Company has not obtained any loans from the Directors of the Company during the year ended 31st December 2019.

# Notes to the Financial Statements

**NOTE 34.02 - Directors & 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
Dr. 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-opinsu Training Academy	Chairman
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-opinsu Training Academy	Director
	Prime Tele Services Company	Director
	Prime Engineering Technology (Pvt) Ltd	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
Mr. R.G.K. Rankothge	Pujapitiya MPCS	Chairman
	Sri Lanka Marketing Federation	Chairman
Mr. C.P. Jayasinghe	Dambadeniya MPCS Ltd	Chairman
	Wayamba Co-operative Consumer Society Ltd	Director
	Wayamba Co-operative Rural Bank Union Ltd	Vice Chairman
	Co -operative Leasing Company Ltd	Chairman
	Sri lanka Co-operative Rural Bank Federation Ltd	Chairman
Mr. A.D.T.S. Palitha	TSP Associates	Partner
Mr. J.M.V.P. Jayasooriya	Kegalle Dist. Co-operative Rural Bank Union Ltd	Director
	District Cooperative Council of Kegalle	Director
	Co-op life Insurance Company Ltd	Director
K Susil Shantha Weerasekara	Weligama MPCS Ltd	Chairman
	Matara District Co-operative Council	Director
	Matara Dist. Co-operative Rural Bank Society	Vice Chairman
	Matara District Tea Producers Co-operative Society Ltd	Chairman
	National Co-operative Council Sri Lanka	Vice Chairman
	Sri Lanka Tea Co-operative Federation Ltd	Director
D L Samarawikrama	Ja - Ela MPCS Ltd	Director
	Colombo District Rural Bank Federation	Director
	Colombo South Co-operative Society Ltd	Director
	Public Service Co-operative Credit & Thrift Society Ltd	Chairman
	Co-op Life Insurance Company Ltd	Director
R Sooriyarachchi	Airport And Aviation Sri Lanka Ltd	Director
A B Senadeera	New Thalawakale MPCS Ltd	Chairman
	Sri Lanka Customer Cooperative Federation	Director
	National Co-operative Council	Director
	Cooperative District Council Nuwaraeliya	Chairman
	Central Province Rural Bank Union Ltd	Director

## NOTE 34.03 - TRANSACTIONS & 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 below ;

Entity	Nature of Transaction	Transaction Amount		Balance As At 31st December	
		2019	2018	2019	2018
Coop Life Insurance Ltd	Equity Investment		35,260,000	455,260,050	445,260,040
	Equity Investment -Indirect	10,000,010	-	-	-
	Receiver For Shared Service Expenses	(27,932,731)	(28,820,657)	15,301,646	10,757,248
	Insurance Premium	(199,054)	(708,342)	-	-
	Life GTA	3,325,635	2,930,750	-	-
	Vehicle Rent	(2,290,473)	(3,305,350)	-	-
	Building Rent	3,093,077	2,760,437	-	-
	Water & Electricity	-	445,153	-	-
	Claims	139,539	60,705	-	-
	Salary Deductions	-	1,430,240	-	-
	Dividends Paid	(29,626,914)	(41,000,000)	-	-
	Others	-	800,770	-	-
	Life Protection Cover	-	-	(266,571)	-
CoopInsurance Training Academy	Equity Investment	-	10	10	10
	Payment Reimbursements	173,000	593,315	1,641,001	554,831
MPCS Wennappuwa	Office Rent	1,038,180	1,022,450	-	-
	Fuel	66,131	-	-	-
	Dividend	11,749,266	-	-	-
	Commission	416,637	273,083	-	-
	Claims	666,020	256,723	-	-
National Co-operative Council Of Sri Lanka	Commission	10,847	-	-	-
	Transport Charges	17,300	40,700	-	-
	Claims	50,000	-	-	-
	Dividends	18,569	-	-	-
	Training & Diaries	30,950	-	-	-

# Notes to the Financial Statements

Entity	Nature of Transaction	Transaction Amount		Balance As At 31st December	
		2019	2018	2019	2018
Sri Lanka Co-operative Marketing Federation	Fuel	635,793	474,839	-	-
	Transport	-	104,620	-	-
	Claims	5,650	45,080	-	-
	Dividends	22,264	-	-	-
	Others	-	12,870	-	-
Sri Lanka Co-operative Rural Bank Federation	Sales Promotion	-	-	-	-
	Refunds & Other	-	-	-	-
	Vehicle Rental/Card Machine Rent	-	7,636,465	-	-
	Dividends	1,512,375	-	-	-
	Claims	4,714,833	78,225	-	-
	Lease Payments	-	-	-	-
	Commission	287,801	-	-	-
	Rent	1,558,660	-	-	-
	Vehicle Repairs	780,550	-	-	-
Dambadeniya MPCs Ltd	Commission	-	213,206	-	-
	Commission Incentive	180,694	-	-	-
	Incentive	-	-	-	-
	Claims	-	9,840	-	-
	Dividends	933,661	-	-	-
	Business Discount	10,000	-	-	-
Post & Telecom Employees Co-op Bank Society Ltd	Commission & Incentive	-	3,118	-	-
	Claims	-	33,000	-	-
	Advertisement	-	30,000	-	-
Beralapanatara MPCs	Claims	331,394	41,530	-	-
	Commission	-	-	-	-
	Commission Incentive	251,219	306,605	-	-
	Dividend	1,828,156	-	-	-
Matara Dist. Tea Producers Co-operative Society Union	Claims	411,195	33,606	-	-
	Dividend	4,417,559	-	-	-
Weligama MPCs	Claims	13,178	54,470	-	-
	Dividend	21,589	-	-	-
Beliatta MPCs	Share Transfer	10,000,010	-	-	-

Entity	Nature of Transaction	Transaction Amount		Balance As At 31st December	
		2019	2018	2019	2018
Galigamuwa MPCs	Dividends	42,729	-	-	-
	Claims	201,348	138,151	-	-
	Commission	-	-	-	-
	Commission Incentive	-	50,000	-	-
	Other	-	-	-	-
	Business Discount	25,000	-	-	-
Co-operative Leasing Company Ltd	Commission	642,086	1,560,840	-	-
	Claims	2,466,504	-	-	-
Polonnaruwa Dist.Co-operative Rural Bank Union	Commission	-	98,684	-	-
	Salary Deductions	-	104,400	-	-
	Sales Promotion	-	25,000	-	-
	Claims	-	384,210	-	-
	Other	-	6,000	-	-
Wayamba Co operative Rural Bank Union	Sales Promotion	-	197,000	-	-
	Claims	199,895	107,693	-	-
	Commission	887,360	220,944	-	-
	Dividends	6,089,235	-	-	-
	Souvenir	100,000	-	-	-
Chilaw District Co-operative Council	Office Rent	420,000	-	-	-
Matara District Coop Rural Bank Union Ltd	Dividends	2,930,274	-	-	-
Matara District Cooperative Council	Dividends	19,461	-	-	-
Pujapitiya MPCs Ltd	Dividends	142,651	-	-	-
Kegalle District Coop Rural Bank	Dividends	5,318	-	-	-
Colombo South Coop Society Ltd	Tea Items	2,277,667	-	-	-
	Claim	6,000	-	-	-
	Dividends	2,203	-	-	-
	Business Discount	25,000	-	-	-

# Notes to the Financial Statements

## NOTE 35 - CONTINGENCIES

### NOTE 35.01

The Company received Notices of Assessment on Value Added Tax (VAT) on Financial Services (FS) and NBT on Financial Services informing that the Company is liable for VAT and NBT on financial services for the taxable periods from 01.01.2017 to 31.12.2017. The Company has appealed against the assessment as the Company based on that, the Company is in the business of insurance and is not liable for VAT and NBT on financial services. Other insurers have also received similar assessments and have appealed against them. As such no provision is made in the financial statements for the tax in dispute and the penalty, which amounts to Rs. 12.26 million.

### NOTE 35.02

The Company has received income tax assessments for life insurance, taxation and claim of expenses on account of accrued insurance claims payable for the year of assessments 2014/2015,

In the view of Company and the Company's Tax Consultant, these assessments were issued by the Inland Revenue Department contrary to the Section 92 of Inland Revenue Act, No. 10 of 2006.

It is the view of the Company's Tax Consultant that these assessments will not materialise. Therefore no additional provision has been made in the financial statements.

The Company has duly appealed against these Assessments in consultation with Tax Consultants and the status of each

Assessment is provided in the table below.

Year of Assessment	Tax Type	Status of Assessment	Nature of Contingent Impact to the Company	Measurement of Contingent Impact to the Company
2014/2015	IT	Made an appeal to Tax Appeals Commission	Additional Tax Liability	89 Million
2017/2018	IT	Filed the appeal with Department of Inland Revenue	No impact due to Availability of WHT Credits	10.3 Million

### NOTE 35.03- SUBSIDIARY

The Subsidiary has received tax assessment for the year of assessment 2015/16, 2016/17 and 2017/18 which include tax liability of Rs.21mn, Rs.15.4mn and Rs.34mn respectively. The Subsidiary has appealed against the assessments with the consultation of Tax Consultant of the Company. These income tax assessments are common assessments for all life insurance companies in the insurance industry. It is the view of the Industry, the Company and the Company's Tax Consultant, that these assessments will not materialize. Other than this, there were no material contingent liabilities outstanding as at the date of reporting.

## NOTE 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.



## NOTE 37 - FINANCIAL RISK MANAGEMENT

Primary objective of the Group's business and financial risk management frame work is to protect the Group'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 Group'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 important that the management identify the uncertainties that hinder achievement of financial objectives of the Group and implement effective mitigating strategies to safeguard the financial expectations of the stakeholders.

### FINANCIAL INSTRUMENTS – FAIR VALUES & RISK MANAGEMENT

#### A. Accounting Classification & 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 a reasonable approximation of fair value.

As At 31st December 2019 Group	Note	FVTPL	Held To Maturity	Loans & Receivables & Other Financial Assets	Available For Sale	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial Assets Measured At Fair Value/Amortized Cost</b>											
Treasury Bonds	6.1 (a) & 6.3 (a)	-	723,231	-	310,131	-	<b>1,033,363</b>	310,131	-	-	<b>310,131</b>
Unquoted Equity Instruments	6.3	-	-	-	5,885	-	<b>5,885</b>	-	-	5,885	<b>5,885</b>
Quoted Equity Instruments	6.4	576	-	-	11,264	-	<b>11,840</b>	11,840	-	-	<b>11,840</b>
Quoted Debentures	6.1 (b) & 6.3 (b)	-	1,228,374	-	615,376	-	<b>1,843,750</b>	615,376	-	-	<b>615,376</b>
<b>Financial Assets Not Measured At Fair Value</b>											
Fixed Deposits	6.2	-	-	1,779,324	-	-	<b>1,779,324</b>	-	-	-	-
Investments In Repo	6.2	-	-	969,963	-	-	<b>969,963</b>	-	-	-	-
Commercial Paper	6.2	-	-	228,360	-	-	<b>228,360</b>	-	-	-	-
Money Market	6.2	-	-	43,107	-	-	<b>43,107</b>	-	-	-	-
Reinsurance Receivable	9	-	-	410,409	-	-	<b>410,409</b>	-	-	-	-
Premium Receivable	10	-	-	931,664	-	-	<b>931,664</b>	-	-	-	-
Cash & Cash Equivalents	12	-	-	158,121	-	-	<b>158,121</b>	-	-	-	-
<b>Total Assets</b>		<b>576</b>	<b>1,951,605</b>	<b>3,546,176</b>	<b>942,656</b>	<b>-</b>	<b>6,441,014</b>	<b>937,347</b>	<b>-</b>	<b>5,885</b>	<b>943,232</b>
<b>Financial Liabilities Not Measured At Fair Value</b>											
Financial Leases	14	-	-	-	-	-	-	-	-	-	-
Lease Creditors	15	-	-	-	-	382,803	<b>382,803</b>	-	-	-	-
Re-Insurance Creditors	19	-	-	-	-	325,435	<b>325,435</b>	-	-	-	-
Bank Overdrafts	12	-	-	-	-	32,784	<b>32,784</b>	-	-	-	-
<b>Total Liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>741,022</b>	<b>741,022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Notes to the Financial Statements

(All Amounts Are In Sri Lanka Rupees)

As At 31st December 2018	Note	FVTPL	Held To Maturity	Loans & Receivables & Other Financial Assets	Available For Sale	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	Total
Group											
<b>Financial Assets Measured At Fair Value/Amortized Cost</b>											
Treasury Bonds	6.1 (a) & 6.3 (a)	-	797,258	-	375,531	-	1,172,789	375,531	-	-	375,531
Unquoted Equity Instruments	6.3	-	-	-	5,824	-	5,824	-	-	5,824	5,824
Quoted Equity Instruments	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
<b>Financial Assets Not Measured At Fair Value</b>											
Fixed Deposits	6.2	-	-	1,779,693	-	-	1,779,693	-	-	-	-
Investments In Repo	6.2	-	-	342,133	-	-	342,133	-	-	-	-
Commercial Paper	6.2	-	-	443,240	-	-	443,240	-	-	-	-
Reinsurance Receivable	9	-	-	340,059	-	-	340,059	-	-	-	340,059
Premium Receivable	10	-	-	758,588	-	-	758,588	-	-	-	-
Cash & Cash Equivalents	12	-	-	140,831	-	-	140,831	-	-	-	140,831
<b>Total Assets</b>		731	1,582,421	3,045,955	716,136	-	5,345,244	711,044	-	5,824	1,197,757
<b>Financial Liabilities Not Measured At Fair Value</b>											
Financial Lease	14	-	-	-	-	3,051	3,051	-	-	-	-
Re-Insurance Creditors	19	-	-	-	-	302,532	302,532	-	-	-	-
Bank Overdrafts	12	-	-	-	-	94,508	94,508	-	-	-	-
<b>Total Liabilities</b>		-	-	-	-	400,092	400,092	-	-	-	-

As At 31st December 2019	Note	FVTPL	Held To Maturity	Loans & Receivables & Other Financial Assets	Available For Sale	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	Total
Company											
<b>Financial Assets Measured At Fair Value</b>											
Treasury Bonds	6.1 (a)	354,443					354,443	-	-	-	-
Unquoted Equity Instruments	6.3				5,885		5,885	-	-	5,885	5,885
Quoted Equity Instruments	6.3				11,264		11,264	11,264	-	-	11,264
Quoted Debentures	6.1(b)	1,228,374					1,228,374	-	-	-	-
<b>Financial Assets Not Measured At Fair Value</b>											
Fixed Deposit	6.2			929,292			929,292	-	-	-	-
Investments In Repo	6.2			914,435			914,435	-	-	-	-
Commercial Paper	6.2			27,973			27,973	-	-	-	-
Reinsurance Receivable	9			394,410			394,410	-	-	-	-
Premium Receivable	10			923,241			923,241	-	-	-	-
Cash & Cash Equivalents	12			119,169			119,169	-	-	-	-
<b>Total Assets</b>		1,582,817		3,308,520	17,149		4,908,486	11,264	-	5,885	17,149

As At 31st December 2019	Note	FVTPL	Held To Maturity	Loans & Receivables & Other Financial Assets	Available For Sale	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	Total
Company											
<b>Financial Liabilities Not Measured At Fair Value</b>											
Financial Lease	14					-	-	-	-	-	-
Lease Creditor	15					290,818	<b>290,818</b>	-	-	-	-
Reinsurance Creditors	19					309,664	<b>309,664</b>	-	-	-	-
Bank Overdrafts	12					32,784	<b>32,784</b>	-	-	-	-
<b>Total Liabilities</b>						<b>633,266</b>	<b>633,266</b>	-	-	-	-

As At 31st December 2018	Note	FVTPL	Held To Maturity	Loans & Receivables & Other Financial Assets	Available For Sale	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	Total
Company											
<b>Financial Assets Measured At Fair Value</b>											
Treasury Bonds	6.1 (a)	-	427,730	-		-	<b>427,730</b>	-	-	-	-
Unquoted Equity Instruments	6.3	-	-	-	5,824	-	<b>5,824</b>	-	-	5,824	5,824
Quoted Equity Instruments	6.3	-	-	-	9,956	-	<b>9,956</b>	9,956	-	-	9,956
Quoted Debentures	6.1(b)	-	785,163	-		-	<b>785,163</b>	-	-	-	-
<b>Financial Assets Not Measured At Fair Value</b>											
Fixed Deposit	6.2	-	-	1,151,321		-	<b>1,151,321</b>	-	-	-	-
Investments In Repo	6.2	-	-	250,747		-	<b>250,747</b>	-	-	-	-
Commercial Paper	6.2	-	-	256,835		-	<b>256,835</b>	-	-	-	-
Reinsurance Receivable	9	-	-	331,972		-	<b>331,972</b>	-	-	-	-
Premium Receivable	10	-	-	750,717		-	<b>750,717</b>	-	-	-	-
Cash & Cash Equivalents	12	-	-	120,709		-	<b>120,709</b>	-	-	-	-
<b>Total Assets</b>		-	<b>1,212,893</b>	<b>2,862,301</b>	<b>15,780</b>	-	<b>4,090,974</b>	<b>9,956</b>	-	<b>5,824</b>	<b>15,780</b>
<b>Financial Liabilities Not Measured At Fair Value</b>											
Financial Leases	14	-	-	-	-	1,764	<b>1,764</b>	-	-	-	-
Reinsurance Creditors	19	-	-	-	-	291,709	<b>291,709</b>	-	-	-	-
Bank Overdrafts	12	-	-	-	-	94,508	<b>94,508</b>	-	-	-	-
<b>Total Liabilities</b>						<b>387,981</b>	<b>387,981</b>	-	-	-	-

# Notes to the Financial Statements

(All Amounts Are In Sri Lanka Rupees)

## 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 Unobservable Inputs & Fair Value Measurement
Equity Instruments-Unquoted	Net Assets based Valuation	Net Assets Value and Number of Shares Outstanding	Positive
Debentures	Future Cash Flow based valuation	Discounting Factor	Negative

### ii. Level 3 Fair Values

#### Reconciliation of Level 3 Fair Value

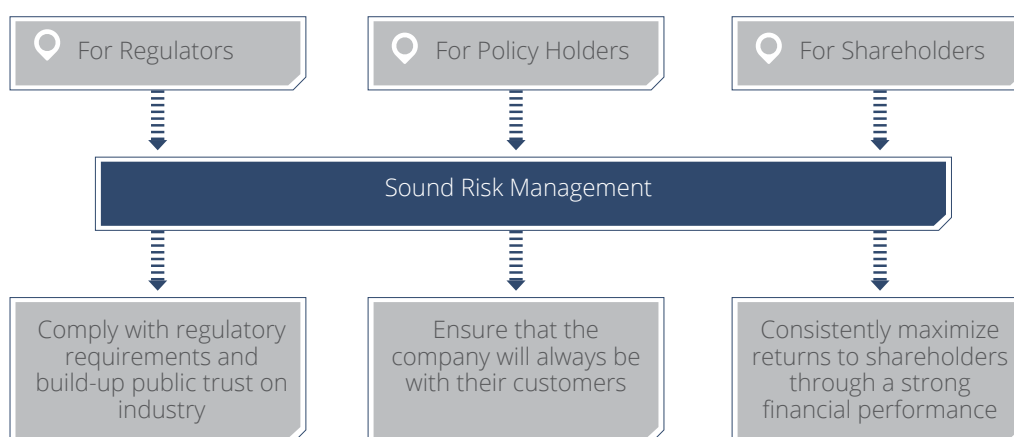
The following table shows a reconciliation of the opening balances to the closing balances for level 3 fair values.

Group/Company	Available For Sale Financial Assets
<b>Balance As At 1st January 2018</b>	<b>5,109,542</b>
Total Gains or Losses Recognized in OCI	714,034
<b>Closing Balance As At 31st December 2018</b>	<b>5,823,576</b>
<b>Balance As At 1st January 2019</b>	<b>5,823,576</b>
Total Gains or Losses Recognized in OCI	61,301
<b>Closing Balance As At 31st December 2019</b>	<b>5,884,877</b>

## NOTE 37.01 - FINANCIAL RISK MANAGEMENT

### Introduction & Overview

Effective risk management is very important for an organization to identify, measure, mitigate and manage the various types of risks falling within the group and the industry. CICI group recognizes the importance of sound risk management in every aspect of our business and the responsibility to our stakeholders.



## NOTE 37.01.01 - RISK & 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.

# Notes to the Financial Statements

(All Amounts Are In Sri Lanka Rupees)

## (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 has 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 2019 and 2018 are as follows.

	31st December 2019				31st December 2018			
	Total Available Capital (TAC) Requirement Rs. 000'	Minimum Capital Requirement Rs. 000'	Risk-based Capital Adequacy Ratio (CAR)	Regulatory Minimum CAR	Total Available Capital (TAC) Requirement Rs. 000'	Minimum Capital Requirement Rs. 000'	Risk-based Capital Adequacy Ratio (CAR)	Regulatory Minimum CAR
CICL	1,698,534	500,000	187%	120%	1,353,242	500,000	178%	120%

Total Available Capital and Risk based Capital Adequacy Ratio of CICL was maintained throughout the year in excess of the minimum requirements as prescribed by the IRCSL. Thus, the operations of the Group are in compliance with the regulatory requirements of the IRCSL. Further the Group is in compliance with other regulators such as Central Bank of Sri Lanka (CBSL), Department of Inland Revenue (IRD) 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 processes. There were no changes in the capital structure in the Company during the year.

Company and its Subsidiary are subject to regulatory guidelines and framework which includes minimum Capital Requirement, Solvency Margin, Approved Assets Requirements, etc. to minimize the risk of default and insolvency on the part of the insurance Company to meet unforeseeable liabilities as they arise. Group has complied with all regulatory requirements during the year.

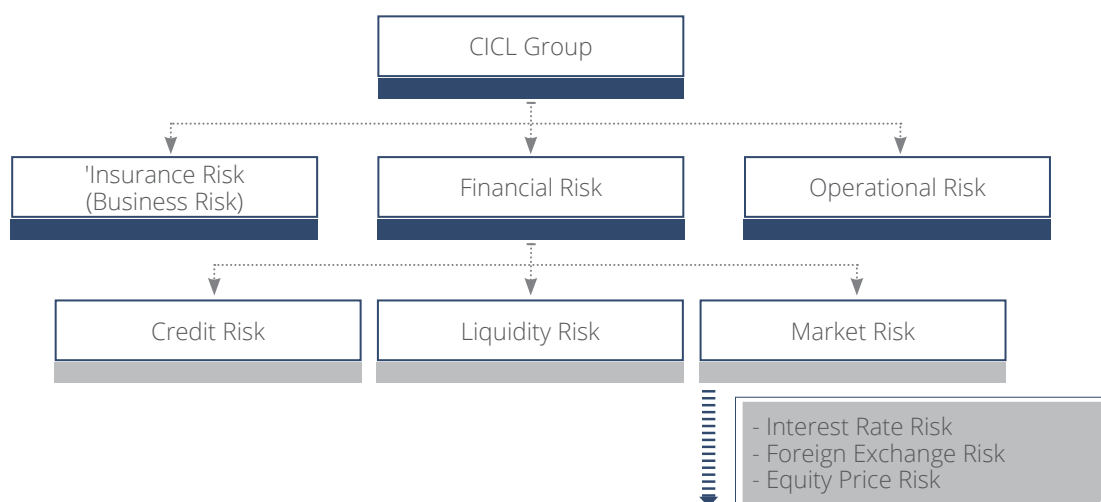
## (D) Asset & Liability Management (ALM) Framework

The Group manages assets & liabilities to achieve long-term investment returns in excess of its obligations under insurance contracts. Financial risks arising from interest rates, currency and equity products, all of which are exposed to general and specific market movements will have an impact on Asset & Liability Management (ALM). The main risk that the Group faces, due to the nature of its investments and liabilities, is the interest rate risk. The Group manages these positions within a clearly defined ALM framework.

## NOTE 37.02 - INSURANCE & 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 changes in the assumptions underlying the measurement of insurance contracts and / or in the market environment are also quantified.

The Group has exposure to the following risks;



### NOTE 37.02.01 - INSURANCE RISK (BUSINESS RISK)

By the very nature of an insurance contracts, 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 Group 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.



# Notes to the Financial Statements

(All Amounts Are In Sri Lanka Rupees)

## NOTE 37.02.01.01 - 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, premium 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 risks 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 Group is exposed to two main types of concentration risks in its life business:

Market risk: Interest rate guarantees expose the Group 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 risks associated with the life insurance business.

The Group'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 premium or no future premium, 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 Group to mitigates risk associated with life insurance.

<b>Strategies Associated with Life Insurance Undertaking</b>	<ul style="list-style-type: none"> <li>• Focused training is provided to Insurance Advisors on proper selling in Sinhala, Tamil and English. WmfoaYlhskag wjOdkh fhduq lr we;s mqyqKqj ,nd foa'</li> <li>• 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.'</li> </ul>
<b>Strategies Associated with Life Insurance Claims to Manage within Expected Level</b>	<ul style="list-style-type: none"> <li>• Claims are reserved immediately at the intimation or on the availability of information of the death or injury of an insured.</li> <li>• The support of the reinsurers is obtained on reserving such claim liability and the share of reinsurers.</li> </ul>
<b>Reinsurance Strategies Associated with Life Insurance Undertaking</b>	<ul style="list-style-type: none"> <li>• A very close and professional relationship is maintained with all reinsurers and reinsurance brokers</li> <li>• Frequent review of the outstanding reinsurance receivables.</li> </ul>

## (B) Concentration Risk

The Group 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 Group.

	Insurance Contract Liabilities As At 31st December 2019	Insurance Contract Liabilities As At 31st December 2018
Participating	1,312,216	1,126,615
Non-participating	585,940	443,410
Total	1,898,156	1,570,025

## (C) Assumptions In Determining Life Insurance Contract Liabilities

Life insurance contracts, estimates are made in two stages. At inception of the contract, the Group 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
<b>Mortality</b>	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.
<b>Investment Returns</b>	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 2019 or 2018, based on the results of the liability adequacy test. The 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.

# Notes to the Financial Statements

(All Amounts Are In Sri Lanka Rupees)

## 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	
		2019	2018
<b>Mortality</b>	10%	1,773,934	1,431,599
	-10%	1,639,725	1,401,095
<b>Discount Rate</b>	10%	1,608,979	1,282,301
	-10%	1,930,598	1,574,058

## NOTE 37.02.01.02 - 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
<b>Motor</b>	Includes automobile physical damage, loss of the insured vehicle and automobile third party liability insurance
<b>Fire &amp; Engineering</b>	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)
<b>Accident &amp; Liability</b>	Includes general/public and product liability, excess and professional liability including medical malpractice, errors and omissions of liability.
<b>Marine/ Cargo</b>	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 optimize 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.

<b>Strategies Associated with General Insurance Undertaking</b>	<ul style="list-style-type: none"> <li>• Limits are set on underwriting capacity, and authority granted to individuals based on their specific expertise.</li> <li>• Appropriate pricing guidelines have been set, with a focus on consistent technical pricing across the organization.</li> <li>• Diversified large portfolio of insurance contracts and geographical areas.</li> <li>• Careful selection and implementation of underwriting strategies.</li> </ul>
<b>Strategies Associated with General Insurance Claims to Manage within Expected Level</b>	<ul style="list-style-type: none"> <li>• Claims are assessed immediately upon intimation and reserved accordingly..</li> <li>• 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.</li> </ul>
<b>Reinsurance Strategies Associated with General Insurance Undertaking</b>	<ul style="list-style-type: none"> <li>• There are strict controls to ensure that no insurance cover is issued without a proper reinsurance arrangement backing the cover.</li> <li>• Review adequacy of reinsurance support for catastrophe / extreme events on a regular basis</li> <li>• Periodic review of the credit rating and ensuring all reinsurers maintain the rating throughout the year.</li> </ul>

## (B) Reinsurance Risk

The Group obtains reinsurance to limit its exposure to individual risks and aggregation of risks arising from individual large claims and catastrophic 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 31st December 2019, 99% of our reinsurance receivable were due from reinsurers with a rating of 'B+' 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	Standard & Poors
Malaysian Reinsurance Berhad	Malaysia	A-	Fitch
Hannover Re (Bermuda) Ltd	Bermuda	A+	Standard & Poor
Swiss Re International SE	Luxembourg	A+	A M Best
First Capital Insurance Limited	Singapore	A-(EXCELLENT)	A M Best
Santam Re	South Africa	AAA	S&P Global
National Insurance Trust Fund	Sri Lanka	Government security	Not Applicable
Asian Reinsurance Corporation	Thailand	B+	A M Best
Qatar Insurance Company	Qatar	A-	A M Best
Ocean International Reinsurance Company Ltd	Panama	A-	A M Best

## (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.

# Notes to the Financial Statements

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Concentration risk based on classes within the general insurance business based on the Gross Written Premium is as follows:

Class	2019				2018			
	Gross Written Premium re'000'	Re-insurance re'000'	Net Written Premium re'000'	%	Gross Written Premium re'000'	Re-insurance re'000'	Net Written Premium re'000'	%
Motor	3,784,594	411,930	3,372,663	88%	3,254,676	331,438	2,923,238	87%
Fire & Engineering	145,277	119,905	25,372	3%	121,113	102,753	18,360	3%
Marine	13,965	11,070	2,895	0%	7,791	2,551	5,240	0%
Accident & Liability	361,954	141,716	220,238	8%	367,258	122,198	245,060	10%
<b>Total</b>	<b>4,305,789</b>	<b>684,621</b>	<b>3,621,168</b>	<b>100%</b>	<b>3,750,838</b>	<b>558,940</b>	<b>3,191,898</b>	<b>100%</b>

## (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 risks associated with these insurance contracts are complex and subject to a number of variables that complicate the quantitative sensitivity analysis. NMG uses 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.

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 31st 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	2019	2018
	Rs.'000	Rs.'000
Net Impact to Profit Before Tax	5,715	5,990
Impact to Net Assets	38,072	34,841

## NOTE 37.02.02 - FINANCIAL RISK

### NOTE 37.02.02.01 - 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 categorized 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
- Premium 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.'

		2019				2018			
	Note	Group	% of Allocation	Company	% of Allocation	Group	% of Allocation	Company	% of Allocation
Debt Securities -									
Loans & Receivables	6.2	942,408	30%	942,408	39%	785,373	27%	507,582	28%
Debt Securities -									
Available For Sale	6.3	615,376	19%	-	0%	700,357	24%	-	0%
<b>Total Debt Securities</b>		<b>1,557,784</b>	<b>49%</b>	<b>942,408</b>	<b>39%</b>	<b>1,485,730</b>	<b>51%</b>	<b>507,582</b>	<b>28%</b>
Life Policyholders									
Loans	8	24,937	1%	-	0%	20,630	1%	-	0%
Reinsurance									
Receivable	9	410,409	13%	394,410	16%	340,059	12%	331,972	18%
Premium Receivable	10	931,664	29%	923,241	38%	758,588	26%	750,717	42%
Other Assets	11	104,854	3%	53,763	2%	140,820	5%	85,488	5%
Cash & Cash									
Equivalents	12	156,891	5%	119,169	5%	140,831	5%	120,709	7%
<b>Total Credit Risk Exposure</b>		<b>3,186,539</b>	<b>100%</b>	<b>2,432,991</b>	<b>100%</b>	<b>2,886,658</b>	<b>100%</b>	<b>1,796,468</b>	<b>100%</b>

The Group is exposed to credit risk on securities issued by third parties. The Group limits its exposure by analyzing 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 categorized into investments in government securities and investments in corporate debt securities.

# Notes to the Financial Statements

(All Amounts Are In Sri Lanka Rupees)

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 31st December 2019						%
	Held To Maturity Financial Assets Rs.'000'	Loans & Receivables Rs.'000'	Available For Sale Financial Assets Rs.'000'	Financial Assets at Fair Value Through Profit or Loss Rs.'000'	Cash & Cash Equivalents Rs.'000'	Total Rs.'000'	
AAA+ to AAA-	-	60,576	-	-	-	60,576	1%
AA+ to AA-	201,583	102,628	31,937	-	-	336,148	6%
A+ to A-	749,004	1,357,532	383,722	-	-	2,490,258	41%
BBB+ to BBB-	301,633	479,657	199,717	-	-	981,007	16%
BB+ to BB-	-	49,326	-	-	-	49,326	1%
Government Guaranteed	723,231	914,435	310,130	-	-	1,947,797	32%
Not Rated	2,577	55,528	17,149	-	86,960	162,214	3%
<b>Total</b>	<b>1,978,029</b>	<b>3,019,681</b>	<b>942,655</b>	<b>-</b>	<b>86,960</b>	<b>6,027,325</b>	<b>100%</b>
Allowance for Impairment	-	-	-	-	-	-	0%
<b>As At 31st December 2019</b>	<b>1,978,029</b>	<b>3,019,681</b>	<b>942,655</b>	<b>-</b>	<b>86,960</b>	<b>6,027,325</b>	<b>100%</b>

Group	Carrying Amount As At 31st December 2018						%
	Held To Maturity Financial Assets Rs.'000'	Loans & Receivables Rs.'000'	Available For Sale Financial Assets Rs.'000'	Financial Assets at Fair Value Through Profit or Loss Rs.'000'	Cash & Cash Equivalents Rs.'000'	Total Rs.'000'	
AAA+ to 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%
<b>Total</b>	<b>1,582,421</b>	<b>2,565,065</b>	<b>716,137</b>	<b>731</b>	<b>46,099</b>	<b>4,910,453</b>	<b>100%</b>
Allowance for Impairment	-	-	-	-	-	-	-
<b>As At 31st December 2018</b>	<b>1,582,421</b>	<b>2,565,065</b>	<b>716,137</b>	<b>731</b>	<b>46,099</b>	<b>4,910,453</b>	<b>100%</b>



Carrying Amount As At 31st December 2019							
Company	Held To Maturity Financial Assets Rs.'000'	Loans & Receivables Rs.'000'	Available For Sale Financial Assets Rs.'000'	Financial Assets at Fair Value Through Profit or Loss Rs.'000'	Cash & Cash Equivalents Rs.'000'	Total Rs.'000'	%
AAA+ to AAA-	-	60,576	-	-	-	60,576	2%
AA+ to AA-	201,583	100,336	-	-	-	301,919	9%
A+ to A-	749,004	621,146	-	-	-	1,370,150	39%
BBB+ to BBB-	301,633	125,881	-	-	-	427,514	12%
BB+ to BB-	-	49,326	-	-	-	49,326	1%
Government Guaranteed	354,443	914,435	-	-	-	1,268,878	36%
Not Rated	2,577	-	17,149	-	86,385	106,111	3%
<b>Total</b>	<b>1,609,240</b>	<b>1,871,700</b>	<b>17,149</b>	<b>-</b>	<b>86,385</b>	<b>3,523,899</b>	<b>100%</b>
Allowance for Impairment	-	-	-	-	-	-	-
<b>As At 31st December 2019</b>	<b>1,609,240</b>	<b>1,871,700</b>	<b>17,149</b>	<b>-</b>	<b>86,385</b>	<b>3,523,899</b>	<b>100%</b>

Carrying Amount As At 31st December 2018							
Company	Held To Maturity Financial Assets Rs.'000'	Loans & Receivables Rs.'000'	Available For Sale Financial Assets Rs.'000'	Financial Assets at Fair Value Through Profit or Loss Rs.'000'	Cash & Cash Equivalents Rs.'000'	Total Rs.'000'	%
AAA+ to AAA-	-	-	-	-	-	-	0%
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%
<b>Total</b>	<b>1,212,893</b>	<b>1,658,903</b>	<b>15,780</b>	<b>-</b>	<b>26,201</b>	<b>2,913,777</b>	<b>100%</b>
Allowance for Impairment	-	-	-	-	-	-	-
<b>As At 31st December 2018</b>	<b>1,212,893</b>	<b>1,658,903</b>	<b>15,780</b>	<b>-</b>	<b>26,201</b>	<b>2,913,777</b>	<b>100%</b>

Following are some strategies followed by the Group 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.

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(All Amounts Are In Sri Lanka Rupees)

The following table provides information relating to credit risk exposure of other financial assets:

Group	Reinsurance Receivable		Premium Receivable	
	2019	2018	2019	2018
<b>Maximum Exposure To Credit Risk</b>				
Neither Past Due Nor Impaired	78,929	68,721	799,641	662,689
<b>Past Due But Not Impaired</b>				
61-90 Days	36,932	27,841	131,906	97,861
91-365 Days	226,114	188,877	16,612	6,407
365 Days +	32,692	30,308	15,164	10,903
<b>Total</b>	<b>374,667</b>	<b>315,747</b>	<b>963,324</b>	<b>777,861</b>
Impaired			(31,660)	(19,272)
IBNR	35,742	24,312		
<b>Total</b>	<b>410,409</b>	<b>340,059</b>	<b>931,664</b>	<b>758,588</b>

Company	Reinsurance Receivable		Premium Receivable	
	2019	2018	2019	2018
<b>Maximum Exposure To Credit Risk</b>				
Neither Past Due Nor Impaired	72,670	65,583	791,218	654,817
<b>Past Due But Not Impaired</b>				
61-90 Days	33,882	27,774	131,906	96,463
91-365 Days	221,954	185,546	15,963	5,123
365 Days +	30,162	28,757	10,122	8,309
<b>Total</b>	<b>358,668</b>	<b>307,660</b>	<b>949,210</b>	<b>764,713</b>
Impaired			(25,969)	(13,996)
IBNR	35,742	24,312		
<b>Total</b>	<b>394,410</b>	<b>331,972</b>	<b>923,241</b>	<b>750,717</b>

## (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 recoverables 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.

	2019				2018			
	On Paid Claims	On Reserve	Total	%	On Paid Claims	On Reserve	Total	%
AAA	33,532	18,122	51,654	13%	21,381	7,096	28,477	9%
AA-	-	-	-	0%	-	-	-	0%
A+	-	-	-	0%	-	-	-	0%
A	2,895	196	3,091	1%	1,439	330	1,769	1%
A-	100,032	95,871	195,903	50%	137,921	43,159	181,080	59%
BBB+	-	-	-	0%	-	-	-	0%
B+	-	-	-	0%	-	-	-	0%
NITF	59,082	48,938	108,020	27%	74,653	21,679	96,333	31%
Unrated	-	-	-	0%	-	-	-	0%
<b>Total</b>	<b>195,541</b>	<b>163,126</b>	<b>358,668</b>	<b>91%</b>	<b>-</b>	<b>-</b>	<b>307,660</b>	<b>100%</b>
IBNR	-	-	35,742	9%	-	-	24,312	0%
<b>Total Reinsurance Receivable</b>	<b>195,541</b>	<b>163,126</b>	<b>394,410</b>	<b>100%</b>	<b>235,395</b>	<b>72,265</b>	<b>331,972</b>	<b>100%</b>

	2019				2018			
	On Paid Claims	On Reserve	Total	%	On Paid Claims	On Reserve	Total	%
<b>Ratings - Life</b>								
AA	7,384	8,615	15,999	100%	4,914	3,173	8,087	100%
AA-	-	-	-	0%	-	-	-	0%
<b>Total Reinsurance Receivable</b>	<b>7,384</b>	<b>8,615</b>	<b>15,999</b>	<b>100%</b>	<b>4,914</b>	<b>3,173</b>	<b>8,087</b>	<b>100%</b>

#### (D) Credit Risk Relating To Reinsurance Receivable

The following table provides information relating to credit risk exposure of other financial assets:

Group	Up To 30 Days	31-60 Days	Above 60 Days	Total Receivables
As At 31st December 2019 (Rs.)	943	5,316	9,741	15,999
As At 31st December 2018 (Rs.)	37,339	31,383	247,026	315,747

Company	Up To 30 Days	31-60 Days	Above 60 Days	Total Receivables
As At 31st December 2019 (Rs.)	37,227	35,444	285,997	358,668
As At 31st December 2018 (Rs.)	34,366	31,217	242,077	307,660

# Notes to the Financial Statements

(All Amounts Are In Sri Lanka Rupees)

## (E) Credit Risk Relating To Loans

The following table illustrates how the loans have been segregated amongst different categories.

Loan Categories	Group		Company	
	2019	2018	2019	2018
Staff Loans	18,065	28,054	13,776	16,477
Loans to Policy Holders	24,937	20,630	-	-
Loans to Field Staff	2,317	6,437	-	-
<b>Total</b>	<b>45,319</b>	<b>55,121</b>	<b>13,776</b>	<b>16,477</b>

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 the Group has undertaken the absolute ownership of those vehicles as collateral.

## (F) Credit Risk Relating to Cash & Cash Equivalents

The Group held cash and cash equivalents of Rs. 158.1 mn at 31 December 2019 (2018 - 140.60 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. 7.26Mn (2018 - 6.02 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. 1,609.2 Million as collateral for reverse repo investments amounting to Rs. 439.02 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 concentration of credit risk by sector and instruments. An analysis of concentration of credit risk from financial investments is shown below:

As At 31st December	Group		Company	
	2019	2018	2019	2018
Government Securities & Related Institutions	29%	31%	36%	23%
Corporate Debt Securities.	25%	32%	37%	36%
Equity Instruments	16%	0%	0%	1%
Others	30%	37%	27%	40%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## NOTE 37.02.02.02 - 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 summarizes 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 recognized insurance liabilities.

### (B) Maturity Profile

Group	As At 31st December 2019			As At 31st December 2018		
	Current Rs.'000'	Non-Current Rs.'000'	Carrying Amount Rs.'000'	Current Rs.'000'	Non-Current Rs.'000'	Carrying Amount Rs.'000'
Insurance Contract Liabilities - Life	50,784	1,898,155	1,948,939	-	1,608,101	1,608,101
Insurance Contract Liabilities- Non Life	2,735,577		2,735,577	2,229,944	-	2,229,944
Reinsurance Payable	324,196		324,196	302,532	-	302,532
Other Financial Liabilities	599,441	396,211.52	995,653	494,859	57,282	552,140
Bank Overdrafts	32,784		32,784	94,508	-	94,508
<b>Total Undiscounted Liabilities</b>	<b>3,742,783</b>	<b>2,294,367</b>	<b>6,037,149</b>	<b>3,121,843</b>	<b>1,665,383</b>	<b>4,787,226</b>

Company	As At 31st December 2019			As At 31st December 2018		
	Current Rs.'000'	Non-Current Rs.'000'	Carrying Amount Rs.'000'	Current Rs.'000'	Non-Current Rs.'000'	Carrying Amount Rs.'000'
Insurance Contract Liabilities - Non Life	2,735,577		2,735,577	2,229,944	-	2,229,944
Reinsurance Payable	309,664		309,664	291,709	-	291,709
Other Financial Liabilities	539,162	396,212	935,374	422,228	94,201	516,429
Bank Overdrafts	32,784		32,784	94,508	-	94,508
<b>Total Undiscounted Liabilities</b>	<b>3,617,188</b>	<b>396,212</b>	<b>4,013,399</b>	<b>3,038,389</b>	<b>94,201</b>	<b>3,132,590</b>

### Financial Assets Pledged As Collateral

There were no financial assets pledged as collateral during the year ended 31st December 2019.

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(All Amounts Are In Sri Lanka Rupees)

## NOTE 37.02.02.03 - 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:

### Note 37.02.02.03.01 - Equity Price Risk

### Note 37.02.02.03.02 - Foreign Exchange Risk

### Note 37.02.02.03.03 - 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

### NOTE 37.02.02.03.01 - 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 2019 with the comparatives are as follows;

Segment	Life		Non-Life	
	2019	2018	2019	2018
Listed Equity Investment	576	731	11,264	9,956

Following table shows the sector diversity of quoted equity investments of the Group.

Sector	Group				Company			
	2019	%	2018	%	2019	%	2018	%
Construction & Engineering	121	1%	111	0%	-	-	-	-
Diversified Holdings	77	1%	214	2%	-	-	-	-
Trading	69	1%	60	0%	-	-	-	-
Beverage Food & Tobacco	-	0%	209	2%	-	-	-	-
Banks Finance & Insurance	11,411	96%	9,956	93%	11,264	100%	9,956	100%
Hotels & Travels	163	1%	138	1%	-	-	-	-
<b>Total</b>	<b>11,840</b>	<b>100%</b>	<b>10,687</b>	<b>98%</b>	<b>11,264</b>	<b>100%</b>	<b>9,956</b>	<b>100%</b>

The table below shows the estimated impact from a 10 percent decline in the stock markets, on the net assets of the Company.

	Net Impact on Net Assets			
	Group		Company	
	2019 Rs.'000'	2018 Rs.'000'	2019 Rs.'000'	2018 Rs.'000'
<b>10% Decline in Stock Market</b>				
Investments	11,840	10,687	11,264	9,956
Net Impact on Net Assets	(1,163)	(1,063)	(1,126)	(990)

**NOTE 37.02.02.03.02 - 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			
	2019 Amount In Foreign Currency USD	2019 Amount In Local Currency Rs.	2018 Amount In Foreign Currency USD	2018 Amount In Local Currency Rs.	2019 Amount In Foreign Currency USD	2019 Amount In Local Currency Rs.	2018 Amount In Foreign Currency USD	2018 Amount In Local Currency Rs.
Foreign Currency Deposits	8,636	1,565,027	8,472	1,547,299	8,636	1,565,027	8,472	1,547,299

**(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	
	2019	2018	2019	2018
<b>5% Strengthening of Rupee</b>	(60,904)	(89,236)	(60,904.19)	(89,236)
5% Weakening of Rupee	97,425	64,245	97,424.55	64,244
+/- Impact on Profit	0.024%	0.016%	0.024%	0.016%

**NOTE 37.02.02.03.03 - 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



# Notes to the Financial Statements

(All Amounts Are In Sri Lanka Rupees)

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 31st December 2019 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.

## (A) Exposure To Interest Rate Risk

	2019				2018			
	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total
Financial Assets- Group	Rs.'000'	Rs.'000'	Rs.'000'	Rs.'000'	Rs.'000'	Rs.'000'	Rs.'000'	Rs.'000'
Financial Instruments- Loans & Receivables	-	3,020,753		3,020,753	-	2,565,065	-	2,565,065
Financial Instruments- Available For Sale	-	925,507	17,149	942,656	-	386,531	340,605	727,137
Financial Instruments - FCTP	-	-	576	576	-	-	731,450	731,450
Loans to Life Policyholders	-	24,937	-	24,937	-	20,630	-	20,630
Staff & Other Loans	-	20,852	-	20,852	-	28,054	-	28,054
Cash & Cash Equivalents	-	150,412	7,709	158,121	-	134,586	6,021	140,607
<b>Total Assets - Group</b>	<b>-</b>	<b>4,142,462</b>	<b>25,434</b>	<b>4,167,896</b>	<b>-</b>	<b>3,134,867</b>	<b>1,078,076</b>	<b>4,212,943</b>
Commission Payable	-	54,064	-	54,064	-	44,616	-	44,616
Bank Overdrafts	-	32,784	-	32,784	94,508	-	-	94,508
<b>Total Liabilities - Group</b>	<b>-</b>	<b>86,848</b>	<b>-</b>	<b>86,848</b>	<b>94,508</b>	<b>44,616</b>	<b>-</b>	<b>139,124</b>

	2019				2018			
	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total
Financial Assets- Company	Rs.'000'	Rs.'000'	Rs.'000'	Rs.'000'	Rs.'000'	Rs.'000'	Rs.'000'	Rs.'000'
Financial Instruments- Loans & Receivables	-	1,871,700	-	1,871,700	-	1,658,903	-	1,658,903
Financial Instruments - Available For Sale	-	-	17,149	17,149	-	-	15,780	15,780
Staff & Other Loans	-	14,246	-	14,246	-	16,477	-	16,477
Cash & Cash Equivalents	-	112,284	6,885	119,169	-	114,990	5,718	120,709
<b>Total Assets - Company</b>	<b>-</b>	<b>1,998,230</b>	<b>24,034</b>	<b>2,022,264</b>	<b>-</b>	<b>1,790,371</b>	<b>21,498</b>	<b>1,811,869</b>
Commission Payable	-	53,031	-	53,031	-	39,485	-	39,485
Bank Overdrafts	-	32,784	-	32,784	-	94,508	-	94,508
<b>Total Liabilities - Company</b>	<b>-</b>	<b>85,816</b>	<b>-</b>	<b>85,816</b>	<b>-</b>	<b>133,993</b>	<b>-</b>	<b>133,993</b>

## (B) 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	2019						2018				
	Impact on Profit Before Tax	Impact on Equity Change in Variables					Impact on Profit Before Tax	Impact on Equity Change in Variables			
		Up To One Year	1-5 Years	Over 5 Years	Total			Up To One Year	1-5 Years	Over 5 Years	Total
(+) 100 Basis Points		263	14,080	124	14,467	-		755	4,393	12,960	18,108
(-) 100 Basis Points		263	14,094	220	14,577	-		(2,599)	(4,557)	(14,024)	(21,180)

There is no impact of changing interest rates, since company has reclassified investments in 2017 and now all the investments are in fixed rates.

## NOTE 37.02.03 - 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 authorization 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 - 2019

	Company (Non Life)	Subsidiary (Coop Life)	Subsidiary (CITA)	Consolidation Adjustments	Total
<b>Assets</b>					
Property, Plant & Equipment	915,227,525	279,727,072	-	-	1,194,954,597
Intangible Assets	9,260,615	3,874,534	-	-	13,135,150
Right of Use Assets	284,133,939	91,447,457			375,581,396
Financial Investments	3,498,089,564	2,442,852,636	1,072,337	-	5,942,014,536
Investments in Subsidiaries	455,260,050	-	-	(455,260,050)	-
Loans to Policyholders	-	24,937,390	-	-	24,937,390
Deferred Tax Asset	-	109,799,484	-		109,799,486
Reinsurance Receivables	394,409,744	15,999,068	-	-	410,408,812
Premium Receivables	923,241,077	8,422,831	-	-	931,663,908
Related Party Receivables	16,676,075	-	-	(16,676,075)	-
Other Assets	53,763,400	50,360,285	729,958	-	104,853,653
Cash & Cash Equivalents	119,168,796	37,722,563	727,163	502,545	158,121,067
<b>Total Assets</b>	<b>6,669,230,785</b>	<b>3,065,143,320</b>	<b>2,529,458</b>	<b>(471,433,580)</b>	<b>9,265,469,995</b>
<b>Equity &amp; Liabilities</b>					
<b>Equity</b>					
Stated Capital	1,515,756,670	544,260,040	10	(544,260,050)	1,515,756,670
Revaluation Reserve	421,742,144	99,887,755	-	(15,820,979)	505,808,920
Available For Sale Reserves	(39,439,817)	57,578,691	-	(13,974,294)	4,164,581
Retained Earnings	748,360,117	203,210,787	594,254	(29,184,380)	922,980,778
Non Controlling Interest	-	-	-	147,979,663	147,979,663
<b>Total Equity</b>	<b>2,646,419,114</b>	<b>904,937,274</b>	<b>594,264</b>	<b>(455,260,040)</b>	<b>3,096,690,612</b>
<b>Liabilities</b>					
Interest Bearing Borrowings	-	-	-	-	-
Insurance Liabilities	2,735,576,692	1,948,940,502	-	-	4,684,517,194
Retirement Benefit Obligations	53,695,603	15,041,495	-	-	68,737,098
Lease Liability under SLFRS 16	290,817,618	91,985,350			382,802,969
Reinsurance Creditors	309,664,298	15,770,375	-	-	325,434,673
Related Party Payables	-	14,532,531	1,641,001	(16,173,540)	-
Other Liabilities	539,162,386	73,935,794	294,193	-	613,392,375
Deferred Tax Liability	61,110,824	-	-		61,110,824
Bank Overdrafts	32,784,250	-	-	-	32,784,250
<b>Total Liabilities</b>	<b>4,022,811,671</b>	<b>2,160,206,047</b>	<b>1,935,194</b>	<b>(16,173,540)</b>	<b>6,168,779,383</b>
<b>Total Equity &amp; Liabilities</b>	<b>6,669,230,785</b>	<b>3,065,143,320</b>	<b>2,529,458</b>	<b>(471,433,580)</b>	<b>9,265,469,995</b>

# Statement of Financial Position - 2018

	Company (Non Life) Rest.	Subsidiary (Coop life) Rs.	Subsidiary (CITA)	Consolidation Adjustments Rs.	Total Rs.
<b>Assets</b>					
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
<b>Total assets</b>	<b>5,492,747,448</b>	<b>2,502,304,396</b>	<b>1,049,600</b>	<b>(456,572,121)</b>	<b>7,539,529,315</b>
<b>Equity and liabilities</b>					
<b>Equity</b>					
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
<b>Total equity</b>	<b>2,360,157,666</b>	<b>785,212,563</b>	<b>494,769</b>	<b>(445,260,042)</b>	<b>2,700,604,955</b>
<b>Liabilities</b>					
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
<b>Total liabilities</b>	<b>3,132,589,781</b>	<b>1,717,091,833</b>	<b>554,831</b>	<b>(11,312,079)</b>	<b>4,838,924,358</b>
<b>Total equity and liabilities</b>	<b>5,492,747,447</b>	<b>2,502,304,396</b>	<b>1,049,600</b>	<b>(456,572,121)</b>	<b>7,539,529,315</b>

# Segmental Review

## Statement of Profit or Loss and Other Comprehensive Income – 2019

	Company ( Non Life)	Subsidiary (Coop Life)	Subsidiary (CITA)	Consolidation Adjustments	Total
Gross Written Premium	4,305,789,306	772,782,378	-	(3,524,689)	5,075,046,995
Less: Premium Ceded To Reinsurers	(684,620,967)	(51,976,424)	-	-	(736,597,391)
<b>Net Written Premium</b>	<b>3,621,168,339</b>	<b>720,805,954</b>	<b>-</b>	<b>(3,524,689)</b>	<b>4,338,449,604</b>
Net Change in Reserves for Unearned Premium	(194,571,009)	-	-	-	(194,571,009)
<b>Net Earned Premium</b>	<b>3,426,597,330</b>	<b>720,805,954</b>	<b>-</b>	<b>(3,524,689)</b>	<b>4,143,878,595</b>
<b>Other Income</b>					
Net Finance Income	370,026,369	230,678,502	72,337	(29,626,914)	571,150,294
Unrealized Changes in Losses of Financial Instruments	-	86,685	-	-	86,685
Net Realized Gain in Financial Investments	-	131,781	-	-	131,781
Policy Administration Fees	231,719,804	-	-	-	231,719,804
Other Income	15,354,297	5,496,553	1,247,913	(5,383,539)	16,715,224
	617,100,470	236,393,520	1,320,250	(35,010,453)	819,803,788
<b>Total Revenue</b>	<b>4,043,697,800</b>	<b>957,199,474</b>	<b>1,320,250</b>	<b>(38,535,142)</b>	<b>4,963,682,383</b>
<b>Net Benefits &amp; Claims</b>					
Gross Benefits & Claims Incurred	2,810,318,997	224,408,146	-	-	3,034,727,143
Claims Ceded to Reinsurers	(428,325,941)	(14,397,903)	-	-	(442,723,844)
Change in Life Contract Liabilities	-	328,131,183	-	-	328,131,183
	2,381,993,056	538,141,426	-	-	2,920,134,482
	1,661,704,744	419,058,048	1,320,250	(38,535,142)	2,043,547,901
<b>Other Expenses</b>					
Underwriting & Policy Acquisition Cost	214,255,963	80,783,712	-	-	295,039,683
Other Operating & Administrative Expenses	1,050,194,569	279,167,251	1,124,061	(8,908,239)	1,321,577,643
	1,264,450,532	359,950,964	1,124,061	(8,908,239)	1,616,617,326
<b>Profit Before Tax</b>	<b>397,254,212</b>	<b>59,107,084</b>	<b>196,189</b>	<b>(29,626,903)</b>	<b>426,930,575</b>
Income Tax Expenses	(131,590,732)	(18,146,684)	(96,693)	(4,517,586)	(154,351,696)
<b>Profit For The Year</b>	<b>265,663,480</b>	<b>40,960,400</b>	<b>99,495</b>	<b>(34,144,489)</b>	<b>272,578,879</b>
<b>Other Comprehensive Income</b>					
<b>Items That Will Not Be Reclassified Subsequently to Profit or Loss ;</b>					
Revaluation of Land & Buildings	106,524,696	29,547,520	-	-	136,072,216
De-Recognition of Revaluation Reserve	-	-	-	-	-
Actuarial Gains / (Losses) on Defined Benefit Plan	(4,908,095)	(917,563)	-	-	(5,825,658)
<b>Items That May Be Reclassified Subsequently to Profit or Loss ;</b>					
Net Change in Fair Value of Available For Sale Of					-
Financial Assets	15,193,797	93,324,349	-	-	108,518,143
Tax on Other Comprehensive Income	(10,081,143)	(2,370,495)	-	-	(12,451,637)
<b>Total Comprehensive Income For The Year</b>	<b>372,392,734</b>	<b>160,544,212</b>	<b>99,495</b>	<b>(34,144,489)</b>	<b>498,891,942</b>

# Segmental Review

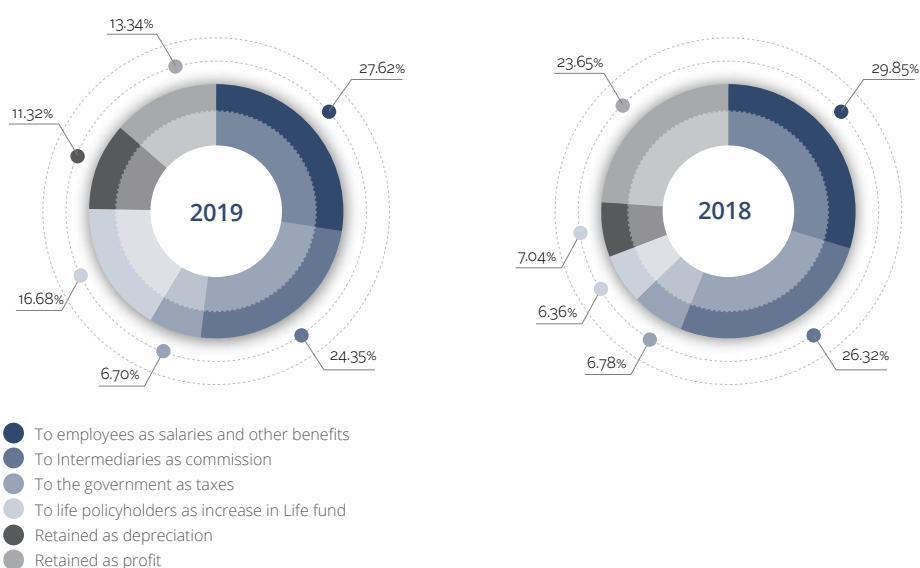
## Statement of Profit or Loss and Other Comprehensive Income – 2018

	Company (Non Life) Rest.	Subsidiary (Coop life) Rs.	Subsidiary Consolidation (CITA) 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)
<b>Net written premium</b>	<b>3,191,898,178</b>	<b>574,047,900</b>	<b>- (2,402,641)</b>	<b>3,763,543,437</b>
Net change in reserves for unearned premium	(347,458,112)	-	- -	(347,458,112)
<b>Net earned premium</b>	<b>2,844,440,065</b>	<b>574,047,900</b>	<b>- (2,402,641)</b>	<b>3,416,085,325</b>
<b>Other income</b>				
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
<b>Total revenue</b>	<b>3,375,700,477</b>	<b>780,083,442</b>	<b>1,652,815 (43,685,979)</b>	<b>4,113,750,755</b>
<b>Net benefits and claims</b>				
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
	<b>1,926,867,312</b>	<b>315,272,209</b>	<b>- -</b>	<b>2,242,139,521</b>
<b>Other expenses</b>				
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
	<b>1,043,056,744</b>	<b>421,074,348</b>	<b>1,158,056 8,425,979</b>	<b>1,456,863,168</b>
<b>Profit before tax</b>	<b>405,776,421</b>	<b>43,736,885</b>	<b>494,759 (35,259,998)</b>	<b>414,748,068</b>
Income tax expenses	(137,622,275)	140,260,147	- (5,740,000)	(3,102,128)
<b>Profit for the year</b>	<b>268,154,147</b>	<b>183,997,032</b>	<b>494,759 (40,999,998)</b>	<b>411,645,940</b>
<b>Other comprehensive income</b>				
<b>Items that will not be reclassified subsequently to profit or loss ;</b>				
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
<b>Items that may be reclassified subsequently to profit or loss ;</b>				
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)
<b>Total comprehensive income for the year</b>	<b>280,217,544</b>	<b>172,237,935</b>	<b>494,759 (40,999,998)</b>	<b>411,950,237</b>

# Statement of Value Added

Group	2019	%	2018	%
Net earned premium	4,143,878,595		3,416,085,326	
Investment income and other income	819,803,788		697,665,431	
	4,963,682,383		4,113,750,757	
Net claims and benefits	(2,592,003,299)		(2,131,402,629)	
Cost of external services	(327,900,424)		(241,597,257)	
<b>Value added</b>	<b>2,043,778,661</b>		<b>1,740,750,872</b>	
To employees as salaries and other benefits	564,498,599	27.62%	519,688,873	29.85%
To Intermediaries as commission	497,644,433	24.35%	458,158,219	26.32%
To the government as taxes	136,873,628	6.70%	117,984,884	6.78%
To life policyholders as increase in Life fund	340,839,055	16.68%	110,736,893	6.36%
Retained within the business				
- As Depreciation	231,344,066	11.32%	122,536,063	7.04%
- As Profit	272,578,879	13.34%	411,645,940	23.65%
	<b>2,043,778,661</b>	<b>100%</b>	<b>1,740,750,872</b>	<b>100%</b>

	2019	2018
To employees as salaries and other benefits	27.62%	29.85%
To Intermediaries as commission	24.35%	26.32%
To the government as taxes	6.70%	6.78%
To life policyholders as increase in Life fund	16.68%	6.36%
Retained as depreciation	11.32%	7.04%
Retained as profit	13.34%	23.65%
	100%	100%





# Insurance Revenue Account

For the year ended 31st December	2019 Rs.	2018 Rs.
<b>Non-Life Insurance Business</b>		
Gross Written Premium	4,305,789,306	3,750,838,457
Less Premium Ceded to Reinsurers	(684,620,967)	(558,940,279)
<b>Net Written Premium</b>	<b>3,621,168,339</b>	<b>3,191,898,178</b>
Net Change in Reserves for Unearned Premium	(194,571,009)	(347,458,112)
<b>Net Earned Premium</b>	<b>3,426,597,330</b>	<b>2,844,440,065</b>
Investment Income	409,283,774	345,556,662
Unrealized Changes in Losses of Financial Instruments		
Policy Administration Fees	231,719,804	161,535,448
Other Income	15,354,297	25,154,337
<b>Total Other Revenue</b>	<b>656,357,875</b>	<b>532,246,446</b>
<b>Total Revenue</b>	<b>4,082,955,205</b>	<b>3,376,686,511</b>
Gross Benefits & Claims Incurred	2,810,318,997	2,181,895,843
Claims Ceded to Reinsurers	(428,325,941)	(255,028,531)
Underwriting & Policy Acquisition Cost	214,255,963	140,612,881
Other Operating & Administrative Expenses	1,050,194,569	902,443,863
<b>Total Expenses</b>	<b>3,646,443,588</b>	<b>2,969,924,056</b>
<b>Operating Profit(Before Interest) - Non Life Business</b>	<b>436,511,617</b>	<b>406,762,456</b>
<b>Life Insurance Business</b>		
Gross Written Premium	772,782,378	619,881,069
Less Premium Ceded to Reinsurers	(51,976,424)	(45,833,169)
<b>Net Written Premium</b>	<b>720,805,954</b>	<b>574,047,900</b>
Investment Income	242,899,469	201,771,288
Net Realized Gain in Financial Investments	131,781	4,326
Unrealized Changes in Losses of Financial Instruments	86,685	(251,200)
Other Income	5,496,553	4,946,454
<b>Total Other Revenue</b>	<b>248,614,487</b>	<b>206,470,868</b>
<b>Total Revenue</b>	<b>969,420,441</b>	<b>780,518,769</b>
Gross Benefits & Claims Incurred	224,408,146	222,428,887
Claims Ceded to Reinsurers	(14,397,903)	(17,893,571)
Change in Life Contract Liabilities	328,131,183	110,736,893
Underwriting & Policy Acquisition Cost	80,783,712	98,338,985
Other Operating & Administrative Expenses	279,167,251	322,735,364
	898,092,389	736,346,557
<b>Operating Profit(Before Interest) - Life Business</b>	<b>71,328,051</b>	<b>44,172,212</b>
<b>Reconciliation of Statement of Insurance Revenue Account</b>		
Operating Profit(Before Interest) - Non Life Business	436,511,617	406,762,456
Operating Profit(Before Interest) - Life Business	71,328,051	44,172,212
<b>Operating Profit(Before Interest)</b>	<b>507,839,669</b>	<b>450,934,667</b>
Interest Expenses	(51,478,372)	(1,421,364)
Profit Before Tax	456,361,296	449,513,304
Income Tax (Expenses)/Reversal	(149,737,416)	2,637,872
<b>Net Profit For The Year</b>	<b>306,623,880</b>	<b>452,151,175</b>

# Ten Year Summary

## Statement of Income - Company

Rs.	2019	2018	2017	2016
<b>Non-Life Insurance (Company)</b>				
Gross Written Premium	4,305,789,306	3,750,838,457	3,055,835,664	2,475,543,314
Net Earned Premium	3,426,597,330	2,844,440,066	2,351,320,143	1,936,570,424
Net Benefits & Claims	(2,381,993,056)	(1,926,867,312)	(1,528,846,896)	(1,283,478,692)
Underwriting & Policy Acquisition Cost	(214,255,963)	(140,612,881)	(93,500,473)	(153,697,752)
Other Revenue Including Investment income	617,100,470	531,260,412	403,773,308	294,491,336
Other Operating & Administrative Expenses	(1,050,194,569)	(902,443,863)	(733,634,684)	(604,743,561)
<b>Profit Before Income Tax</b>	<b>397,254,212</b>	<b>405,776,422</b>	<b>399,111,399</b>	<b>189,141,754</b>
<b>Life Insurance ( Subsidiary)</b>				
Gross Written Premium	772,782,378	619,881,069	626,972,292	466,997,348
Net Earned Premium	720,805,954	574,047,900	587,044,481	425,981,838
Net Benefits & Claims	(866,272,609)	(426,009,102)	(607,497,095)	(70,642,166)
Underwriting & Policy Acquisition Cost	(80,783,712)	(98,338,985)	(77,109,647)	(66,576,558)
Other Revenue Including Investment income	236,393,521	206,035,541	193,151,817	84,774,207
Other Operating & Administrative Expenses	(279,167,251)	(322,735,364)	(289,965,945)	(229,270,775)
<b>Expenses</b>				
Changes in Insurance Contract Liability -Life Fund	328,131,183	110,736,893	249,255,888	151,532,183
<b>Profit Before Income Tax</b>	<b>59,107,085</b>	<b>43,736,883</b>	<b>54,879,499</b>	<b>(7,265,638)</b>
<b>Group</b>				
Gross Written Premium	5,075,046,995	4,368,316,886	3,677,800,345	2,940,072,597
Net Earned Premium	4,143,878,595	3,416,085,326	2,933,357,013	2,360,084,198
Net Benefits & Claims	(3,248,265,665)	(2,352,876,414)	(2,136,343,991)	(1,354,120,858)
Underwriting & Policy Acquisition Cost	(295,039,683)	(238,951,866)	(170,610,120)	220,274,311
Other Revenue Including Investment income	819,803,788	697,665,431	591,083,237	356,752,583
Expenses	(1,321,577,643)	(1,217,911,302)	(1,012,751,129)	(829,033,312)
<b>Transfer from /(to) General Busines</b>				
Changes in Insurance Contract Liability -Life Fund	328,131,183	110,736,893	249,255,888	151,532,183
<b>Profit Before Income Tax</b>	<b>426,930,575</b>	<b>414,748,068</b>	<b>453,990,898</b>	<b>161,876,118</b>

2015	2014	2013 Restated	2012	2011	2010
1,724,542,837	1,386,207,634	1,304,357,157	1,156,912,067	938,114,747	616,921,216
1,441,556,142	1,258,325,523	1,157,134,366	1,001,383,259	728,592,642	499,696,066
(870,577,602)	(927,929,186)	(753,425,724)	(640,657,920)	(359,400,965)	(274,961,291)
(121,603,219)	(107,574,794)	(96,359,265)	(26,400,880)	2,718,778	5,422,508
219,150,061	218,285,742	219,162,764	116,561,008	76,259,129	89,134,117
(493,080,780)	(373,169,602)	(311,863,266)	(292,464,702)	(259,767,929)	(223,099,947)
175,444,602	67,937,682	214,648,875	158,420,765	188,401,654	61,191,453
494,597,627	402,046,246	337,622,877	312,055,984	269,578,716	233,539,664
462,585,041	371,098,731	308,055,849	284,238,046	238,215,200	220,158,212
(91,124,011)	(63,432,117)	(64,465,564)	(32,166,230)	(17,207,850)	(19,168,033)
(68,039,104)	(59,091,627)	(61,310,973)	(49,191,064)	(50,151,466)	(49,060,185)
117,523,804	117,595,252	123,819,329	86,100,062	70,332,513	72,396,486
(186,559,272)	(227,482,891)	(180,519,714)	(153,474,078)	(134,159,449)	(108,868,190)
					35,000,000
206,761,950	121,882,712	113,593,744	120,976,096	83,275,882	134,372,485
27,624,508	16,804,638	11,985,184	14,530,641	23,753,066	16,085,805
2,216,521,622	1,788,253,880	1,641,980,034	1,468,968,051	1,207,693,463	850,460,880
1,901,522,341	1,629,424,254	1,465,190,215	1,285,621,305	966,807,842	719,854,278
(961,701,613)	(991,361,303)	(817,891,288)	(672,824,150)	(376,608,815)	(294,129,324)
(189,642,323)	(166,666,421)	(157,670,238)	(75,591,944)	(47,432,688)	(43,637,677)
334,934,585	335,880,995	342,982,094	202,661,071	146,591,642	161,530,603
(675,281,930)	(600,652,493)	(492,382,980)	(445,938,780)	(393,927,378)	(331,968,137)
	-	-	-	-	35,000,000
206,761,950	121,882,712	113,593,744	120,976,096	83,275,882	134,372,485
203,069,110	84,742,320	226,634,059	172,951,407	212,154,720	77,277,258

# Ten Year Summary

## Statement of Financial Position - Company

Rs.	2019	2018	2017	2016
<b>Assets</b>				
Property, Plant & Equipment	915,227,525	856,627,241	827,891,117	782,372,876
Right of Use Assets	284,133,939	-	-	-
Intangible Assets	9,260,615	2,861,955	2,136,027	3,073,679
Financial Investments	3,498,089,564	2,887,575,982	2,365,950,814	1,903,630,823
Investments in Subsidiaries	455,260,050	445,260,050	410,000,040	400,000,040
Deferred Tax Asset	-	-	30,250,575	39,207,757
Loans to Life Policy Holders	-	-	-	-
Reinsurance Receivables	394,409,744	331,971,907	245,140,054	82,931,657
Premium Receivables	923,241,077	750,717,081	593,207,932	418,971,726
Related Party Receivables	16,676,075	11,535,904	7,956,943	11,998,559
Other Assets	53,763,400	85,488,497	70,086,779	69,296,033
Cash & Cash Equivalents	119,168,796	120,708,829	114,938,091	75,831,464
<b>Total Assets</b>	<b>6,669,230,785</b>	<b>5,492,747,446</b>	<b>4,667,558,372</b>	<b>3,787,314,614</b>
<b>Equity &amp; Liabilities</b>				
<b>Equity Attributable to Equity Holders of The Parent</b>				
Stated Capital	1,515,756,670	1,430,194,585	1,260,251,770	1,115,367,950
Revaluation Reserve	421,742,144	322,407,068	333,597,638	268,847,038
Available for Sale Reserves	(39,439,817)	(48,607,352)	(67,029,162)	(87,476,248)
Retained Earnings	748,360,117	656,163,366	553,311,055	398,604,509
<b>Total Equity</b>	<b>2,646,419,114</b>	<b>2,360,157,667</b>	<b>2,080,131,301</b>	<b>1,695,343,249</b>
<b>Liabilities</b>				
Interest Bearing Borrowings	-	1,763,819	8,414,249	17,625,419
Insurance Liabilities - Life	-	-	-	-
Lease Liability under SLFRS 16	290,817,618	-	-	-
Insurance Liabilities - Non Life	2,735,576,692	2,229,943,843	1,900,064,983	1,653,884,388
Retirement Benefit Obligations	53,695,603	40,738,427	37,993,692	32,130,390
Reinsurance Creditors	309,664,298	291,709,148	196,593,172	100,183,584
Deferred Tax Liability	61,110,824	51,698,297	-	-
Other Liabilities	539,162,386	422,227,958	374,392,781	247,075,734
Bank Overdrafts	32,784,250	94,508,287	69,968,193	41,071,850
<b>Total Liabilities</b>	<b>4,022,811,672</b>	<b>3,132,589,779</b>	<b>2,587,427,071</b>	<b>2,091,971,365</b>
<b>Total Equity &amp; Liabilities</b>	<b>6,669,230,785</b>	<b>5,492,747,446</b>	<b>4,667,558,372</b>	<b>3,787,314,614</b>

2015	2014	2013 Restated	2012	2011	2010
792,220,399	660,185,284	444,322,711	102,320,167	99,663,534	110,157,018
-	-	-	-	-	-
4,847,582	5,683,179	5,597,265	749,871	2,242,838	4,485,675
1,337,622,691	2,317,275,108	2,221,102,783	1,942,323,482	1,668,086,694	1,302,226,741
500,000,040	100,000,040				
6,915,144					
-	11,213,065	7,965,408	4,636,426	3,604,755	2,474,267
21,272,032	43,879,481	30,974,432	26,095,467	30,296,637	12,242,451
293,536,246	231,625,872	204,373,070	166,597,080	96,931,839	59,074,218
5,277,178					
78,289,728	133,054,792	54,545,009	53,203,089	40,039,878	38,784,922
36,865,532	327,560,284	18,275,185	24,019,881	26,583,671	10,674,531
3,076,846,572	3,830,477,105	2,987,155,863	2,319,945,464	1,967,449,846	1,540,119,823
1,004,909,610	1,004,909,610	632,019,940	554,889,880	540,734,090	501,238,350
233,220,060	113,274,337	3,355,004	3,036,000	3,036,000	3,036,000
(39,017,836)	19,510,661		4,311,033	695,844	1,625,872
349,965,668	326,438,579	341,105,307	191,642,148	136,682,752	25,398,287
1,549,077,502	1,464,133,188	976,480,251	753,879,061	681,148,686	531,298,509
28,027,997	132,304,326	164,340,086			
-	869,227,132	743,890,039	627,907,097	501,703,839	419,589,559
1,277,037,794	1,105,611,903	828,315,269	666,019,270	509,185,388	367,816,817
22,679,048	31,403,673	23,825,396	20,654,064	15,825,224	13,468,926
8,007,050					
134,855,172	220,225,276	218,018,416	227,179,858	233,295,850	193,733,810
57,162,009	7,571,607	32,286,406	24,306,114	26,290,858	14,212,203
1,527,769,070	2,366,343,918	2,010,675,612	1,566,066,403	1,286,301,159	1,008,821,315
3,076,846,572	3,830,477,105	2,987,155,863	2,319,945,464	1,967,449,846	1,540,119,823

# 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 handling 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:

$$\frac{(\text{Net claims incurred} + \text{Expenses})}{\text{Net earned premium}} \times 100$$



# 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.

# Branch Network

## GENERAL INSURANCE OFFICE

CO-OPERATIVE INSURANCE COMPANY

1. **Akuressa**  
D.C. Wanigasekara Mawatha,  
New Bangam Road, Akuressa  
041-2284973, 041-2285574,  
041-2284974
2. **Akkaraipattu**  
Main Street, Akkaraipattu  
(Near the Education Office)  
067-2055122, 067-2055123
3. **Ambalangoda**  
26B ½, Galle Rd, Ambalangoda  
091-2256500, 091-2255581
4. **Ambalantota**  
59, Main Street, Ambalantota  
047-2225045, 047-2225047,  
047-2225511
5. **Aluthgama**  
3/160, Galle Road, Aluthgama  
034-2296166, 034-2296167
6. **Ampara**  
16, D S Senanayake Mw, Ampara  
063-2223122, 063-2223586
7. **Anuradhapura**  
08, Maithreepala Senanayake Mw,  
Anuradhapura  
025-2226777-8, 025-2227533,  
025-2225457
8. **Agency Unit**  
No. 70 Grandpass Road, Colombo 14
9. **Avissawella**  
No. 35, Gem Land, Kudagama Road,  
Avisawella  
036-2233881, 036-2233704
10. **Badulla**  
81, 2nd Floor, Bank Road, Badulla  
055-2222620, 055-2225512
11. **Balangoda**  
133A 1/1, Brans Rathwaththa Mw,  
Balangoda  
045-2287494, 045-2288438
12. **Batticaloa**  
Dist. Co-op Council Bldg, Pioneer Rd,  
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**  
1st Floor, DFCC Building,  
Udukumbura, Baddegama  
091-2294411
16. **Bibila**  
HNB Building, Bibila  
055-2265036
17. **Broker Division**  
No. 70 Grandpass Road, Colombo 14  
011-2337449
18. **Chilaw**  
No.05, Bauddaloka Mawatha, Chilaw  
032-2224745, 032-2220360
19. **City**  
No. 327, Ceyesta Bld, Galle Road,  
Colombo 03  
011-2372384, 011-2577245
20. **Corporate Division**  
No.70, Grandpass Road, Colombo 14  
011-2337427, 011-2337449
21. **Corporate Branch**  
No.70, Grandpass Road, Colombo 14  
011-2337427, 011-2337449
22. **Colo.Metropolitan**  
No.327 ,Ceyesta Bid,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**  
No.05, Main Street, Elpitiya  
091-2297019, 091-2297095
28. **Embilipitiya**  
66 1/1, Pallegama Rd, Embilipitiya  
047-2230177, 047-2261394
29. **Galle**  
36, Sri Dewamiththa Mw, China  
Garden, Galle  
091-2227688, 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, 033-2231618,  
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**  
Co-op Building, Co-op Square, Hatton  
051-2225146, 051-2225175
35. **Homagama**  
77, High Level Rd, Homagama  
011-2895270-1, 011-2748307,  
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
41. **Kaduwela**  
No.51, Avisawella Road, Kaduwela  
011-2548544, 011-2548666
42. **Kaluthara**  
219/3, Galle Road, Kaluthara  
034-2238131-2, 034-2223450
43. **Kandy**  
100/2/1, Vindana Learner's Bldg,  
Yatinuwara Veediya, Kandy  
081-2205661/3, 081-2202055
44. **Katugastota**  
No. 288A, Katugastota Road, Kandy  
081-2226687, 081-2226688
45. **Kalmunai**  
No. 122, Main Street, Kalmunai  
067-2059996, 067-2059997
46. **Kalpitiya Sub**  
No.146D, Main Street, Periyakudirippu  
032-2260607
47. **Kamburupitiya Sub**  
Kamburupitiya MPCs Bldg,  
Kamburupitiya  
041-2294495
48. **Karapitiya**  
249/A2, Labuduwa Road, Karapitiya  
091-2228586, 091-2228711
49. **Kegalle**  
No.261/1, Kandy Road, Kegalle  
035-2221461, 035-2231911
50. **Kekirawa**  
12, Dambulla Rd, Kekirawa  
025-2265333, 025-2265332
51. **Kelaniya**  
369, Kandy Road, Peliyagoda  
011-2918312, 011-2918311
52. **Kolonnawa**  
No.166, Kolonnawa Road, Kolonnawa  
011-2533372, 011-2533373
53. **Kiribathgoda**  
67 D/3, Kandy Rd, Kiribathgoda  
011-2907858, 011-2907859
54. **Kilinochchi**  
C/O Pillaiyar Arul Vanachcholai, A9  
Road, Kilinochchi  
021-2285790, 021-2285791
55. **Kuliypitiya**  
No. 285, Madampe Road, Kuliypitiya  
037-2282249, 037-2282248
56. **Kirindiwela**  
27/16/1, Nugahena Waththa,  
Kirindiwela  
033-2253100, 033-2253101
57. **Kurunegala**  
13 1/1, Rajapihilla Road, Kurunegala  
037-2233601-2, 037-2221749

# Branch Network

58. **Kurunegala North**  
250/252, Negombo Road, Kurunegala  
037-2050000, 037-2050064
59. **Maharagama**  
218A 1/1, High Level Rd, Maharagama  
011-2845144, 011-2089007,  
011-2089010, 011-2843422
60. **Mahiyanganaya Sub**  
Mahiyangana M P C S Ltd,  
Mahiyanganaya  
055-2257451
61. **Malabe**  
411, Athurugiriya Rd, Malabe  
011-2156045, 011-2742501,  
011-2742058
62. **Mathugama**  
No.203, Agalawaththa Rd, Mathugama  
034-2240972, 034-2240973
63. **Mannar**  
No.45, Hospital Road, Mannar  
023-2250833, 023-2251682
64. **Mawanella Sub**  
Mawanella hemmathagama, mpcs  
building, Mawanella  
035-2246231, 035-2246349
65. **Matale**  
No. 577, Trincomalee Street, Matale  
066-2224498, 066-2232222
66. **Melsiripura**  
Near the Fuel Station, Dambulla Road,  
Melsiripura  
037-2250183
67. **Matara**  
45A/2, Anagarika Dharmapala Mw,  
Matara  
041-2234701-2, 041-2230649
68. **Minuwangoda**  
No. 39 1/1, Airport Road,  
Minuwangoda  
011-2299151, 011-2288044
69. **Metro/Colo. Metro**  
No.327, Ceyesta Bld, Galle Rd,  
Colombo 03  
011-2372763, 011-2372764
70. **Monaragala**  
210, Wellawaya Rd, Monaragala  
055-2277534, 055-2277401, 055-  
2276113
71. **Moratuwa**  
177 2/1, New Galle Rd, Moratuwa  
011-2644891, 011-2649054, 011-  
2644893
72. **Negombo**  
No.160/A, Thaladuwa Road, Negombo  
031-2222426, 031-2228270
73. **Nelliady**  
No. 82, Point Pedro Road, Nelliady,  
Karaveddy  
021-2265737
74. **Neluwa**  
Manuka Building, Dellawa Road,  
Neluwa  
091-2285410, 091-2285411
75. **Nikaweratiya**  
No.81, Maho Road, Nikaweratiya  
037-2260946, 037-2260995, 037-  
2260994
76. **Nittambuwa**  
No.48/4, Kandy Road, Nittambuwa  
033-2246294, 033-2287748
77. **Nugegoda**  
No.36, Nawala Road, Nugegoda  
011-2890851, 011-2890850
78. **Nuwara Eliya**  
72, Park Rd, Nuwara Eliya  
052-2235570, 052-2222811
79. **Nugegoda South**  
272/B, High level Road, Jambugasmulla  
011-2814234, 011-2814254
80. **Pelmadulla**  
No.118, Main Street, Pelmadulla  
045-2276216, 045-2274732
81. **Panadura**  
No. 36A, Cyril Janz Mawatha,  
Panadura  
038-2234133, 038-2234933
82. **Piliyandala**  
No.165, Moratuwa Road, Piliyandala  
011-2615702, 011-2615701
83. **Polonnaruwa**  
No.292/1, Batticaloa Road,  
Polonnaruwa  
027-2226880, 027-2227310
84. **Pottuvil**  
Main Street, Pottuvil  
063-2248858, 063-2248859
85. **Postal Division**  
No.70 Grandpass Road, Colombo 14  
011-2337449, 0112337427
86. **Puttalam**  
No.114/1, Kurunegala Road, Puttalam  
032-2267211, 032-2267336
87. **Rikillagaskada**  
MPCS Building, Ragala Road,  
Rikillagaskada 081-2071622,  
081-2071330
88. **Rathnapura**  
Coop House, Bandaranayake Mw,  
Rathnapura  
045-2222983-4, 045-2221042,  
045-2225335
89. **Trincomalee**  
No.316, Inner Harbor Road,  
Trincomalee  
026-2226751, 026-2221126
90. **Siyambalanduwa Sub**  
Siyambalanduwa Ethimale M P C S  
Ltd., Dombagahawela  
055-2279123
91. **Thalawathugoda**  
No.1136, Pannipitiya Road,  
Thalawathugoda  
011-2774261, 011-2774262
92. **Thambuttegama**  
No.141, Kurunegala Road, Business  
Town, Thambuttegama  
025-2275689, 025-2275688
93. **Thissamaharama**  
Medaweediya, New Town, Thissa  
047-2239820, 047-3221115,  
047-3221116, 047-4545559
94. **Vauniya**  
2nd Floor, Sathya Bld, 1st Cross  
Street, Vavuniya  
024-2225536-7, 024-2224122
95. **Wariyapola**  
92/A, Puttalam Road, Wariyapola  
037-2268206, 037-2268205
96. **Walasmulla**  
No.60, Beliatta Road, Walasmulla  
047-2254490, 047-2254491
97. **Wellawaya**  
No.167, Tissa Road, Wellawaya  
055-2274214
98. **Welimada**  
115/1, Badulla Road, Welimada  
057-2245627, 057-2245628
99. **Welligama Sub**  
No.172/B, Hettiweediya, Welligama  
041-2254935
100. **Wennappuwa**  
Wenco Super Market, Chilaw Rd,  
Wennappuwa  
031-2253541, 031-2245000, 031-  
2253363
101. **Warakapola Sub**  
Warakapola MPCS Building,  
Warakapola  
035-2269575

## REGIONAL OFFICES

REGIONAL OFFICE FOR GENERAL  
INSURANCE

1. **Central**  
100/2/1, Vindana Learner's Bldg,  
Yatinuwara Veediya, Kandy  
081-2205661/3, 071-0233499
2. **Colombo (EAST)**  
77, High Level Road, Homagama  
011-2098740, 071-7546381
3. **Colombo (NORTH)**  
114/1/1, Bauddaloka Mawatha,  
Gampaha  
033-2248602, 071-0862300
4. **North Central& EAST**  
08, Maithreepala Senanayake  
Mawatha, Anuradhapura  
025-2227429, 071-4562992
5. **Colombo (South, west & North)**  
No.70, Grandpass Road, Colombo 14  
011-2336145, 071-6840782
6. **Southern**  
45A/2, Anagarika Dharmapala Mw,  
Matara  
041-2234703, 071-7546294
7. **NORTH WEST**  
13 1/1, Rajapihilla Road, Kurunegala  
037-2226370, 071-7546287

## COOPLIFE BRANCH NETWORK

1. **Ampara**  
16,D.S.Senanayaka Mawatha, Ampara  
063-2222887, 063-2222877
2. **Akuressa**  
80, New Bangama Road, Akuressa  
041-2284878, 041-2285564,  
041-2284878
3. **Ambalangoda**  
26B,2/1, Galle Road, Ambalangoda  
091-2255875
4. **Ambalanthota**  
59, Main Street, Ambalanthota  
047-2225346

5. **Anuradhapura**  
521/116, 7 Lain, New Town,  
Anuradhapura 025-2227638,  
025-2227637
6. **Avissawella**  
35, Honiton Place, Kudagama Road,  
Avissawella  
036 -2234862, 036 2233704
7. **Badulla**  
81, Second Floor, Bank Road, Badulla  
055-2231692/3, 055-2231694
8. **Balangoda**  
133A 1/1 Brans Rathwatta Mawatha,  
Balangoda  
045 2289522
9. **Batticaloa**  
District Coop Council Building,  
Pioneer Road, Batticaloa  
065-2229896, 065-2229875
10. **Chilaw**  
05, Baudhaloka Road, Chilaw  
032-2224252
11. **Chunnamakam**  
81, Raja Complex K.K.S. Chunnamakam  
021 -2240530
12. **City**  
Coop House, 455, Galle Road,  
Colombo 03  
011-2554358
13. **Dambulla**  
719, 3rd Floor, Anuradhapura Road,  
Dambulla  
066-2285377, 066-2285477
14. **Embilipitiya**  
66 1/1, Pallegama Road, Embilipitiya  
047-2262162, 047-2262163
15. **Galgamuwa**  
81, Maho Road, Nikaweratiya  
037-2260996, 037-2260945,  
037-2260923
16. **Galle**  
36, Sri Dewamiththa Mawatha, China  
Garden, Galle  
091-2223155, 091-2223295
17. **Gampaha**  
114/2/1, Baudhaloka Mawatha,  
Gampaha  
033-2248601, 033-2231617,  
033-2231617
18. **Homagama**  
79/1, High Level Road, Homagama  
011- 2895424, 011 2893916
19. **Horana**  
257/2, Rathnapura Road, Horana  
034-2265984, 034-2265985
20. **Jaffna**  
570, 2nd Floor, Hospital Road, Jaffna  
021 -2228071, 021 -2228071
21. **Kalawana**  
1st Floor, No.76, Mathugama Road,  
Kalawana  
045-2256033, 045 -2256088
22. **Kaluthara**  
358/A, Galle Road, Kaluthara North,  
Kaluthara  
034 -2238252
23. **Kandy**  
45/1/3, Katugasthota Road, Kandy  
081-2223440, 081-2205662
24. **Kegalle**  
No 261/1, Main Street, Kegalle  
035-2222215, 035 -2231912,  
035-2222215
25. **Kekirawa**  
12, 3rd Floor, Dambulla Road, Kekirawa  
025-2264996, 025-2265945,  
025-2264996
26. **Kilinochchi**  
Pillaiyar Vanar Solai , A9 Road,  
Kilinochchi  
021 -2285792
27. **Kiribathgoda**  
67/D/3, Kandy Road, Kiribathgoda  
011-2907920, 011-2987332
28. **Kuliyapitiya**  
Madampe Road, Kuliyapitiya  
037-2281633, 037-2281630
29. **Kurunegala**  
11/1/1, Rajapihilla Road, Kurunegala  
037-2225463, 037-2221915
30. **Maharagama**  
218 A, 1/2, High Level Road, Maharagama  
011 -2088744, 011 -2089508
31. **Mahiyanganaya**  
Mahiyanganaya MPCS Building,  
Mahiyanganaya  
055-2257451
32. **Malabe**  
894/4A, Athurugiriya Road, Malabe  
011-2077454, 011-2185841
33. **Mannar**  
45, Hospital Road, Mannar  
023-2251336
34. **Matale**  
577, Trinco Road, Matale  
066-2057222, 066-2224499
35. **Matara**  
45 A/2, Anagarika Dharmapala  
Mawatha, Matara  
041-2237765
36. **Monaragala**  
72, Wallawaya Road, Monaragala  
055-2276155, 055-2277533
37. **Moratuwa**  
177 2/1, New Galle Road, Moratuwa  
011-2644841
38. **Morawaka**  
80, New Bangama Road, Akuressa  
041-2284878, 041-2285564,  
041-2284878
39. **Negombo**  
163 A, Thaladuwa Road, Negombo  
031-2228446, 031-2230320
40. **Nelliady**  
No. 82, Point Pedro Road, Malu  
Junction, Nelliady  
021 -2264945, 021-2264945
41. **Nikaweratiya North**  
81, Maho Road, Nikaweratiya  
037-2260996, 037-2260945,  
037-2260923
42. **Nikaweratiya South**  
81, Maho Road, Nikaweratiya  
037-2260996, 037-2260945,  
037-2260923
43. **Nugegoda**  
218 A1/2, High Level Road, Maharagama  
011-2848799, 011-2089508
44. **Nuwara Eliya**  
Tharanga Building, No. 72, Park Road,  
Nuwara Eliya  
052-2235590, 052-2235594
45. **Polonnaruwa**  
1/292, Madakalapuwa Road,  
Kaduruwela, Polonnaruwa  
027-2227311, 027- 2226696,  
027-2227310
46. **Puttalam**  
114/2, Kurunegala Road, Puttalam  
032-2265292, 032-2267366
47. **Rathnapura**  
22, Kiriella Building, Panadura Road,  
Moragahayata, Rathnapura  
045-2233237, 045-2233238
48. **Thambuththegama**  
141, Kurunegala Road, Business Town,  
Thambuththegama  
025-2275688, 025-2275689
49. **Trincomalee**  
316 , Inner Harbour Road,  
Trincomalee  
026-2062121, 026-2062122
50. **Vauniya**  
Sathya Building, 2nd Floor, 1st Cross  
Street, Vauniya  
024 -2227961, 024 -2227962
51. **Wennappuwa**  
Wenco Super Market, Chilaw Road,  
Wennappuwa  
031-2255910

## AGM OFFICE

1. **AGM Zone - 1**  
KURUNEGALA  
11/1/1, Rajapihilla Road, Kurunegala  
037-2233603

## REGIONAL OFFICE FOR LIFE INSURANCE

1. **RM-Colombo Region**  
Gampaha - RM office  
114/2/1, Baudhaloka Mawatha,  
Gampaha  
033-2248601, 033-2231617
2. **RM-Southern Region**  
Galle - RM office  
36, Sri Dewamiththa Mawatha, China  
Garden, Galle  
091-2223155
3. **RM-Homagama Region**  
Maharagama - RM office  
218 A, 1/2, High Level Road,  
Maharagama  
011-2088744
4. **RM-Anuradhapura Region**  
Kekirawa - RM office  
12, 3rd Floor, Dambulla Road,  
Kekirawa  
025-2264996, 025-2265945
5. **RM-North Region**  
Vavuniya - RM office  
Sathya Building, 2nd Floor, 1st Cross  
Street, Vauniya  
024 -2227961

# Notice of Annual General Meeting

Notice is hereby given that the 22nd Annual General Meeting of Co-operative Insurance Company Limited will be held at "Grand Monarch Hotel, 527/7, Borella Road, Thalawathugoda on July 11, 2020 at 10.00 a.m. for the following purposes.

1. To receive and adopt the Report of the Directors and the Statement of Accounts for the year ended 31st December 2019 with the Report of the Auditor's thereon.
2. To re- appoint Jayasinghe and Company., Chartered Accountants, as auditors of the company for the financial year ending December 31, 2020 and to authorize the Board of Directors to determine their remuneration
3. To appoint new Directors to fill three vacancies created as a result of the rotation of three directors, Mr. D.P. amaradeva, Mr. R.G.K. Rankothge and Mr. K.R.K.N. Jayasinghe in terms of the Article 95,95 and 97 of the Articles of Association of the company.
4. Any other matters

## 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.

By Order of the Board,



**Business Management Services Ltd.**  
Secretaries to the Company

June 08, 2020

# 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 22nd Annual General Meeting of the company to be held at  
"Grand Monarch Hotel, No. 527/7, Borella Road, Thalawathugoda on July 11, 2020 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 twenty.

.....  
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 authorized 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+ (Ika) (Fitch Ratings)

## Subsidiary

Cooplife Insurance Limited

455, Co-op House, Galle Road  
Colombo 03.

Telephone : +94 (0)112 57 48 01

Coopinsu Training Academy ( Pvt) Ltd.

No. 70/3, Grandpass Road  
Colombo 14.

Telephone : +94 (0)112557300

## Auditors

Jayasinghe & company – Chartered Accountants  
No.94/12, Kirulapone Avenue, 2nd Lane,  
Colombo 05.

## Directorate

DR. 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. A.B. Senadeera	- 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 Wimalaratna	- Chief Executive Officer
Mr. M.G.U.P.Kumara	- General Manager (Technical)
Mr. Laksiri Nawaratne	- Chief Financial Officer
Mr. L.A.N.C. Weerasinghe	- Head of Marketing
Ms. N.D.Baduraliya	- Asst. General Manager (GI)
Mr. T.D.V. Kumara	- Manager - Information Technology
Mr. W.H. Somathilake	- Consultant
Ms. S. Weerasinghe	- Consultant
Mr. A. Sumith	- Manager - Human Resources
Ms. Preethimalee Wijerama	- Manager - Legal
Mr. K.M. Jayasundara	- Asst. General Manager
Mr. Danushka De Silva	- Manager - Administration
Ms. T.S.Rasanjalee	- Manager Reinsurance
Mr. Shaminda Silva	- Manager - Internal Audit

## 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.



CO-OPERATIVE INSURANCE COMPANY