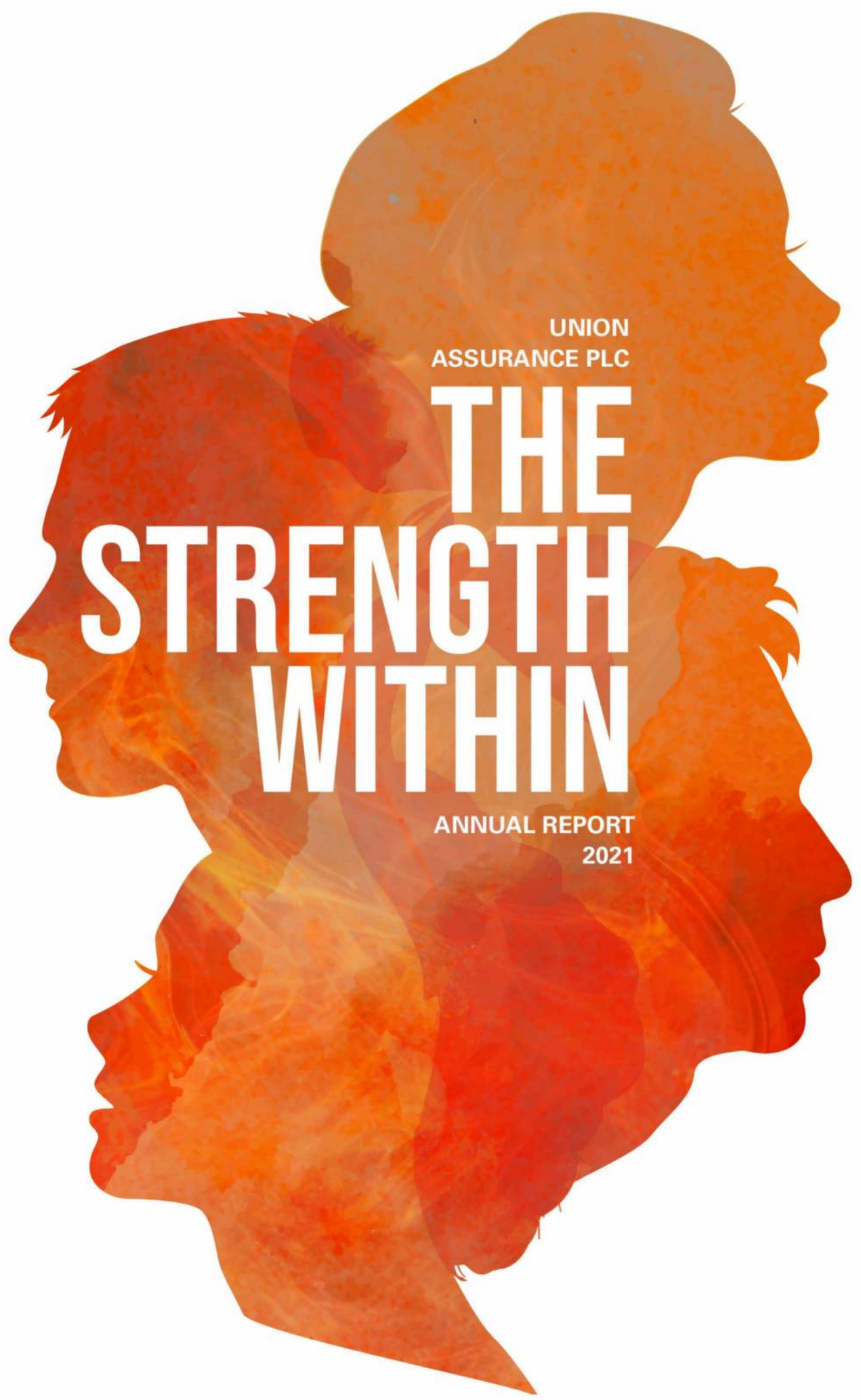
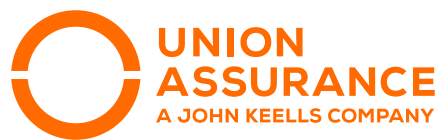




UNION
ASSURANCE PLC

THE STRENGTH WITHIN

ANNUAL REPORT
2021



Our report, with additional updated information
is available on our website



www.unionassurance.com

THE STRENGTH WITHIN

At Union Assurance we have evolved with the ambitions of our nation and its people, empowering and assuring Sri Lankans as they pursue their dreams and aspirations. Our comprehensive range of insurance solutions has been tailormade to suit the specific needs of our customers, as they journey through each phase of their lives.

For over three decades, we have learnt, transformed and evolved to become a strong, dynamic entity that can withstand the toughest times; and we know that our passion, agility and inherent resilience will continue to fuel our sustained performance in the years ahead.

This year has been no different – as we moved forward with purpose and agility, embracing digitalization, creating expanded access and more convenience, ultimately delivering a performance we are proud of.

Today as we reignite our passion to serve at our finest capacity, our ambition to generate a steadfast ray of hope reflects our strength, and of our people who we protect and sustain.

The Strength Within



**300 MDRT
QUALIFIERS**

Highest ever
in Sri Lanka



42%

Growth in regular new
business premium, highest
growth rate among the top
five in the industry



#1

Earned print and
digital media



48%

Growth in
profit from operations



Clicklife

First in market customer
self-servicing App



93%

Health claims settled
in one day

CONTENTS

6-23

Union Assurance at a Glance

THE DETERMINATION WITHIN



8	About Our Report
10	Overview of Union Assurance
11	Milestones and Key Events
12	Our Organisation Structure, Products and Services
14	Our Value Creating Business Model
16	Stakeholder Engagement and Materiality
23	Our Purpose, Vision, Brand, Strategy and Values

24-89

Management Discussion and Analysis

THE TRUST WITHIN



26	Reflection from Our Chairman
29	Reflection from Our Chief Executive Officer
32	Our Operating Environment & Outlook
39	Contribution to the United Nations Sustainable Development Goals
40	Strategy and Resource Allocation
43	Making Strategic Trade-offs and Assessing the Impact on Our Capitals
45	Economic Value Added
46	Key Performance Indicators
48	Financial Capital
64	Manufactured Capital
68	Natural Capital
72	Human Capital
78	Social and Relationship Capital
86	Intellectual Capital

90-143

Stewardship

THE INTEGRITY WITHIN



- 92 Corporate Governance
- 135 Enterprise Risk Management

145-253

Financial Statements

THE POTENTIAL WITHIN



- 147 Annual Report of the Board of Directors on the Affairs of the Company
- 152 Chief Executive Officer's and Chief Financial Officer's Responsibility Statement
- 153 Actuary's Report
- 154 Statement of Directors' Responsibility
- 155 Independent Auditor's Report
- 159 Table of Contents
- 160 Income Statement
- 161 Statement of Profit or Loss and Other Comprehensive Income
- 162 Statement of Financial Position
- 163 Statement of Changes in Equity
- 165 Statement of Cash Flows
- 167 Notes to the Financial Statements

254-288

Supplementary Information

THE COURAGE WITHIN



- 256 Decade at a Glance
- 258 Independent Assurance Report on Non-Financial Reporting
- 260 Independent Assurance Report on Integrated Report
- 262 GRI Content Index
- 268 Certificate of Carbon Footprint
- 269 Glossary of Insurance Terms
- 271 Quarterly Analysis
- 272 Insurance Revenue Account
- 273 Statement of Financial Position
- 274 Statement of Cash Flows
- 276 Notes to the Statement of Financial Position
- 280 Understanding our Financials
- 281 Distribution Network
- 283 Corporate Information
- 286 Notice of Meeting
- 287 Proxy Form

UNION ASSURANCE
AT A GLANCE

THE DETERMINATION WITHIN

All that we have achieved, and all that we hope to achieve are driven by the determination within - the determination to do what we do well, with purpose, while building value for every stakeholder and a brighter future for all.

8	About Our Report
10	Overview of Union Assurance
11	Milestones and Key Events
12	Our Organisation Structure, Products and Services
14	Our Value Creating Business Model
16	Stakeholder Engagement and Materiality
23	Our Purpose, Vision, Brand, Strategy and Values



ABOUT OUR REPORT

Our Approach to Reporting

About Our Report

Our Integrated Annual Report sets out how we have leveraged our capitals to achieve our strategic objectives and reports on the progress achieved during the period from 01 January 2021 to 31 December 2021. The report includes material information up to the date of Board approval on 28 February 2022.

Considering the health and safety of our shareholders the 35th Annual General Meeting will be held in virtual mode. The link to join the AGM and QR code access to the Annual Report 2021 are provided in the Notice of the Meeting.

Materiality

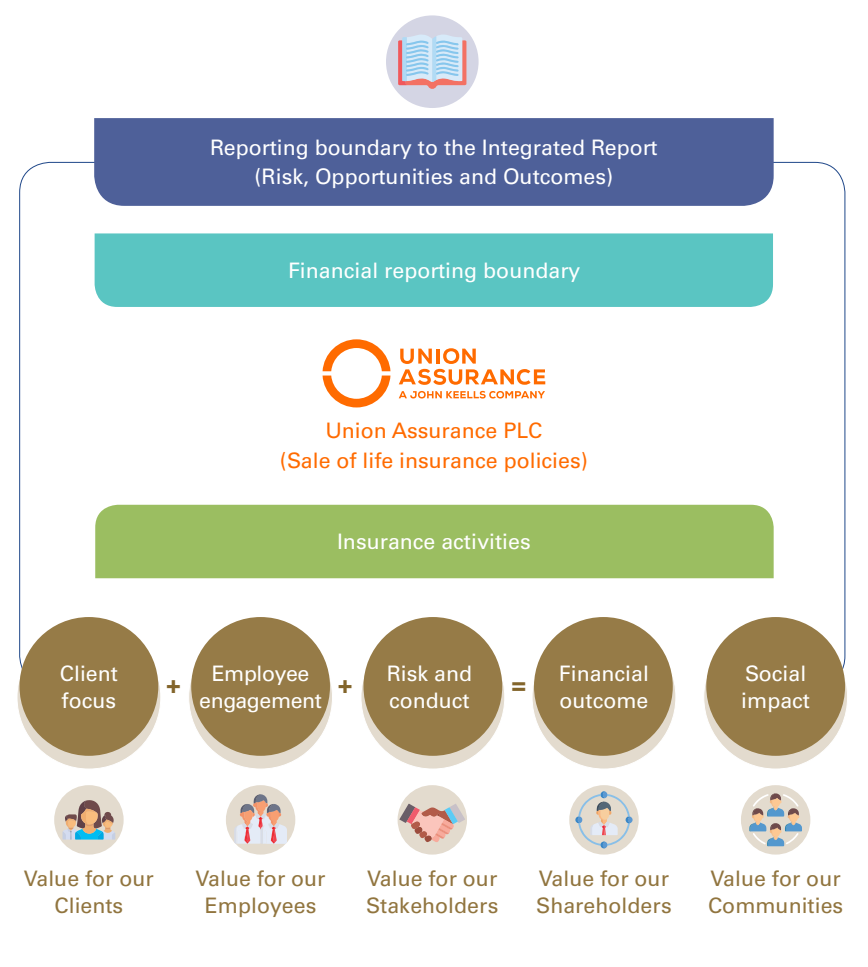
We apply the principle of materiality in determining which information should be included in the Integrated Report. Accordingly, this report focuses on the issues, opportunities and challenges that have a material impact on the Company's operations.

The process for determining material matters and identified material matters are described on page 20 to 22.

Reporting Boundary

The financial and non-financial information in this report cover the operations of Union Assurance PLC. The information related to the previous period has not been reinstated during this period unless otherwise stated. In addition, there were no significant changes in the organization structure and the ownership.

The reporting boundary includes a strategic narrative pertaining mainly to the insurance activities. Where appropriate, reporting boundary also assesses the risk, opportunities and outcomes that affect the ability to create value arising from within the entity and its stakeholders.



Navigating Our Report

The following icons have been used across the report to demonstrate connectivity between information



Financial Capital



Manufactured Capital



Human Capital



Intellectual Capital



Natural Capital



Social and Relationship Capital

External Assurance

The following assurances have been obtained for the information presented in this report.

- An Independent Auditor confirming the accuracy of the annual Financial Statements (Refer pages 155 to 158)
- An Independent Actuary confirming the Life Fund Valuation and Liability Adequacy (Refer page 153)
- An Independent Assurance engagement for specific financial and non financial sustainability indicators (Refer pages 258 to 259)
- An Independent Assurance engagement on Integrated Reporting (First time, Refer pages 260 to 261)

Guiding Principles

Integrated Reporting

- International<IR> Framework of the IIRC.
- A Preparer's Guide to Integrated Corporate Reporting - issued by CA Sri Lanka.
- The guidelines for presentation of Annual Reports 2021 issued by CA Sri Lanka.
- Handbook on Integrated Corporate Reporting issued by CA Sri Lanka.

Financial Reporting, Governance, Risk Management and Operations

- Sri Lanka Accounting Standards (SLFRS/LKAS) issued by CA Sri Lanka.
- Listing Requirements of the Colombo Stock Exchange and subsequent revisions to date.
- Code of Best Practice on Corporate Governance issued jointly by CA Sri Lanka and the Securities and Exchange Commission of Sri Lanka (SEC).
- Corporate Governance Framework for insurers issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL).
- Laws and regulations of the Companies Act No. 7 of 2007.
- Insurance Industry Act No. 43 of 2000 and subsequent amendments to date.
- Guidelines, Determinations, Rules and Regulations issued by the CA Sri Lanka.

Internal and External Assurance

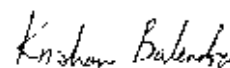
- Sri Lanka Auditing Standards (SLAuS)
- Sri Lanka Standard on Assurance Engagements SLSAE 3000; Assurance Engagements other than Audits or Review of Historical Financial Information, issued by CA Sri Lanka.

Sustainability Reporting

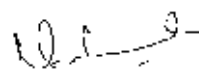
- GRI Standards: Core option of reporting
- Aligned to United Nations Sustainable Development Goals
- Operations in conformity with the Principles of the United Nations Global Compact
- Environmental, Social and Governance (ESG) disclosures through the framework and operations in conformity with the Principles of the United Nations Global Compact
- Disclosure on Gender Parity Reporting (CA Sri Lanka)

Approval by the Board

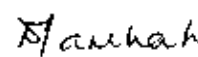
The Board acknowledges its responsibility of ensuring the integrity of this Integrated Report. In the Board's opinion, this report addresses all the issues that are material to the Company's ability to create value and fairly presents the integrated performance of Union Assurance PLC. The Board is confident that the report was prepared in accordance with all applicable guidance standards. This report was approved by the Board of Directors of Union Assurance PLC on 28 February 2022.



K N J Balendra
Chairman



W M De F Arsakularatne
Director



Keells Consultants (Pvt) Ltd
Secretaries

28 February 2022



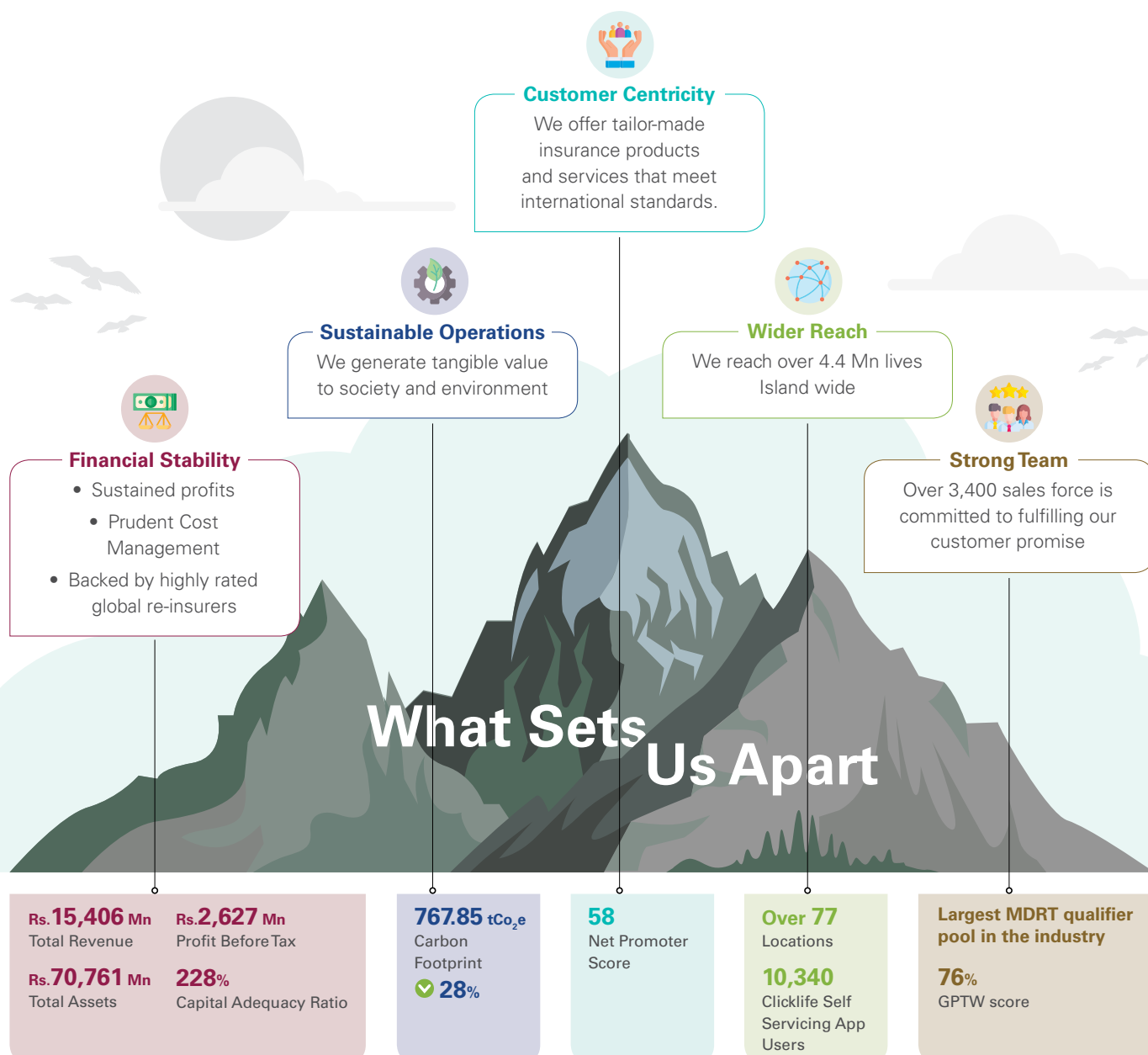
We invite you to direct your comments and queries to:

Asha Perera
Chief Financial Officer
Union Assurance PLC
No 20, St. Michael's Road
Colombo 03,
Sri Lanka.

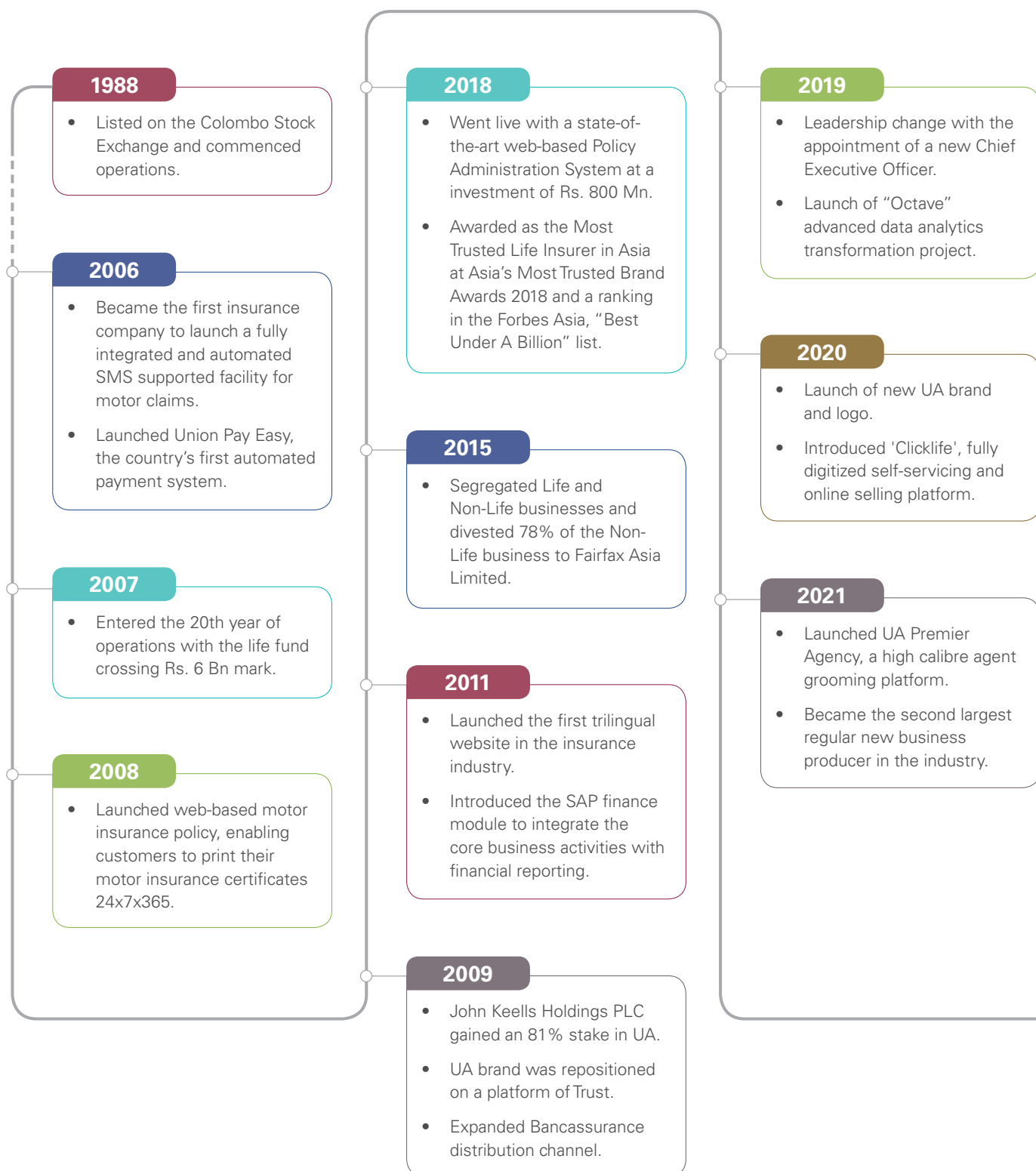
OVERVIEW OF UNION ASSURANCE

We are a leading Insurance provider in Sri Lanka with a compelling value proposition; to offer digitally enabled, client centric, integrated Insurance solutions that meet fast evolving protection needs of Sri Lankans everywhere.

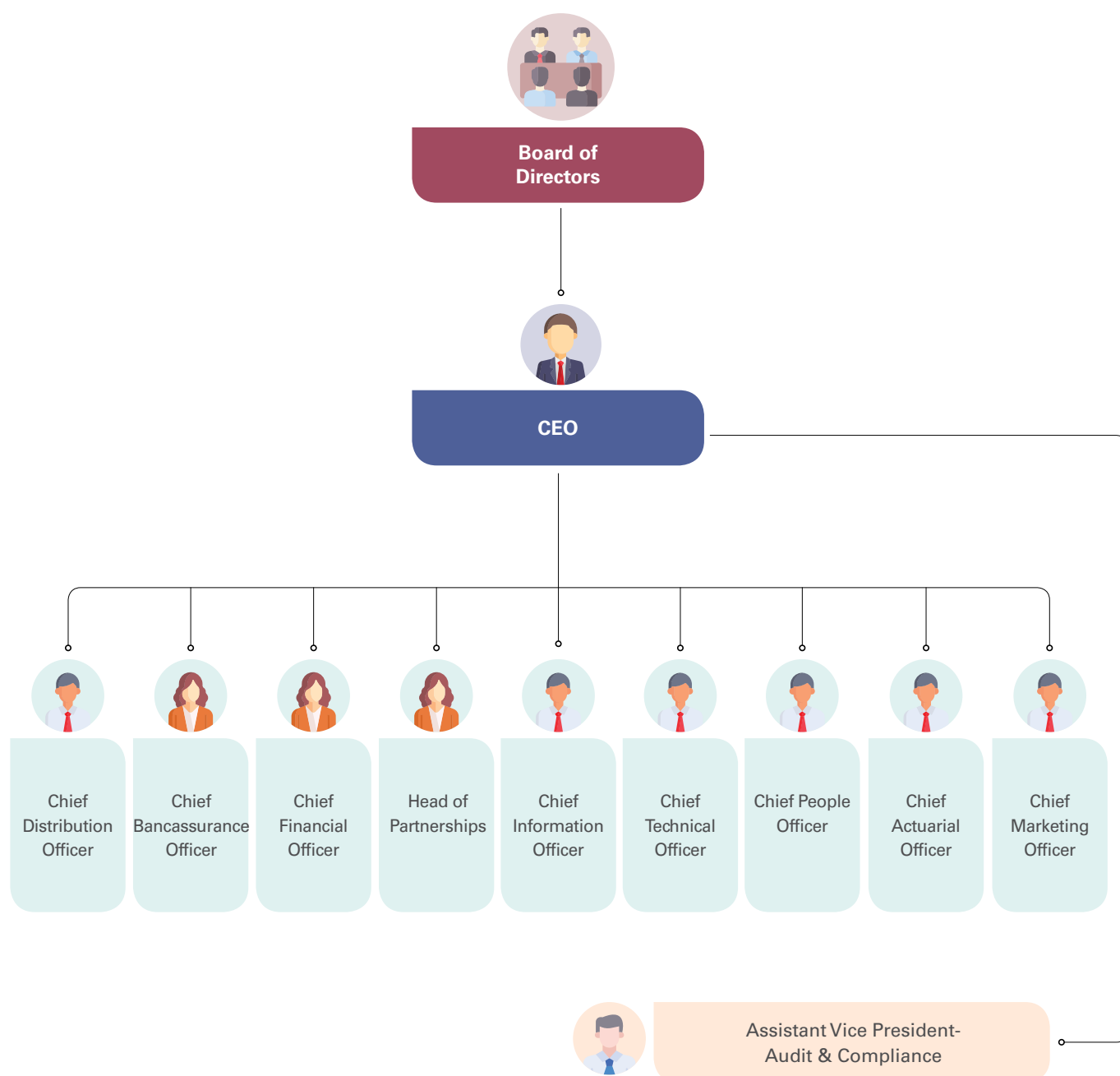
Our wide presence, dynamic team, and strong partnerships place us at the forefront of our competition and enable us to deliver tangible value to all our stakeholders.

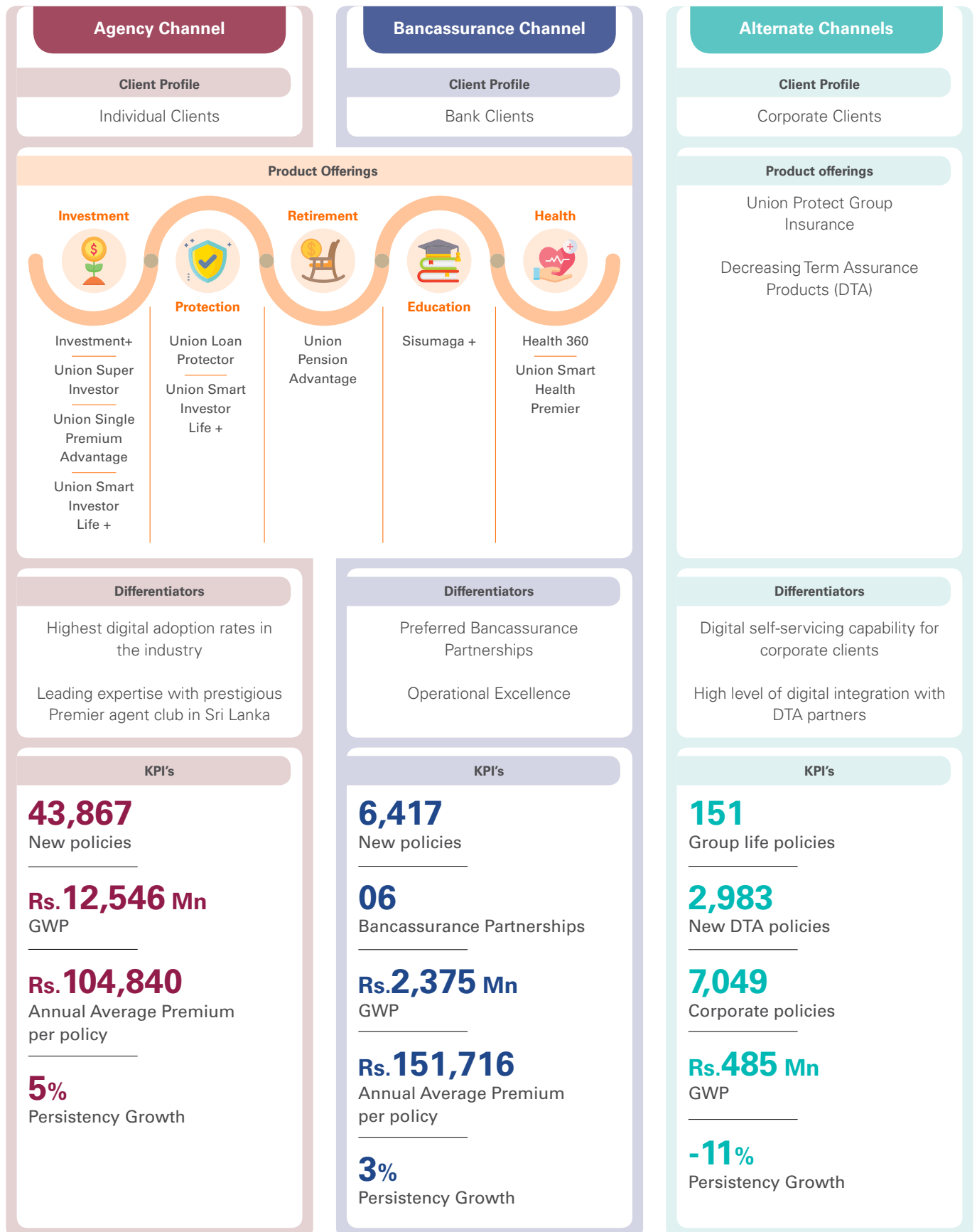


MILESTONES AND KEY EVENTS



OUR ORGANISATION STRUCTURE, PRODUCTS AND SERVICES





OUR VALUE CREATING BUSINESS MODEL

Vision: To be the most sought-after provider of insurance solutions

Mission: To provide protection, financial security and create wealth for our customers, adding value to employees, field staff,



Framework: UA Code of Conduct | Capital Management | Asset Liability Management | Risk Management | Company Policies

Values: Excellence

Caring

business partners, shareholders and the community

Outputs

Value Delivered

Outcome

Contribution to SDGs

- Shareholder returns
- Dividends
- Share price appreciation

Rs.34.85

EPS

228%

Capital Adequacy Ratio

Rs.294.00

Share price

Rs.22

DPS

- Financial Stability
- Financial Strength
- Wealth Creation



- Staff Motivation
- Career progression
- Talented and efficient workforce

24%

Attrition Ratio

06

Average hours of training per employee

52 : 48

Male to female staff ratio

- Alignment of staff to company goals
- Employee Engagement
- Employee Loyalty



- Reduction of carbon footprint
- Efficient disposal of effluent and waste
- Reduction in resource consumption

767.85 tCo₂e

Carbon Footprint

0.96 m³

Water withdrawal of Rs. 1 Mn revenue

250,278 kWh

Energy saving

- Sustainable natural resource utilization
- Environmental protection



- Product segments
 - Saving and Investment
 - Protection
 - Loan Protection
 - Retirement
 - Educational
 - Family Healthcare
 - Group Life
 - Employee Benefit scheme
- Better supplier, agent and stakeholder relations

58

Net promoter score

3,220 Individuals

No. of lives covered

93%

One-day health claim settlement ratio

300

No. of MDRT produced

8%

Policyholder Dividend Rate

4.4 Mn+

CSR reach

Rs.1,785 Mn

Supplier payments

- Customer satisfaction
- Sustainable communities
- Engagement with community through CSR projects
- Strengthen supply Chain
- Alignment of field staff to company goals



- Increase in Brand Value
- Online product propositions
- Increased Auto underwriting

04th

PR rank

66%

Straight through processing

02

No. of online products

- Brand visibility and reputation
- Better prepared to face disruptive business models
- Cater to dynamic customer needs



Corporate Governance Framework

Regulatory Framework

Environmental, Social and Governance Management

CSR

Innovation

Trust

Ethics and Integrity

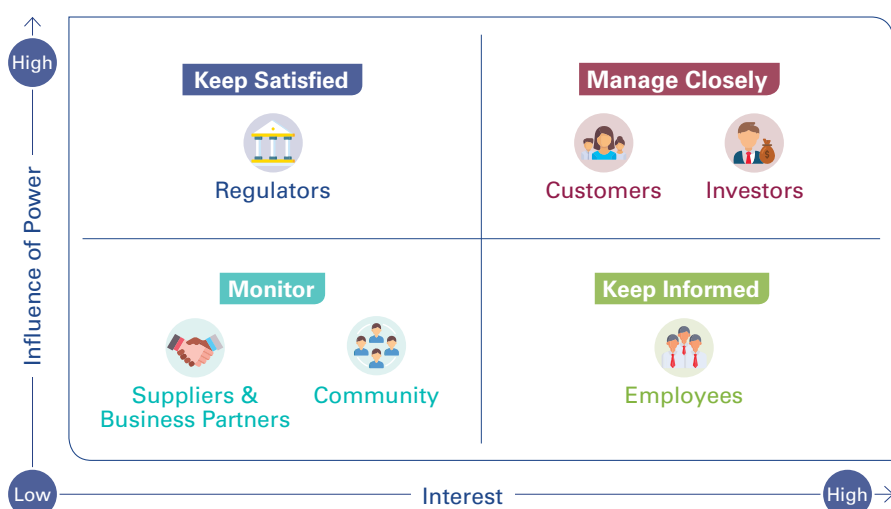
STAKEHOLDER ENGAGEMENT AND MATERIALITY

Engaging with Our Stakeholders

Stakeholder engagement at UA is an ongoing process that enables us to understand stakeholder expectations and identify material issues impacting our business. This in turn empowers us to become a socially relevant, responsible corporate citizen that is in sync with its stakeholders' evolving expectations.

Stakeholder Mapping

Our key stakeholders include customers, shareholders & investors, employees, suppliers & business partners, community and regulators. As the first step of our stakeholder engagement process, we carry out a stakeholder mapping which involves mapping stakeholders based on the influence of power and interest they have in Company activities.



Our Approach to Stakeholder Engagement

Given the geographical spread of our operations and the diversity of our stakeholders, we have adopted a de-centralized stakeholder engagement approach whereby different teams within the Company meet with identified stakeholders regularly on matters of mutual interest.

A strong Governance Framework and Stakeholder Best Practices form the basis of our stakeholder engagement process...

- Constructive engagement, listening to concerns and suggestions with an open mind
- Being accessible
- Responding appropriately to legitimate concerns
- Being transparent in our engagements
- Ensuring that our code of ethics and our values support and inform our engagements

...resulting in constructive dialogue with stakeholders that enable us to;

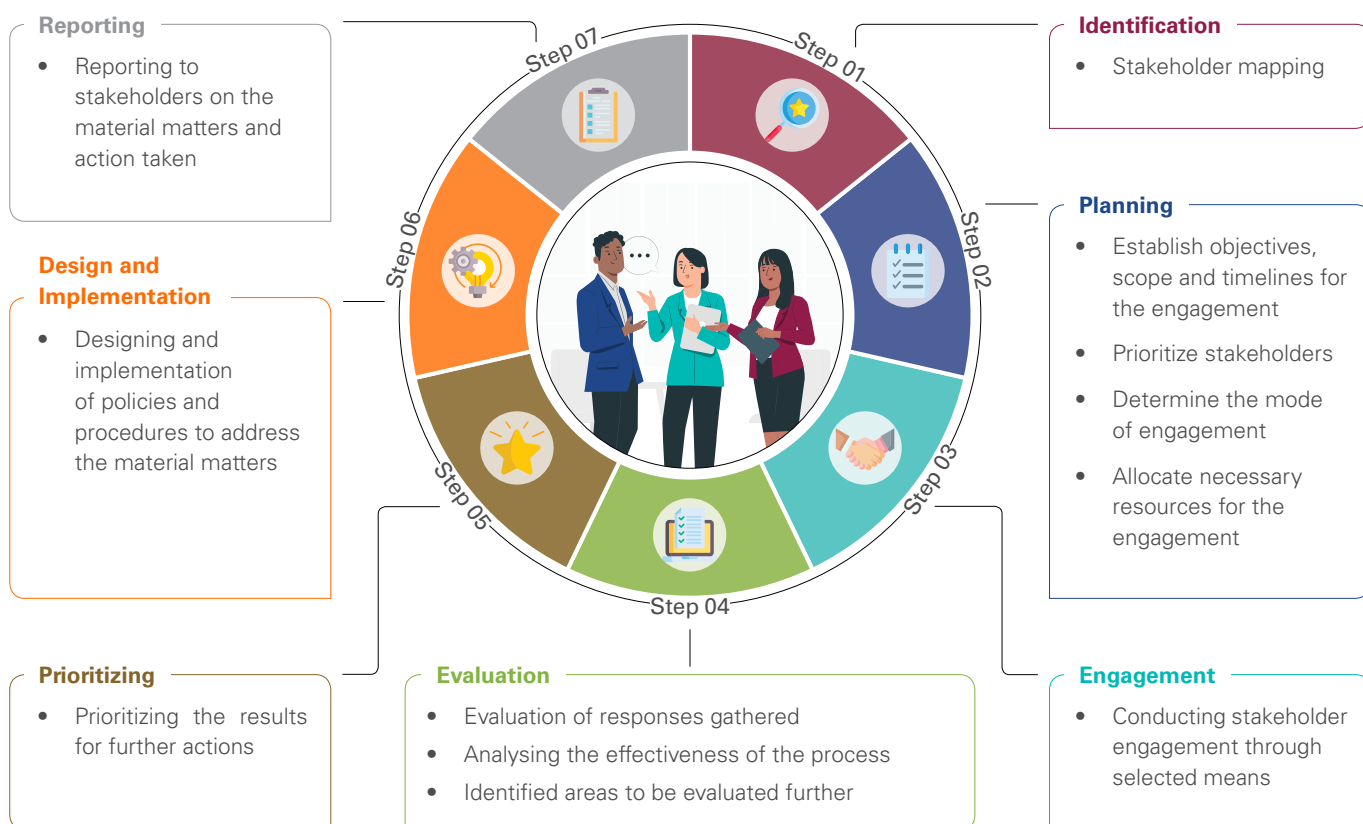
- Obtain deep insights that shape our business strategy and operation
- Proactively address stakeholder pain points and continuously improve ourselves





Stakeholder Engagement Process

We have developed a seven-step engagement process that ensures transparency, accountability and follow-through at every stage of the process.

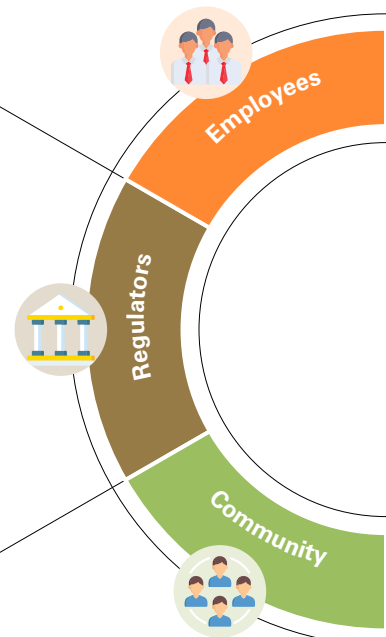


STAKEHOLDER ENGAGEMENT AND MATERIALITY

A snapshot of our stakeholder engagement activities during the year together with key stakeholder issues and concerns identified and our response is provided below;

Modes of Engagement	Key Concerns	Our Response
- Annual Employee Satisfaction Survey - Corporate Communication (as required) - Town Hall Meetings (quarterly) - Training Programmes (as required) - Recreation Activities (as required) - Brainstorming Sessions (ongoing)	- Job Security - Performance and Reward Management - Career Progression - Training and Development opportunities - Work Life Balance - Health and Safety	- Robust Governance mechanism - Unbiased recruitment and promotions - Investment in training and development - Employee engagement activities - Work From Home and stringent safety protocols

Modes of Engagement	Key Concerns	Our Response
- Directives and circulars (as specified) - Periodic returns (as specified) - Onsite surveillance (as required) - Press Releases (as required)	- Compliance with rules and regulations - Participation and contribution to industry and regulatory working groups	- Adherence to all the rules and regulations - Active contribution for developing industry specific standards



Modes of Engagement	Key Concerns	Our Response
- Corporate Website and social media (ongoing) - CSR projects (ongoing) - Press releases (as required) - Public events (as required) - Community representatives and institutes (ongoing)	- Sustainable Business Practices - Increasing need for community development initiatives - Employment opportunities from surrounding communities	- Incorporate environmentally friendly practices - Partnerships to drive CSR activities - HR sourcing from community

Modes of Engagement

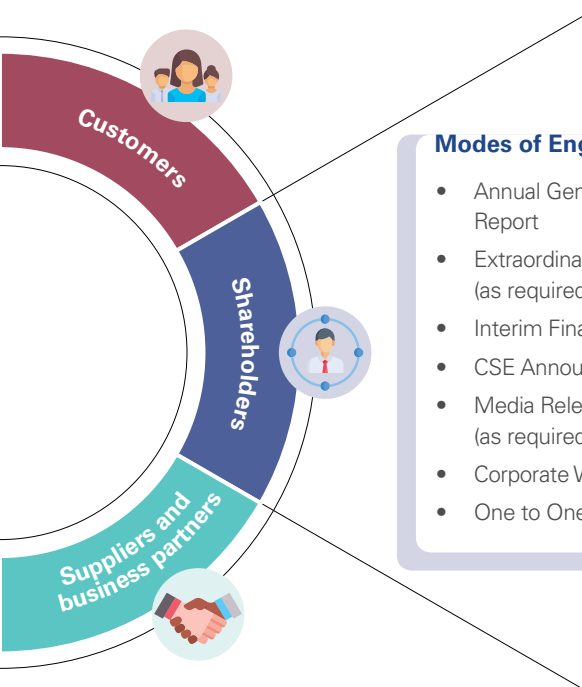
- Customer Satisfaction Surveys (monthly)
- Customer Research (as required)
- One to one meetings (as required)
- Welcome calls (per policy)
- Complaint Management (ongoing)
- Corporate Website (ongoing)
- Social Media (ongoing)
- Media advertising (as required)

Key Concerns

- Protection and wealth accumulation
- Access to insurance services
- Performance reliability
- Grievance handling
- Affordability of services and convenience

Our Response

- Unique product offerings
- Leverage technology
- Regular service standards review
- Staff Training
- Fair Pricing of products

**Modes of Engagement**

- Annual General Meeting and Annual Report
- Extraordinary General Meetings (as required)
- Interim Financial Statements (quarterly)
- CSE Announcements (as required)
- Media Releases and Press Conferences (as required)
- Corporate Website (ongoing)
- One to One meetings (as required)

Key Concerns

- Financial performance and stability
- Sustainable Growth and dividends
- Healthy Liquidity Position
- Transparent Reporting
- Resilience amidst macro economic uncertainties

Our Response

- Prudent Financial Management
- Robust Corporate Governance
- Focus on digitization

Modes of Engagement

- On site meetings (as required)
- Formal interactions with re-insurers (ongoing)
- Supplier Relationship Management (ongoing)

Key Concerns

- Contractual Performance
- Opportunities in the new normal
- Business sourcing continuity
- Timely settlement of dues

Our Response

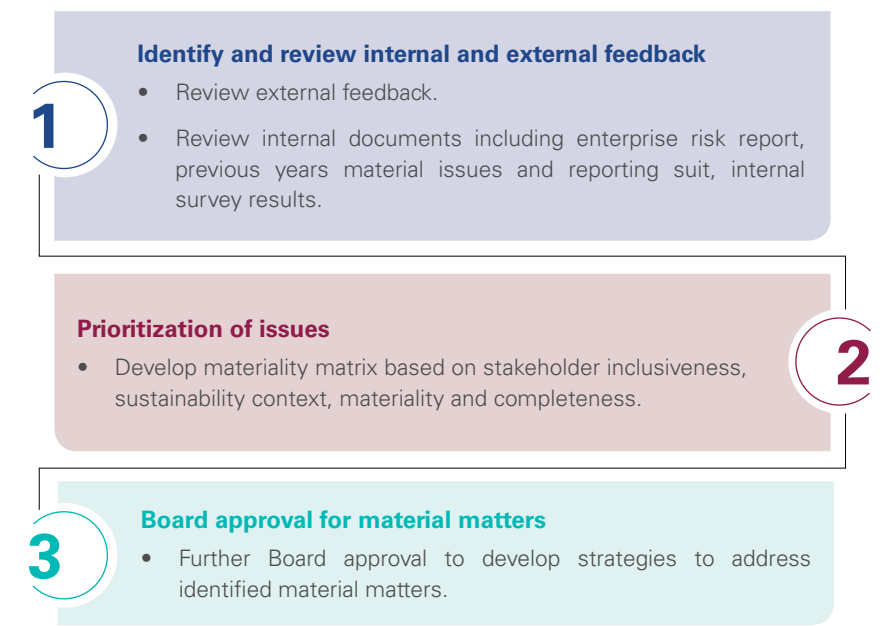
- Ensuring principle disciplines
- Building sustainable relationships
- Ensuring timely settlement of dues

STAKEHOLDER ENGAGEMENT AND MATERIALITY

What is Material to Us

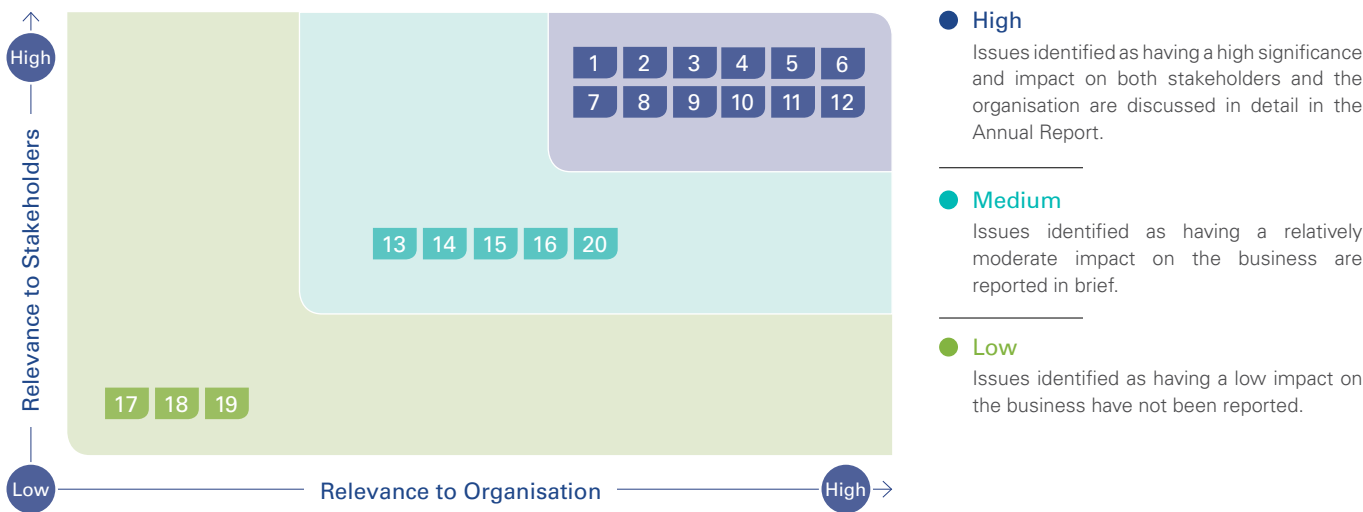
Material issues are those perceived to have a high relevance to our stakeholders and our organization. In determining material issues, the Company undertakes a regular review to identify the risks that have a material impact on the Company in the short, medium and long term. The list is then refined and those which require additional attention are elevated and referred to as enterprise risks. Our enterprise risks directly inform our material issues. The material issues are however broader in scope, in that they take into account the expectations and priorities of a diverse set of stakeholders.

Our Process of Determining Material Matters



Materiality Matrix

Material matters identified through the materiality process are categorized depending on their relative importance to stakeholders and the organization. Material matters thus categorized are reported based on the guidance issued by GRI standards and linked to the United Nation’s Sustainable Development Goals (SDGs) where possible.



Rank	Material topic and why it is material to us	Change in materiality since last year	Opportunities for future value creation	Relevant GRI Indicator/SDG
1	Financial Stability & Profitability Balancing financial performance and business outcomes is important for the Company's sustainability.	No change	Enhancing the agility of the business model to effectively respond to macroeconomic variables and emerging customer demand	GRI 201 UNSDG 8,9 & 13
2	Geographical expansion Provides access to under penetrated customer segments.	No Change	Continuous effort on developing customer base	GRI 202 UNSDG 1,5 & 8
3	Corporate citizenship Contributes to brand value and long term sustainability of the Company.	No Change	Promoting sustainable investment	GRI 203 UNSDG 1,3,5,8,9 & 11
4	Procurement Practices Contributes to operational excellence and cost efficiencies.	No Change	Implementing more sustainable sourcing techniques	GRI 204 UNSDG 8
5	Employment Changing operating environment requires attracting employees with a new skills set.	No Change	Establishing Union Assurance as an employer of choice	GRI 401 UNSDG 8 & 5
6	Labour management Ensures that employees are engaged and motivated.	No Change		GRI 402 UNSDG 8
7	Retention, training and development Ensures that skills and knowledge continue to be upgraded and retained within the organization	No Change		GRI 404 UNSDG 4 & 10
8	Public Policy Increased risk associated with corruption, bribery, and undue influence, among others	No Change	Enhance the reporting on corruption, bribery, and undue influence	GRI 415 UNSDG 16
9	Health and Safety Health and safety of customers and employees is of critical concern post COVID-19.	No Change	Create within community and employees, awareness on health and safety	GRI 416 UNSDG 16
10	Marketing and Labelling Contributes to brand building and greater consumer awareness of products and services.	No Change	Becoming the best brand in the Life Insurance industry	GRI 417 UNSDG 16
11	Customer Privacy Increased digitization and online transactions have increased the risks associated with customer data.	No Change	Enhancing the security over customer data governance	GRI 418 UNSDG 16
12	Occupational Health and Safety Ensuring employee health and safety supports an uninterrupted operation.	No Change	Maintaining a safe work environment to ensure minimal health and safety issues	GRI 403 UNSDG 3,8 & 16

STAKEHOLDER ENGAGEMENT AND MATERIALITY

Rank	Material topic and why it is material to us	Change in materiality since last year	Opportunities for future value creation	Relevant GRI Indicator/SDG
13	Local Communities Supporting local communities to contribute to socio economic development.	No Change	Explore opportunities for partnerships to drive CSR projects.	GRI 413 UNSDG 1 & 2
14	Socio-Economic Compliance Ensures that we remain a responsible corporate citizen.	No Change	Develop strong governance frameworks	GRI 419 UNSDG 16
15	Diversity and Equal Opportunity Creates a more diverse and empowering work environment.	No Change	Enhancing gender equality and equal opportunity through HR policies and procedures	GRI 405 UNSDG 5 & 8
16	Non-Discrimination Promotes level playing field for all individuals.	No Change	Non-discrimination through HR policies and procedures	GRI 406 UNSDG 5 & 8
17	Anti-corruption Strong anti-corruption policies within the organization.	No Change	Strengthening the policies on anti-corruption	GRI 205 UNSDG 16
18	Environmental management Ensures a more responsible consumption of resources.	No Change	Facilitate actions taken to combat climate change	GRI 302,303,306,307 UNSDG 7,8,12 & 13
19	Security Practices Need to consider conduct of security personnel to avoid potential human rights violations.	No Change	Provide guidance to enhance the behaviour of security personnel through specific training and development.	GRI 410 UNSDG 16
20	Supply chain management Ensures a seamless service to customers.	No Change	Enhancing the supplier on-boarding mechanism	GRI 414 UNSDG 5,8 & 16

OUR PURPOSE, VISION, BRAND, STRATEGY AND VALUES

Our Purpose

"Protect lifestyles" by ensuring life is enjoyed to its fullest, despite any unforeseeable challenges

"Protect relationships" by ensuring lives and the future of loved ones against losses

"Protecting ambitions" by supporting the dreams and goals of everyone who aspires to be the best version of themselves

Our Vision

To be the most sought-after provider of insurance solutions

Our Mission

To provide protection, financial security and create wealth for our customers, adding value to our Employees, Field Staff, Business Partners, Shareholders and the Community

Our Brand Promise

Your Life, Our Strength

Our Strategies for 2021

Strategies

Channel
diversification

Optimise
bancassurance
partnerships

Diversified
product
portfolio

Cost
optimization

People
development

No. 1
digital insurer

Wider market
presence

Targets

Rs.15.2 billion

Revenue

> 11%

ROE

> Rs.49.1 billion

Life Fund

> 55

Net Promoter Score

Value Drivers

ANBP

Productivity

Persistency

Mode Mix

Investment Yield

Straight Through
Processing

Value Unlocks



Ongoing activities to
disrupt market space



Delivering market
leading client solutions



Strengthening
key value drivers



Driving efficient
execution of plans



Creating positive
impacts on the society

Our Values

Excellence

Caring

Innovation

Trust

Ethics

Integrity

MANAGEMENT DISCUSSION & ANALYSIS

THE TRUST WITHIN

At Union Assurance we have always embodied a spirit of trust and partnership;
providing a sense of hope and assurance to many stakeholders we impact.



26	Reflection from Our Chairman
29	Reflection from Our Chief Executive Officer
32	Our Operating Environment & Outlook
39	Contribution to the United Nations Sustainable Development Goals
40	Strategy and Resource Allocation
43	Making Strategic Trade-offs and Assessing the Impact on Our Capitals
45	Economic Value Added
46	Key Performance Indicators
48	Financial Capital
64	Manufactured Capital
68	Natural Capital
72	Human Capital
78	Social and Relationship Capital
86	Intellectual Capital

REFLECTION FROM OUR CHAIRMAN

Reporting an exceptional 18% growth in Gross Written Premiums (GWP) and a 5% growth in Net Investment Income, the Company continued to consolidate its position in the industry, showing resilience and dynamism despite a volatile business environment.

Dear Stakeholders

On behalf of the Board of Directors, it gives me great pleasure to present our Integrated Annual Report and financial statements for the financial year ended 31 December 2021.

I trust our Report will provide you with an in-depth understanding of the Company's value creation process as well as the strategies that enabled the Company to successfully navigate the COVID-19 pandemic and emerge stronger and more resilient.

While the prolonged effects of the pandemic continued to impact many aspects of the business, increased consumer risk awareness in the wake of the COVID-19 pandemic coupled with dynamic and agile business strategies adopted by the Company resulted in a strong recovery in business activities. This positive momentum is reflected in the outstanding performance of the Company, and the tangible value we have generated for all our stakeholders.

Resilient Business Performance

As the following sections of the Annual Report deep-delve into developments in the macroeconomic environment and their business impact, I will focus on a high-level summation of the performance of the Company during the financial year 2021.

Reporting an exceptional 18% growth in Gross Written Premiums (GWP) and a 5% growth in Net Investment Income, the Company continued to consolidate its position in the industry, showing resilience and dynamism despite a volatile business environment. The growth in GWP was driven by a significant increase in regular new business premiums while the lower interest rates environment in 2021 impacted the growth in net investment income.

Adverse economic conditions, expansion of product portfolio and mature insurance policy portfolio led to a 22% increase in claims and benefits to policyholders. A 33% increase in underwriting and net acquisition costs was primarily due to significant growth in regular new business premiums. Stringent cost optimization and containment measures enabled the Company to reduce its operating expenses. As a result, the Profit Before Tax (PBT) increased by 46% to Rs. 2.6 billion during the period.

The Company also maintained a strong capital and liquidity position with the Capital Adequacy Ratio (CAR) of 228%, which is well above the regulatory requirement of 120%. The Company's investment portfolio meanwhile recorded a 13% growth and stood at Rs. 59.3 billion as at the end of the financial year while the Life fund, which is backed by A- or above rated re-insurers grew by 17% to Rs. 48.9 billion as at 31st December 2021.

The Strength Within

Our dynamic sales force led the way in new business acquisition placing us as the second largest new business producer in the industry while also achieving the highest growth in regular new business premiums among the large competitors in the industry.

The Company continued to strengthen its operations; driving process improvements and digital enablement to achieve greater operational efficiencies and excellence. While Union Assurance (UA) was the first Company to offer up to a Rs.1 million COVID-19 cover to existing and new customers, over Rs. 132 million worth of COVID-19 related claims were processed within shorter turn around times brought about by agility in our processes. Currently, two third of our insurance policies are

done via straight through underwriting reflecting our commitment to digitalization/digitization and customer centric approach.

The UA Premier Agency, a high calibre agent grooming platform was launched during the year, with the aim of creating professional, best-in-class advisors. The Company produced the largest Million Dollar Round Table (MDRT) qualifier pool in the industry in 2021, further reinforcing the quality and calibre of our sales force.

The Company also continued to strengthen its distribution channel, optimizing existing Bancassurance partnerships and leveraging on technology to widen its reach. UA extended its long-term partnership with Nations Trust Bank (NTB) and entered into a partnership with Standard Chartered Bank; significantly strengthening its Bancassurance channel.

During the year, the Company realigned its product strategy to ensure long term value creation to its stakeholders. To this end, innovative new products including "Union Health 360", a market leading health rider and "Union Smart Life", an investment product coupled with protection were introduced. The Company's digital proposition also continued to be strengthened with the introduction of the Click-Life self-servicing App which provides customers greater remote accessibility with added service features. This ongoing commitment to introducing customer centric solutions resulted in the Net Promoter Score (NPS) improving from 47 in 2019 to 58 in 2021.

I believe the Company has laid a strong platform for growth, and that it is well poised to capitalize on emerging opportunities as investments in IT infrastructure and capacity building are realised in the ensuing year and beyond.

Employees

The impressive performance recorded during the year despite the numerous challenges would not have been possible if not for the unwavering commitment and dedication of our people. The enthusiasm in which they embraced new ways of working and supported the Company in its productivity enhancement measures was exemplary and contributed in no small measure to the Company's resilience amidst a turbulent operating environment.

Our holistic employee value proposition enables us to consistently attract some of the best talent in the industry. We continue to enhance our value proposition through ongoing training opportunities and a performance orientated culture that is firmly rooted on ethical and transparent behaviour. We remain committed to developing and supporting our employees as we see intrinsic value both to our employees as well as the organization.

The Corporate Governance Commentary and the Capital Management Review sections of this Report explain in further detail the best practices, policies and procedures that are in place to ensure that Union Assurance is 'More Than Just a Work Place'.

During the year, as part of a John Keells Group Initiative, the Company instituted a Diversity, Equity and Inclusion (DE&I) programme aimed at enhancing the diversity of our workforce and making our workplaces more inclusive. Increasing female participation in non-traditional roles and women centric training are some of the focus areas of this initiative.

Governance

I am pleased to state that there were no departures from any of the provisions of the Code of Business Conduct and Ethics of the Code of Best Practice of Corporate Governance, jointly advocated by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.

The Company achieved steady progress on key sustainability indicators and reported a 28% reduction in its overall carbon footprint to 768 MT. Resource utilization also declined during the year due to efficiency gains from the shift to a digital operating model.

I also wish to affirm our commitment to upholding Company policies, where emphasis is placed on ethical and legal dealings, zero tolerance for corruption, bribery and any form of harassment or discrimination in our workplace and any work-related situations.

During the year, several initiatives were implemented to further strengthen the Company's governance framework and controls. With 'Work From Home' arrangements continuing, the Company strengthened its Cyber Security and remote working infrastructure, to ensure data protection and data integrity. The Board also established the SLFRS-17 Steering Committee to ensure strategic, tactical and operational readiness for the implementation of SLFRS-17. A SLFRS-17 implementation road map that goes well beyond regulatory compliance was launched, resulting in significant progress in the SLFRS-17 implementation journey.

It is also pertinent to note that the Business Continuity Plan (BCP) which was activated at the outset of the COVID-19 pandemic, facilitated the smooth transition and operation of a digital operating model with high employee engagement levels.

We made a key step ahead in our integrated reporting journey during the year where external assurance on integrated reporting has also been sought from independent auditors for the first time.

Further details on governance compliance and initiatives can be found in the Corporate Governance Commentary of this Report.

Sustainability

A comprehensive Sustainability Management Framework ensures that social and environmental impacts are identified, monitored and addressed and that sustainability considerations remain at the forefront of the Company's decision-making process.

The Company achieved steady progress on key sustainability indicators and reported a 28% reduction in its overall carbon footprint to 768 MT. Resource utilization also declined during the year due to efficiency gains from the shift to a digital operating model.

Sustainability performance is reported in accordance with the GRI Standards: Core option.

Corporate Social Responsibility

Corporate Social Responsibility (CSR), is an integral part of the Company's business ethos and we stand firm on our triple bottom line approach to strategy. Staff volunteerism is encouraged and supported through Company led CSR initiatives. CSR activities of the Company which revolve around the core areas of Education, Health and Disaster Relief are guided by the vision of 'Empowering the Nation for Tomorrow'.

The Company continued with its CSR activities during the year contributing 50 tablet computers to the Department of Probation and Child Care Services to support online learning for children in child care centers. As part of its efforts to support the Government combat the COVID-19 pandemic, vital medical equipment was provided to four Government hospitals and a digital campaign was launched in partnership with the Health Promotion Bureau of Sri Lanka to create awareness on lesser known COVID-19 protection methods such as safe disposal of masks. Meanwhile as part of its disaster relief measures meals were donated to over 3,000 displaced persons affected by floods.

REFLECTION FROM OUR CHAIRMAN

The impressive performance recorded during the year despite the numerous challenges would not have been possible if not for the unwavering commitment and dedication of our people.



Earnings Per Share

Rs.34.85

2020: Rs.15.62



Net Promoter Score

58

2019: 47

Dividend

The Board declared a first and final dividend for 2021 of Rs. 22 per share to be paid on or before 31 March 2022. The declaration of this dividend reflects the financial stability and strong business performance of the Company, notwithstanding the impacts of a challenging business environment.

The Company will continue with its dividend policy that corresponds with sustainable growth in profits, whilst maintaining adequate funds for future expansions and business continuity in a volatile business environment.

Looking Ahead

We expect business activity to reach near normal levels in 2022 and are extremely optimistic about our prospects for the year given the strong market fundamentals of the insurance industry. We will therefore continue to forge ahead with our strategy of transforming ourselves in to a fully fledged digital and customer-centric insurer for the new age. We however

remain cognizant of the prolonged socio-economic impact of the pandemic and will remain agile to be able to respond to these evolving dynamics.

Acknowledgements

I wish to take this opportunity to thank my fellow Directors, Chief Executive Officer, Senior Management Team and entire UA team for their untiring efforts, commitment and drive during this challenging year.

I also wish to place on record my special appreciation to the Chairman, Director General and team at the Insurance Regulatory Commission of Sri Lanka for ensuring that stakeholder concerns are heard and addressed. Our appreciation also goes out to the Insurance Ombudsman for ongoing support.

Krishan Balendra
Chairman

28 February 2022

REFLECTION FROM OUR CHIEF EXECUTIVE OFFICER

Looking back on 2021, I am proud to announce that we delivered on our commitments across our key strategic pillars and made a significant progress in transforming Union Assurance (UA) into a customer centric, forward thinking, digitally savvy, transparent and easy to deal with company in our industry.

Amidst the challenging operating conditions of 2021, Union Assurance (UA) delivered a commendable performance by successfully transforming itself into a digitally enhanced life insurer keeping the customer's evolving needs at the core of our deliverables. The smooth transition to a fully integrated digital operating model was augmented by comprehensive e-platforms, client self-servicing capabilities and online insurance propositions. This transformation enabled UA to continue to support our customers, employees and other stakeholders during these volatile times.

The Company achieved the highest regular new business premium growth among the large competitors of the industry during the year, sustainably growing at a rate of 42%. UA became the second largest regular new business producer in the industry. Producing an impressive 300 members, we also recorded the highest number of qualifiers for the Million Dollar Round Table (MDRT) in the industry in 2021. These achievements are not only a validation of our overall business strategy but are also a true testament of the unwavering commitment and dedication of our over 3,400 strong team to deliver on our promise, "Your Life. Our Strength".

I am extremely proud of the commitment and positive mindset of our colleagues in making 2021 an outstanding year for Union Assurance. Our success is fuelled by our team members' resolute, dedication, passion and perseverance.

Looking back on 2021, I am proud to announce that we delivered on all our commitments across our key strategic pillars and made a significant progress in transforming Union Assurance (UA) into a customer centric, forward thinking, digitally savvy, transparent and easy to deal with company in our industry.

Navigating The COVID-19 Pandemic

Despite signs of hope arising from the successful vaccination drive, the COVID-19 pandemic continued to pose challenges during the year due to prolonged socio-economic implications and the emergence of new variants. In response to these challenges, we adopted a strategy of protecting our people, supporting our clients, further enhancing our financial strength and contributing to the economic revival of the country. This holistic response has enabled us to remain resilient and end the year on a very strong footing.

Safety First and protecting our people was a key focus during the year. Fully digitizing our infrastructure, we rapidly transitioned to a digital operating model, enabling over 500+ of our employees to work from home; thereby reducing the risk of spreading the virus. We extended support in the form of COVID-19 care packages and offered quarantine leave to employees impacted by the virus. We also launched several health and wellness programs including counselling sessions to support the physical and mental wellbeing of our employees.

We continued to engage and connect digitally and physically, if possible, to ensure our customers were able to fulfill their insurance requirements without any disruptions. UA was the first company to offer all our existing and new customers a free COVID-19 insurance cover up to a million Rupees. We revolutionized the industry by launching 'first in market' customer self-servicing app, Clicklife, which enabled clients to meet their servicing requirements, without any paper-work and physical contact, ensured complete safety and convenience.

Enhancing our financial strength amidst a turbulent business environment remained a key priority and we did so by continuing to focus on risk management, wide-spread cost containment, spend control measures and liquidity management. As a part of our prudence approach, additional provisions were made for expected COVID-19 mortality claims.

UA continued to support the Government in its efforts to combat the pandemic by donating vital medical equipment to four government hospitals and partnering with the Health Promotion Bureau of Sri Lanka to create awareness on COVID-19 protection. Total COVID-19 related payments during the year amounted to Rs. 132 million.

Robust Performance

Gross Written Premium (GWP) increased by 18% to Rs. 15.4 billion driven primarily by growth in sustainable regular new business premiums. Low interest rates that prevailed in 2021 resulted in Net Investment Income increased of 5% to Rs. 5.3 billion during the year.

FY 2021 saw claims and benefits to policyholders increasing by 22% to 4.6 million mainly on account of maturity payouts in accordance with the contractual obligations and increase in surrender payouts due to adverse economic environment.

Underwriting and net acquisition costs increased by 33% to Rs. 2.8 billion on account of strong growth in regular new business premiums.

Cost optimization and containment measures continued during the year resulting in operating expenses declining by almost 1% despite a 18% topline growth.

REFLECTION FROM OUR CHIEF EXECUTIVE OFFICER

The latest milestone in this journey is our revolutionary end-to end digital solution, Clicklife which provides a 100% digital experience from policy purchase to issuance, to real-time updates on policy information such as balances and claims status.



Million Dollar Round
Table qualifiers

300

2020: 172



Profit Before Tax

Rs.2,627 Mn

2020: Rs.1,794 Mn

Profit before tax (PBT) consequently increased by 46% to Rs. 2.6 billion supported by the growth in GWP, growth in Net Investment Income and efficient management of operating expenses.

Our financial position also remained robust due to prudent measures adopted to manage capital and liquidity. The Capital Adequacy Ratio (CAR) at 228%, was comfortably above the minimum regulatory requirement.

Further compounding our financial strength and stability, UA's investment portfolio grew by 13% to Rs. 59.3 billion while the Life Fund grew by 17% to Rs. 48.9 billion. UA's Life Fund is backed by reputed re-insurers with an international credit rating of 'A-' or above.

A Customer-Centric, Digital Life Insurer

A customer centric mindset and early adoption of technology have been the hallmarks of our growth journey. Leveraging digital capabilities to enhance the customer experience, employee satisfaction, and driving transparency and simplicity enabled UA to achieve the highest levels of business performance and delivery.

Our customer focused digital agenda addresses all major client pain points, eliminating operational complexities and providing customized solutions to the new age Sri Lankans, continuing to enhance our customer value proposition and strengthen our relationships. UA provides a 100% end-to-end digital platform for customers to obtain protection for their loved ones with straight-through-processing, totally eliminating physical interaction and paperwork.

UA has invested in supportive tech tools such as chatbots and augmented reality experiences to provide consumers with easy, engaging and informative interactions. The latest milestone in this journey is our revolutionary end-to end digital solution, Clicklife providing a 100% digital experience from policy purchase to issuance, to real-time updates on policy information, claim status and miscellaneous service fulfilment.

We continue to embrace disruptive technologies to elevate all aspects of our operation. AI and business analytics are used extensively to predict customer behaviour, improve customer engagement and retention whilst enhancing operational efficiencies.

2021 Key Highlights

Financial

- Highest regular new business premiums growth among the top 05 competitors in the industry
- Second largest new business producer
- GWP surpassed Rs. 15.4 billion with a 18% growth
- 8% policyholder dividend rate
- Rs. 22 dividend per share for shareholders
- 1/3 of insurance premiums generated through digital channels

Distribution

- 300 Million Dollar Round Table (MDRT) qualifiers
- 20 Court of the Table (COT) qualifiers
- 05 Top of the Table (TOT) qualifiers
- Launch of UA Premier Agency
- Renewed Bancassurance Partnership with Nations Trust Bank and new Partnership with Standard Chartered Bank
- Onboarded 1,738 new agents to the sales force

Operational

- Launch of Health 360, one of the best health riders in the market
- One-day health claim settlement ratio increased to 93%.
- 2/3 of policies were underwritten via Straight Through Processing

Forward thinking investments in IT infrastructure and an ongoing focus on enhancing IT capabilities facilitated a smooth transition to a digital operating model, enabling almost all of our permanent cadre to work from home during the pandemic. Physical classroom training was replaced with virtual sessions with the launch of the Virtual academy while a web enabled sales force management system – FAME (Financial Advisor Management Explorer) was enhanced as part of our efforts to digitize the performance management process of our field staff.

Looking Ahead

Digitization is expected to continue to disrupt the insurance industry with customers increasingly looking for simplified and convenient protection solutions. We are confident that our overarching strategy of sustainable value creation and agile business model ideally places us to capitalize on emerging opportunities whilst remaining resilient in a challenging macro environment. We will therefore continue to focus on channel diversification through an omni-channel distribution model, accelerating and optimizing our existing distribution channels while driving product innovation and service excellence.

Appreciation

I wish to take this opportunity to place on record my deep appreciation to the entire UA team for their commitment and dedication in driving our business forward during these turbulent times. The year 2021 was challenging in many ways, but it also demonstrated how resilient we are as a team and how we can pull together during the toughest of times. It is indeed a privilege to be a part of such a dynamic team. I would be amiss not to thank our customers, partners, and other stakeholders for their continued patronage, support and encouragement.



Jude Gomes
Chief Executive Officer

28 February 2022



Digital

- First in market self-servicing app, Clicklife.
- Enhanced web enabled sales force management system, a full fledged virtual agency management tool.
- Digital operating model enabling over 500 of our employees to work from home.

Brand

- NPS increased to 58 (47 in 2019)
- No. 1 position in earned print and digital media.
- LinkedIn crossed 9,000+ followers and registered second highest growth of 7% bringing UAL to #3 position in the industry.

HR & Governance

- Launch of “Ayubo Life” wellness programme for staff.
- Launch of new Management Trainee programme.
- Strengthened Cyber Security and remote working infrastructure to ensure data protection and integrity.
- Establishment of SLFRS-17 steering committee to ensure the institutional strategic readiness for the implementation of SLFRS-17.

OUR OPERATING ENVIRONMENT & OUTLOOK

We continue to monitor our operating environment to understand market dynamics and proactively identify and address opportunities and risks.



The Global Economic Context

Following a strong rebound in 2021, the global economy is entering a pronounced slowdown amid fresh threats from COVID-19 variants, rise in inflation, debt, and income inequality that could endanger the near term recovery in emerging and developing economies, according to the World Bank's January 2022 Global Economic Prospects report.

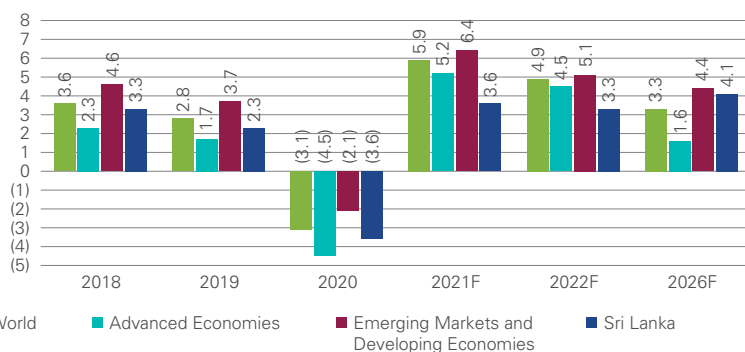
The global economy grew by 5.5% in 2021, but is expected to decelerate to 4.1% in 2022 and 3.2% in 2023 as pent-up demand dissipates and fiscal and monetary support is unwound across the world.

The rapid spread of the Omicron variant, persistent supply chain bottlenecks, inflationary pressures, and elevated

financial vulnerabilities are likely to dampen prospects of emerging and developing economies.

Global Growth

(%)



Source: World Economic Outlook October 2021





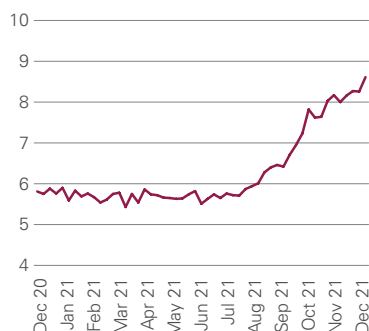
Sri Lankan Economic Context

The Sri Lankan economy continued to show signs of recovery in 2021 albeit with inflationary pressures and exchange rate volatility.

Interest Rates

The CBSL adopted a tighter monetary stance during the second half of 2021, resulting in an overall increase in market rates towards the latter half of 2021. Yields on government securities too witnessed a sharp upward adjustment with the removal of maximum yield rates for acceptance at primary auctions in 2021.

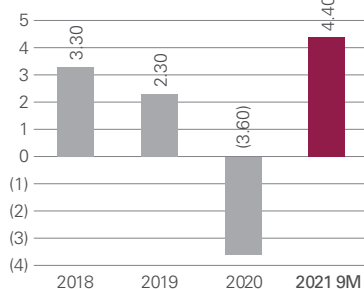
Average Weighted Prime Lending Rate (%)



GDP Growth

The Sri Lankan economy grew by 4.4% during the first nine months of 2021 supported by a gradual recovery of economic activities towards the latter part of the year. The industrial sector recorded a growth of 6.8% while the agriculture sector witnessed a growth of 5.3%. The services sector meanwhile grew by 2.7% during the first nine months.

GDP Growth (%)



Exchange Rates

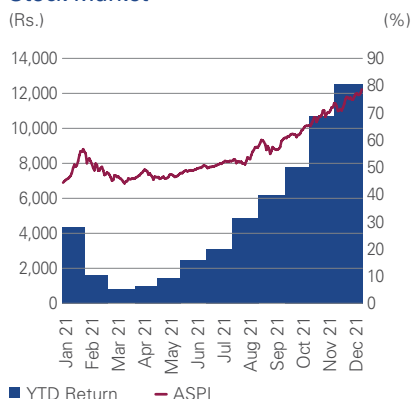
The Sri Lankan rupee continued to witness intermittent volatility during the year depreciating by 7.5% in 2021. Inadequate inflows to the domestic foreign exchange market amidst large outflows including debt repayment, continued to put pressure on the exchange rate. To address the shortage of US dollars, the CBSL intervened in the local foreign exchange market to improve liquidity.

The substantial foreign debt repayment in 2022 is expected to continue to put pressure on the official reserves, unless the government takes necessary steps to resolve the crisis.

Equity Markets

The stock market posted double digit growth in 2021. The Colombo Stock exchange posted an annual return of 80%. The All Share Price Index reached 12,226.01 points by the year end. Foreigners were net sellers of Rs. 52,649 Mn worth of equities while local investors dominated the market in 2021.

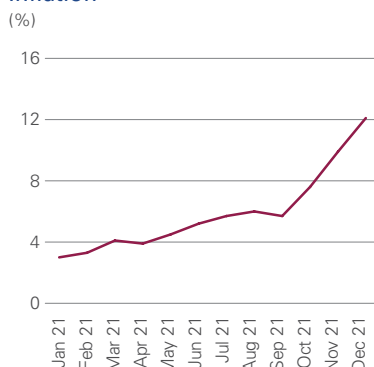
Stock Market



Inflation

Headline inflation measured by CCPI reached 12.10% in December 2021, increasing throughout the year. Food inflation stood at 22.1% YoY due to ongoing supplying constraints, removal of certain price controls on food items, imposition of import restrictions and a rise in fuel prices. Non-food inflation meanwhile increased by 7.5% mainly due to the increase in fuel prices.

Inflation



External Sector Performance

Export performance showed broad based improvement in 2021 with almost all export sectors across industrial, agricultural, and mineral exports recording increases supported by a gradual recovery in global trade. Tourist arrivals also increased starting from Q3 of 2021 resulting in an improvement to tourist earnings. Despite an increase in departures for foreign employment, worker remittances in 2021 remained lower than 2020.

Import expenditure meanwhile continued to grow despite the continuation of the import restrictions imposed by the Government in 2020. A rise in global fuel prices together with higher price of consumer goods, investment goods, and intermediate goods contributed to this increase. As a result, the trade deficit continued to widen during the period.

OUR OPERATING ENVIRONMENT & OUTLOOK

PESTEL Analysis

	P	E	S	T	E	L
	Political	Economic	Sociocultural	Technological	Environmental	Legal
Issue	- Frequent policy changes - Lack of transparency and accountability - Changes in tax regime	- Subdued Economic Growth - Upward momentum of Interest rates towards latter half of 2021 - Continued pressure on exchange rates - Rising Inflation - Equity market performance	- Increased life expectancy rates - Rise in Non Communicable Diseases - Surge in ageing population - Increased demand for protection post COVID-19 pandemic - Increasing Social Security Gap in the country	- Use of Big Data and Data Analytics - Escalation of cyber risks - Increased use of technologies such as Predictive Analytics, Artificial Intelligence, Machine Learning, Chatbots and InsurTech / FinTech	Climate change and its impact on economies and societies	- Determinations, Directions, Circulars issued by the IRCSL - SLFRS-17 – Insurance Contracts will supersede SLFRS 04 with effect from 2023. SLFRS-17 represents a complete overhaul of accounting for insurance contracts
Business Impact	● High - Challenges in setting long term strategic plans - Impact on the operating results of the Company	● High - Demand for protection is correlated to income levels - Interest rates and performance of equity markets support performance of our investment portfolio	● High - Higher life expectancy is expected to drive greater demand for pension and retirement products - Increasing health concerns together with the surge in ageing population expected to drive demand for health and life Insurance products - Demand for innovative products that could reduce the social security gap	● High - Greater cost and process efficiencies - Facilitates the provision of personalized products and services - Ability to leverage partnerships with FinTech and InsurTech companies to enhance operating and distribution models	● Low Companies that think and act responsibly enjoy a sustainability premium that enables them to attract like-minded customers and employees	● High - Additional cost and effort on complying with regulatory requirements. However it will further protect policyholders' interest - Greater transparency of financial performance of industry players

Risks and Opportunities

We believe that effectively capitalising on opportunities and proactively addressing threats is critical for the sustainable enhancement of enterprise value.

A sound Enterprise Risk Management (ERM) Framework ensures risks are identified early and managed consistently across the organization.

Please refer our ERM report for an in-depth analysis of our risk landscape and risk management processes in place to manage identified risks.

Identifying opportunities is a company wide responsibility that requires input from all business units and divisions. Assessment of our operating environment, inputs and feedback from all our stakeholders

are welcomed and reviewed. Identified opportunities are then incorporated into the annual planning process.

The key risks and opportunities identified by the Company are tabled below. The impact and UA's response to identified risks are discussed in detailed in the ERM report.

Risk / Opportunity		Type	UA's Response
Risks	Underwriting Risk (R1)	Internal	
	Natural Catastrophe risk (R2)	External	
	Concentration Risk (R3)	Internal	
	Re-insurance Counterparty Risk (R4)	Internal	
	Interest Rate Risk (R5)	External	
	Equity Risk (R6)	External	
	Liquidity Risk (R7)	Internal	Refer pages 138 to 142 in our ERM report for the risk response
	Credit Risk (R8)	Internal	
	Core operational Risk (R9)	Internal	
	Fraud Risk (R10)	Internal	
	Reputational Risk (R11)	Internal	
	Regulatory and Compliance Risk (R12)	Internal	
	Strategic Risk (R13)	Internal	
	Data Security Risk (R14)	Internal	
Opportunities	Low industry penetration enabling growth for each player (O1)	External	Offering differentiated products and innovative marketing for product propositions.
	Higher life expectancies are expected to drive greater demand for pension and retirement products (O2)	External	Investing on brand building initiatives and becoming a more visible life Insurance brand in the country.
	Increasing health concerns together with the surge in ageing population expected to drive demand for health and life Insurance products (O3)	External	Our comprehensive product portfolio seeks to meet an individual's insurance needs throughout their life span. Launch one of the best health insurance riders in the market – Union Health 360 We continue to realign the product strategy of the Company to meet the needs of our customers and facilitate long term value creation
	Demand for innovative products that could reduce the social security gap (O4)	External	We will continue to allocate funds to strengthen our research and development capabilities and digital infrastructure to facilitate greater innovation and deliver long-term value.
	Companies that think and act responsibly enjoy a 'Sustainability premium' that enables them to attract like-minded customers and employees (O5)	External	We strive to foster sustainable relationships with our stakeholders thereby differentiating ourselves as an organization that truly cares. We have in place specific indicators and KPI's to assess the quality of our relationships with our stakeholders and the value we generate for them.

OUR OPERATING ENVIRONMENT & OUTLOOK

SWOT Analysis

Strengths

- Fast paced digitization of insurance operations
- Strong financial position
- A well structured regulatory compliance framework
- Wide customer base
- Strong cyber security network
- Island wide branch network

Opportunities

- Refer PESTEL analysis and material matters section on page 34



Weaknesses

- History of focus on Investment products
- Higher first year lapse rate
- High turnover among sales force

Threats

- Increasingly competitive competitor landscape
- Economic downturn
- Policy uncertainty
- Emergence of new variants of COVID-19

Market Forces and Industry Performance

The economic and social impacts of the COVID-19 pandemic posed several challenges and opportunities to the life insurance industry....



Opportunities

Increased consumer awareness and interest about protection



Threats

Inflationary pressures and subdued economic condition impact buying power

Despite the pandemic, the local Life insurance industry continued to grow during 2021....



Rs.124,741 Mn
(+21.08%)

Total GWP



Rs.20,755 Mn
(+24%)

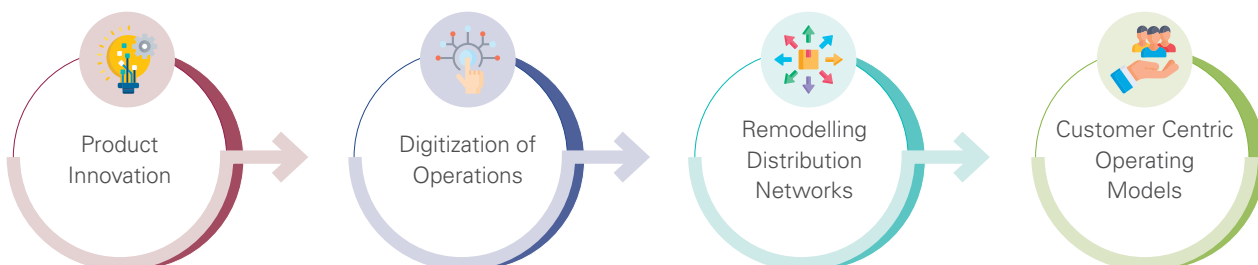
Long-Term Insurance claims (maturity and death benefits), 1st half 2021



Rs.600,751 Mn
(+11.22%)

Long-Term Insurance Business assets, 1st half 2021

How the Industry Responded....



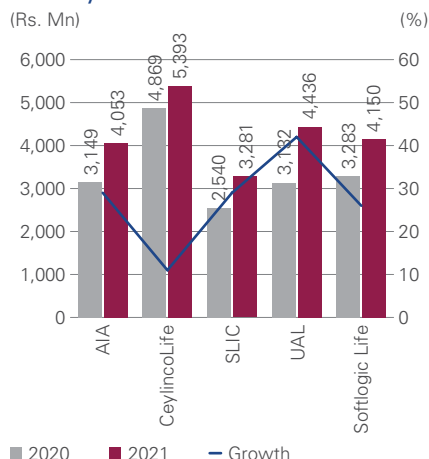
Competitive Landscape

Local Life insurance industry continued to grow during 2021 and reported 21% in 2021, reaching a total Gross Written Premium (GWP) of Rs. 124,741 million (2020: Rs. 103,027 million). Significant growth in the Life Insurance industry is driven by a 29% growth in regular new business premiums (FP+FYP), 59% growth in single premiums and 15% growth in renewal premiums. Regular gross written premiums which is the addition of regular new business premiums and renewable premiums recorded a 19% growth compared to 2020 (2020: 7%).

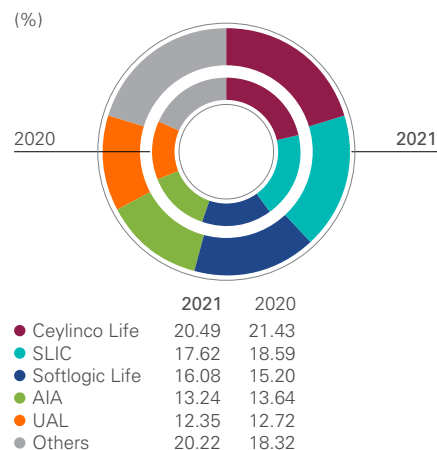
Long-Term Insurance Business assets surged by 11.22% to Rs. 600,751 million in 1st half of 2021 (1st half 2020: Rs. 540,126 million), owing to an increase in business volume, which is reflected by investments in government debt instruments and corporate debts. Long-Term Insurance claims (maturity and death benefits) increased by 24% to Rs. 20,755 million in 1st half of 2021 (1st half 2020: Rs. 16,707 million).

The top five players including Union Assurance accounted for 80% of GWP in 2021.

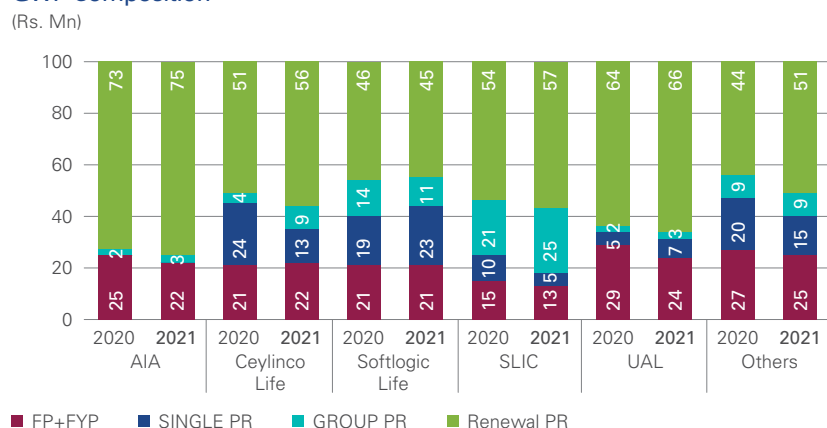
Industry FP + FYP



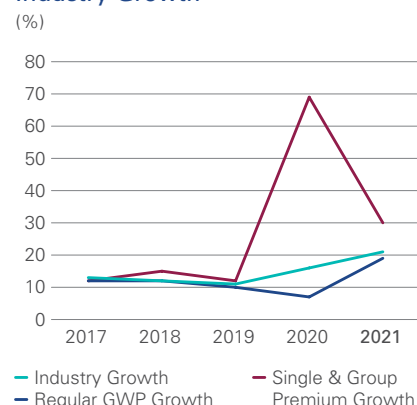
Market Share Movement



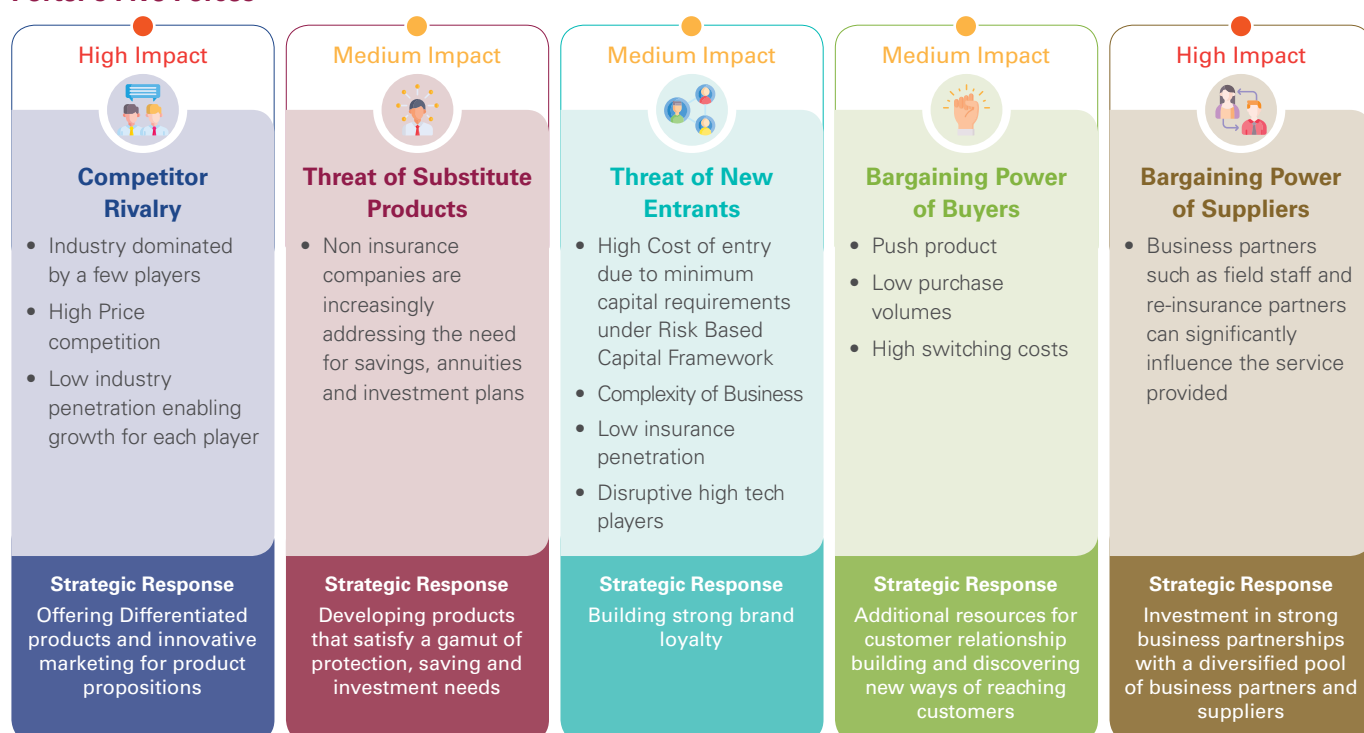
GWP Composition



Industry Growth



Porter's Five Forces



OUR OPERATING ENVIRONMENT & OUTLOOK

Outlook for 2022



Global

- The rapid spread of the Omicron variant of the COVID-19 virus, persistent supply-chain bottlenecks and inflationary pressures, and elevated financial vulnerabilities together with a notable deceleration in major economies including the United States and China are likely to dampen prospects for the global economy in 2022.
- Inflationary pressures are expected to persist for longer than envisioned with ongoing supply chain disruptions and high energy prices continuing in 2022.
- A tighter monetary policy is expected across most economies due to continued inflationary pressures.
- Health and social spending will need to be prioritized by Governments despite having limited fiscal space due to the impact of the pandemic.
- The need for an effective global health strategy has been identified as a key priority.
- International cooperation will be essential to preserve access to foreign currency and expedite orderly debt restructuring where needed.
- Investing in climate policies remains imperative to reduce the impact of climate change.



Sri Lanka

- The successful vaccination drive and policy commitment to creating an export-oriented production economy are expected to support a gradual recovery of the economy.
- Large scale investments, such as the Colombo Port City project and the development of industrial zones such as the Hambantota Industrial Zone, are expected to attract foreign capital in the medium to long term.
- An emphasis on regional development initiatives by the Government are expected to reduce income disparities and promote inclusive growth.
- Financial flows are expected to strengthen with the envisaged inflows in the form of international swap arrangements, foreign currency term loans, project loans to the Government, and monetising of non-strategic assets.
- Upward adjustment and stabilizing of interest rates.
- Continued inflationary pressures due to supply side factors and higher global commodity prices.



Industry Outlook

Although weaker disposable income levels are expected to impact demand for insurance products in the short term, a greater awareness and interest in protection products and services post COVID-19 pandemic, augurs well for the industry prospects in the medium to long term. Digitization of the insurance business will be the key to success as customers increasingly look for simpler and more convenient solutions. Modular products designed to meet the specific requirements and new needs of the customers marketed through efficient and modern distribution channels can be considered as a main focus areas of life insurance industry businesses going forward.

Technology will continue to disrupt the industry, with operational, distribution and product efficiencies throughout the value chain.



UA Outlook

We expect business activity to reach near normal levels in 2022 and are extremely optimistic about our prospects for the year given the strong market fundamentals of the insurance industry. Digitization is expected to continue to disrupt the insurance industry with customers increasingly looking for simplified and convenient protection solutions.

We are confident that our overarching strategy of sustainable value creation and agile business model ideally places us to capitalize on emerging opportunities whilst remaining resilient in a challenging macro environment. We will therefore continue to focus on channel diversification through an omni-channel distribution model, accelerating and optimizing our existing distribution channels while driving product innovation and service excellence.

CONTRIBUTION TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

We recognize that sustainable development is in the long-term interest of business and the economy. Therefore, we remain committed to supporting the UN SDGs.

We have identified the SDGs most relevant to our business and those that have the greatest impact. Within these, we have selected the specific targets that

are linked to our overall strategy. By linking SDGs to our own strategy, we are able to make a significant contribution to the UN international development agenda.



Target 1.5

Distributed over 3,000 meals to persons displaced by the floods in collaboration with Cinnamon Hotels & Resorts under the 'Meals that Heal' program.



Target 4.1

We supported online education during the pandemic contributing 50 devices to the Department of Probation and Child Care Services as part of this year's National Children's Day programs conducted under the theme, 'Children Before Everything'.



Target 6.3

We have initiated several water conservation initiatives as described in "Natural Capital" section on page 69 to ensure efficient use of water.



Target 8.2, 8.5, 8.6, 8.8

- Ongoing investments in diversification and technological upgrades to drive innovation
- Generation of decent and productive employment opportunities for all including people with disabilities and ensure fair pay for all
- Youth employment and training opportunities
- Protection of labour rights



Target 10.4

We strive to make our products widely available in order to reduce inequality. Meanwhile, our CSR agenda also addresses reducing inequalities through meaningful interventions.



Target 13.2

We monitor our emission levels and incorporate environmentally friendly practices when establishing new branches. More details on page 70.

Target 3.8

Our product portfolio includes products such as Health 360 that support customers mitigate the financial risk caused by critical illnesses and live a healthier life.



Target 5.1

Our diversity policies aim to improve the representation of women in senior positions in the Company. Women currently hold 30% of executive positions



Target 7.3

We continue to implement energy saving initiatives across all our locations.



Target 9.1

We continue to invest in technology that enables us to be a cutting-edge insurance provider in the market.



Target 12.5

A comprehensive environmental agenda with specific initiatives aims to encourage and adopt responsible consumption of resources. More details of these initiatives can be found on page 71 of this report.

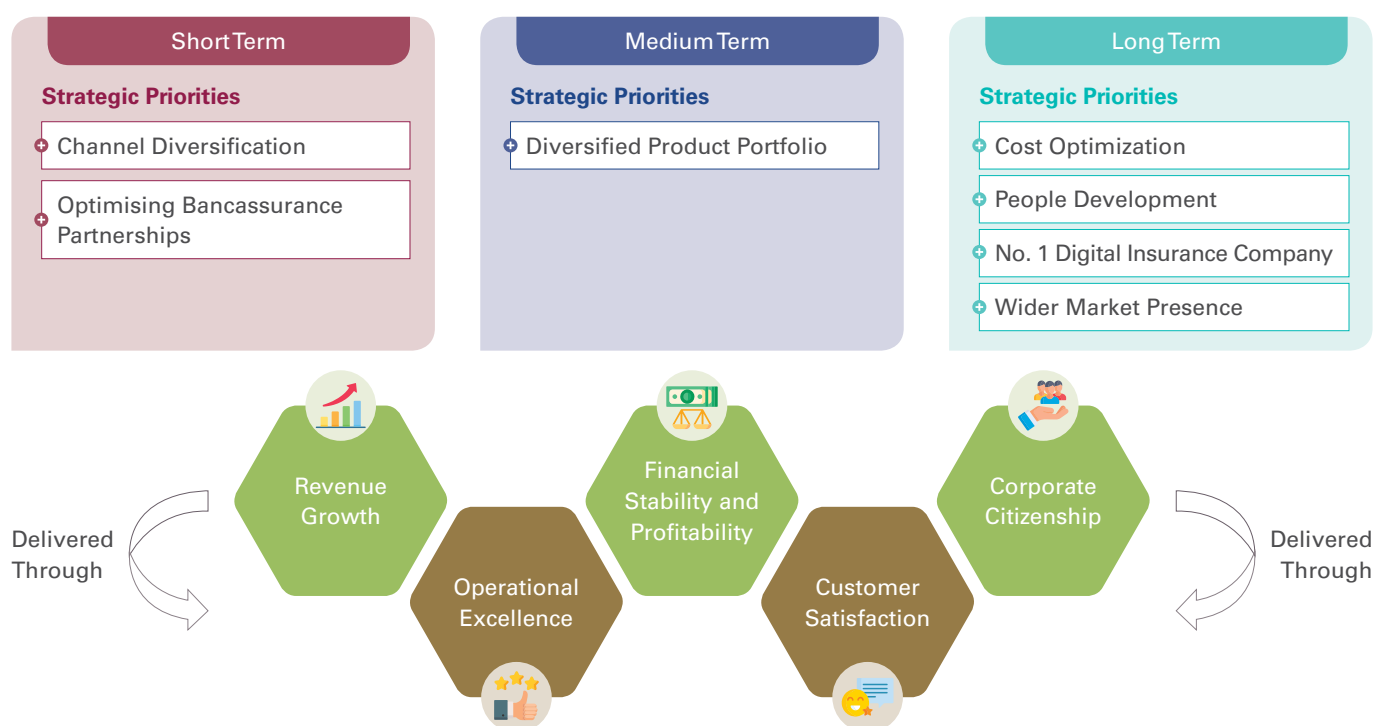


STRATEGY AND RESOURCE ALLOCATION

Resources are allocated between competing strategic priorities based on a comprehensive resource allocation framework that takes into account short, medium and long term organizational goals, available resources, timing of cash flows and regulatory requirements.

The allocation framework which includes specified cost drivers and cost pools, is reviewed annually and developed in consultation with all business heads. Specific targets for each strategic activity ensures that resource allocation is efficient, transparent and achieves the set objectives.

Resource Allocation Framework



Progress on Strategic Objectives

Strategic Objective	Channel Diversification						Short Term
Strategies in place	- Strengthen new business generation capacity within the current distribution architecture - Digital transformation of the selling process - Increase quality of new business - Increase operational footprint based on provincial income distribution - Greater market penetration through incremental revenue streams						
Resource allocation	- Rs. 123 Mn invested in strengthening digital infrastructure - Onboarding 1,738 new sales agency personnel						
Performance against strategic targets	ANBP Growth	Target 26%	Actual 42%	GWP Growth	Target 7%	Actual 15%	
Related material matters	1 17 20						
SDGs impacted	 						

Strategic Objective Optimising Bancassurance Partnerships				Short Term	
Strategies in place	• Enter into preferred Bancassurance partnerships. • Solidifying non preferred partnerships • Remodelling of Bancassurance structure to bring in efficiencies				
Resource allocation	• 247 staff allocated for Bancassurance sales force • Resource allocated for upfront facilitation fees				
Performance against strategic targets	ANBP Growth	Target 21%	Actual 24%	GWP Growth	Target 34% Actual 27%
Related material matters	1 17 20				
SDGs impacted					

Strategic Objective Diversified Product Portfolio		Medium Term
Strategies in place	• Product management and rationalization • Maintain product share to avoid cannibalization and improve profitability • Improve pricing strategies and explore new channels with centralized cost structures and automation	
Resource allocation	• Adequate spent on new product development and product launches • Product Development Committee comprising staff members from multiple disciplines	
Performance against strategic targets	• Realigning the product strategy of the Company to facilitate long term value creation • Launch one of the best health insurance riders in the market – Union Health 360	
Related material matters	1910	
SDGs impacted	8Economic growth 9Industry, innovation and infrastructure	

Strategic Objective		Cost Optimization		Long Term
Strategies in place	• Monitoring channel-wise and product-wise profitability • Strict budgetary control over expenses • Achieving expense efficiencies with economies of scale • Expense rationalization through Spend Control Committee			
Resource allocation	• Investment in process automation Rs. 7.3 Mn • Spend Control Committee comprising of 06 members of senior staff			
Performance against strategic targets	Expense Growth	Target 15%	Actual -1%	
Related material matters	14			
SDGs impacted	8 12			

STRATEGY AND RESOURCE ALLOCATION

Strategic Objective	People Development	Long Term
Strategies in place	- Enhance employee value propositions to create a best employer brand - Sales force management transformation - Continuous improvement on GPTW and Pulse Survey scores - Develop a performance driven culture through Corporate Performance Management	
Resource allocation	Training Spend Rs. 6.5 Mn	
Performance against strategic targets	- Recognized as a Best place to work under GPTW awards 15 people development programmes	
Related material matters	5 6 7 12 15	
SDGs impacted	   	

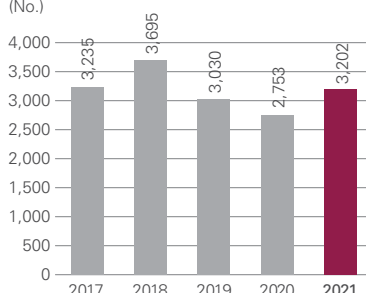
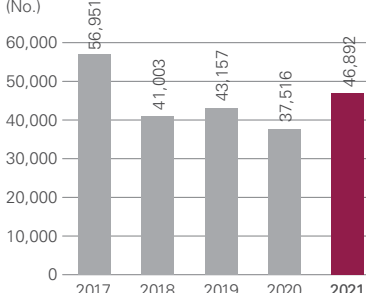
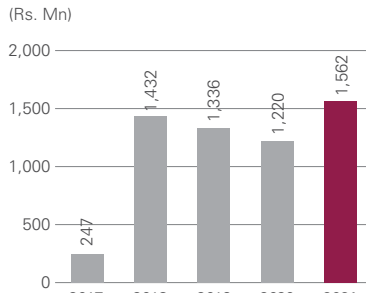
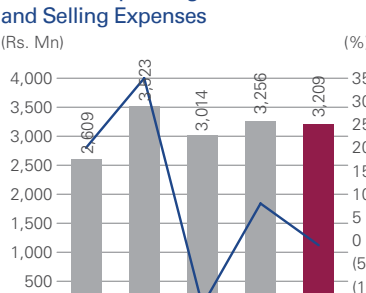
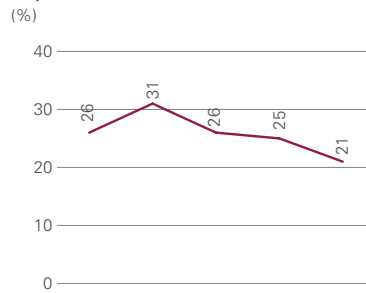
Strategic Objective	No.1 Digital Insurance Company	Long Term
Strategies in place	- Robotic process automation for RI claims - Enhancing digital insurance applications, Clicklife self-servicing App - Use of analytics-based platforms to improve operational performance - Implementation of new digital channels for Bancassurance business	
Resource allocation	- Rs. 123 Mn spent on digital infrastructure 1,223 hours of IT related training for staff	
Performance against strategic targets	- Digital proposal submission rate of 96% - No. of users of Clicklife self-servicing App - 10,340	
Related material matters	5 6 7 12 16	
SDGs impacted	 	

Strategic Objective	Wider Market Presence	Long Term
Strategies in place	- Improving Net Promoter Score - More visibility on social media to generate revenue from digital products - Most visible life insurance brand in the country	
Resource allocation	Appropriate investment on branding initiatives	
Performance against strategic targets	- NPS score improved to 58 (2019- 47) - Achieving #1 position in earned print and digital media.	
Related material matters	3 8 9 11	
SDGs impacted	 	

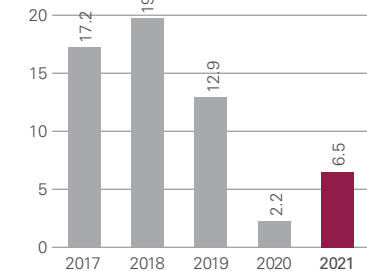
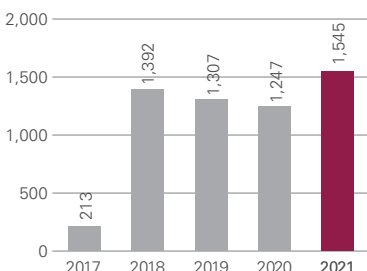
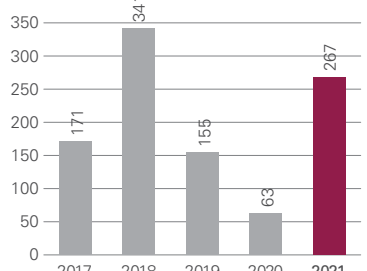
MAKING STRATEGIC TRADE-OFFS AND ASSESSING THE IMPACT ON OUR CAPITALS

Capital Trade-offs influencing Value Creation

We strive to ensure that our resources are efficiently allocated between competing strategic objectives to achieve long term value for our stakeholders. Key trade-offs in our resource allocation decisions are discussed in the following section.

Strategic Objectives	Trade-offs and Interdependencies	Capitals Impacted	Trade-off action
Channel Diversification	As we continue to diversify our channels to access new markets, we will need to invest in stronger relationships with our business partners while continuing to strengthen our agency and other channels.	 FC  S&RC  HC	Growth in Total Agency Cadre (No.)  Growth in No of Policies (No.) 
Optimising Bancassurance Partnerships	Consolidating our market leader position in the Bancassurance segment will require maintenance of high service standards through ongoing investments to strengthen Bancassurance channel partnerships.	 FC  S&RC  HC	Increase in Insurance Relationship Officers (No.)  Growth in GWP (Rs. Mn) 
Diversified Product Portfolio	We will need to continue to allocate funds to strengthen our research and development capabilities and digital infrastructure to facilitate greater innovation and deliver long-term value.	 MC  IC  S&RC	Investment in IT Infrastructure (Rs. Mn) 
Cost Optimization	Obtaining operational efficiencies through synergetic activities and implementation of strict budgetary controls will require investments in improved IT systems.	 FC  IC	Growth in Operating, Administrative and Selling Expenses (Rs. Mn)  Expenses as a % of GWP (%) 

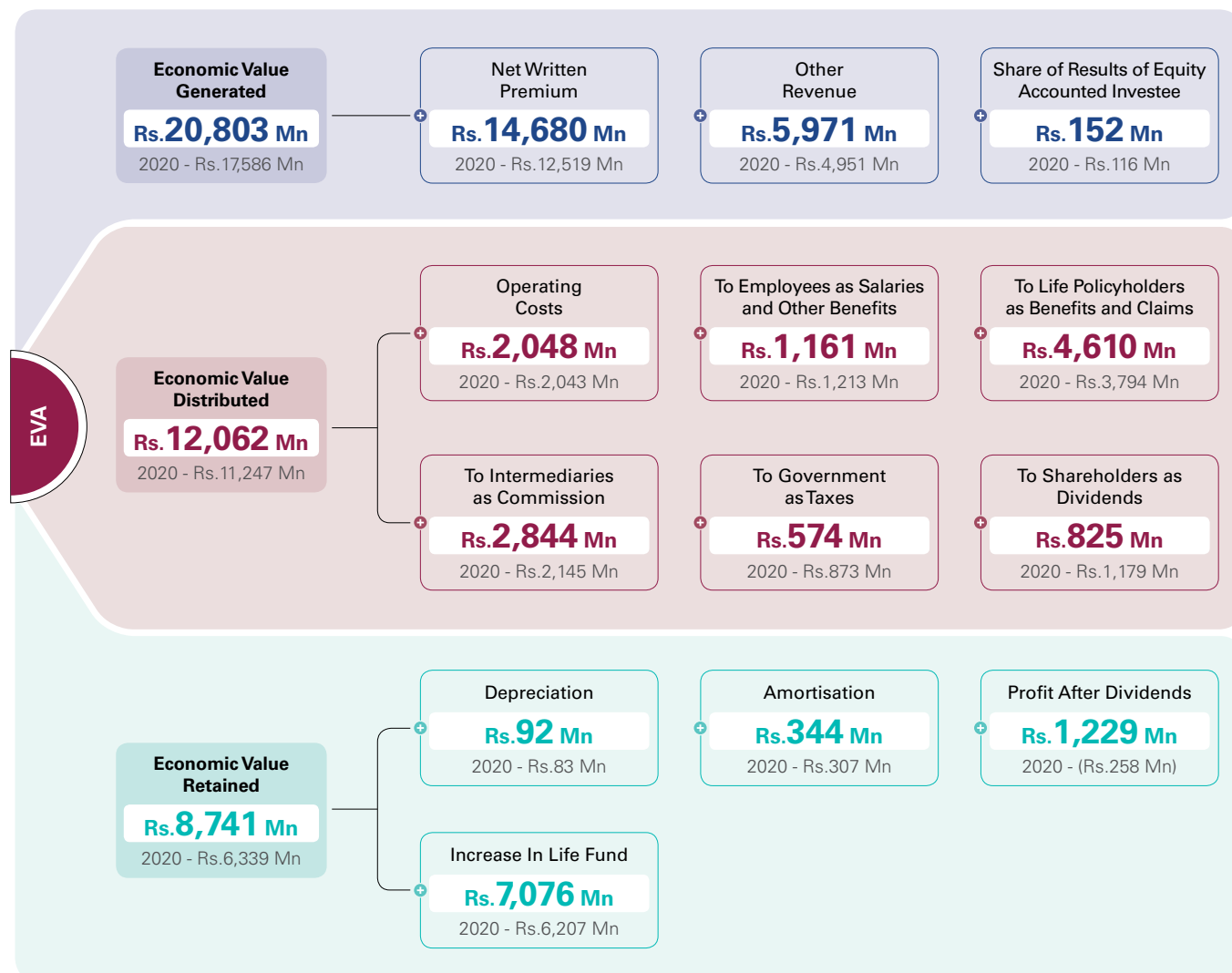
MAKING STRATEGIC TRADE-OFFS AND ASSESSING THE IMPACT ON OUR CAPITALS

Strategic Objectives	Trade-offs and interdependencies	Capitals impacted	Trade-off action
People Development	Developing our people will require ongoing investments in training and development as well as adequate resources to improve overall employee value proposition.	 FC  HC	Investment in People Development (Rs. Mn) 
No.1 Digital Insurance company	Additional investments to enhance our digital infrastructure and IT capabilities will be required to achieve our digital road map.	 HC  IC  FC	Investment in Digital Infrastructure (Rs. Mn) 
Wider Market Presence	Widening our market presence will require us to strengthen our physical and digital infrastructure whilst driving brand value to improve brand visibility.	 FC  S&RC  IC	Investment in Brand Building Initiatives (Rs. Mn) 

ECONOMIC VALUE ADDED

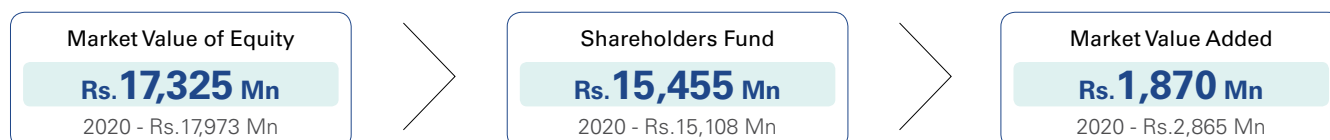
Economic Value Added Statement (EVA)

The EVA reflects the efficiency of management performance and the manner in which we created and distributed wealth among various Stakeholders throughout the value chain.



Market Value Added Statement (MVA)

The MVA is an indication of the Company's capacity to increase Shareholder value over time. It is an evidence of efficient management and strong operational capabilities.



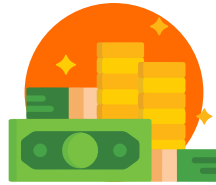
KEY PERFORMANCE INDICATORS

Non-Financial Highlights

Value Unlocks		Strategy	2021	2020	YoY Change
Delivering market leading client solution					
Premium persistency	%	Channel Diversification	87	83	5%
Complaints resolution rate	%		99	97	2%
Digital user base	No.		10,340	-	100%
Ongoing activities to disrupt market space					
Net Promoter Score		No.1 Digital Insurance Company	58	N/A	-
Brand value	Rs. Bn	Wider Market Presence	Being determined	1.8	-
Investment in IT systems and development	Rs. Mn		123	25	389%
Developing areas which create value					
Brand Visibility through new branches	No.	People Development	2	2	-
Investment in Property, Plant and Equipment	Rs. Mn		178	51	249%
Total workforce - Permanent cadre	No.		610	578	6%
Fixed term contract	No.	Wider Market Presence	160	217	-26%
Employee Turnover	%		23.93	17.47	37%
New Recruitments	No.		230	201	14%
New Hire Turnover	%		14	14	-
Diversity & Inclusion levels	Ratio		52:48	52:48	-
Employees receiving performance reviews	%		100	100	-
Coverage of organisations defined benefit plan	Rs. Mn		240	195	23%
Driving efficient execution of plans					
Training space	Sq.ft.	Cost Optimization	51,909	48,847	6%
Total Training Hours - Permanent	Hrs		4,282	4,884	-12%
Average hours of training per year per employee	Hrs		5.6	6.1	-8%
Training Investment	Rs. Mn	People Development	6.5	2.2	195%
Investment in IT infrastructure	Rs. Mn		140	34	312%
Creating positive impact on the society					
Energy consumption within the Organization	GJ	Wider market presences	4,478	5,379	-17%
Total Water withdrawal	m³		14,727	17,759	-17%
Total GAS Emission	tCo₂e		767.85	1,062.07	-28%
Waste footprint	Kg		7,089	15,572	-54%
Energy consumption per employee	GJ		5.82	6.77	-14%
Trees saved	No.		105	265	-60%
Oil conserved	Ltr		10,821	27,329	-60%
Electricity saving	kWh		250,278	323,889	-23%
Investment in Community and Infrastructure projects	Rs. Mn		10.5	12.9	-19%
Lives touched - Individual	No.		3,220	825	290%
Families	No.		-	2,000	-100%
Security personnel trained in organization's human rights policies or procedure	%		100	100	-
New suppliers screened using human rights criteria	%		100	100	-

Financial Highlights

		2021	2020	%
Earnings and Profitability				
Gross Written Premium (GWP)	Rs. Mn	15,406	13,109	18%
Re-insurance Premium	Rs. Mn	726	590	23%
Net Written Premium (NWP)	Rs. Mn	14,680	12,519	17%
Cession Ratio	%	5	4	25%
Net Profit After Tax	Rs. Mn	2,054	921	123%
Earning Per Share	Rs. Mn	34.85	15.62	123%
Return on Assets (ROA)	%	3	2	50%
Return on Equity (ROE)	%	13	6	117%
Surplus from Life Insurance Business	Rs. Mn	1,600	825	94%
Expense Ratios				
Acquisition Cost	Rs. Mn	2,844	2,145	33%
Net Claims and Benefits	Rs. Mn	4,610	3,794	22%
Net Claims and Benefits as a % of NWP	%	31	30	4%
Total Operating, Administrative and Selling expenses	Rs. Mn	3,209	3,256	-1%
Total Expense as a % of GWP	%	21	25	-16%
Assets and Funding Structure				
Total Assets	Rs. Mn	70,762	62,600	13%
Equity to total assets	%	22	24	-8%
Assets under Management	Rs. Mn	59,329	52,356	13%
Regulatory Ratios / Leverage				
Capital Adequacy Ratio (CAR)	%	228	341	-33%
Liquidity Position				
Net Operating Cashflow	Rs. Mn	9,512	8,286	15%
Material Drivers				
Premium Persistency Year 1	%	87	83	5%
Productivity	No.	1.55	1.36	14%
No. of New Policies	No.	52,332	42,184	24%
Life Fund	Rs. Mn	49,834	42,923	16%
Investor Ratios				
Shareholder Fund	Rs. Mn	15,455	15,108	2%
Dividend Per Share	Rs.	22	14	57%
Dividend Yield	%	7.5	4.6	63%
Net Asset Per Share	Rs.	262	256	2%
Earnings Per Share	Rs.	34.85	15.62	123%
Market Price Per Share	Rs.	294	305	-4%
Price Earning Ratio	Times	8.44	19.53	-57%
Price to Book Ratio	Times	1.1	1.2	-8%
Investment income				
Life	Rs. Mn	5,033	4,041	25%
Shareholder	Rs. Mn	949	939	1%
Investment yield				
Life	%	10.92	10.62	3%
Shareholder	%	10.09	10.65	-5%



FINANCIAL CAPITAL

Despite the unprecedented challenges during the year, UA continued to perform exceptionally well during the year recording 18% growth in GWP and 46% growth in PBT. Our agile business strategy combined with prudent management of financial resources were instrumental in delivering sustainable returns to our shareholders during the year.



What success looks like to us

- Sustainable shareholder value creation
- Safeguard interest of the policyholders
- Manage expectations of other stakeholders



How we measure progress

We measure progress by pursuing following key performance drivers.

- Revenue growth
- Increase in investment yield
- Cost optimization
- Improve financial stability

How we performed



Revenue



Rs. 15.4 Bn
2021

Rs. 13.1 Bn
2020

18% growth is mainly driven by 42% growth in regular new business premiums



Investment Yield



10.92%
2021

10.62%
2020

3% growth in investment yield is mainly attributable to positive momentum in the capital market in Q4



Expense Ratio



21%
2021

25%
2020

16% positive impact in the expense ratio is mainly due to cost optimization initiatives



Capital Adequacy Ratio (CAR)



228%
2021

341%
2020

33% drop in CAR is mainly attributable to the current volatile environment. However, it is comfortably above the regulatory intervention level of 160% and minimum regulatory requirement of 120%

Detailed Financial Performance

The financial performance indicators below reflect the revenue and investment income generated and costs incurred by our business activities along with profits generated during the year. Material line items are explained in detail below.

	2021	2020	Growth
Gross Written Premiums	15,406,161	13,108,605	18%
Premium Ceded to the Re-insurers	725,809	589,877	23%
Net Investment Income	5,276,130	5,032,432	5%
Net Insurance Benefits and Claims	4,609,547	3,793,579	22%
Underwriting and Net Acquisition Cost	2,844,018	2,145,130	33%
Other Operating, Administrative and Selling Expenses	3,209,731	3,256,106	-1%
Depreciation and Amortization	435,556	390,271	12%
Profit from Operations	2,475,750	1,677,403	48%
Associate Share of Profits	151,557	116,438	30%
Profit before tax	2,627,307	1,793,841	46%
Income Tax Expenses	(573,722)	(873,245)	-34%
Profit for the year	2,053,585	920,596	123%



Regular New Business
Premiums Growth

42%



Surplus

Rs. 1,600 Mn

2020: Rs.825 Mn

Significant growth in first year premiums as well as an increase in renewal premiums contributed to the overall growth in GWP during the year.

Revenue

Gross Written Premiums

Gross Written Premiums (GWP) is the total premium paid by the policyholders to the insurance company before deducting re-insurance and ceding commission.

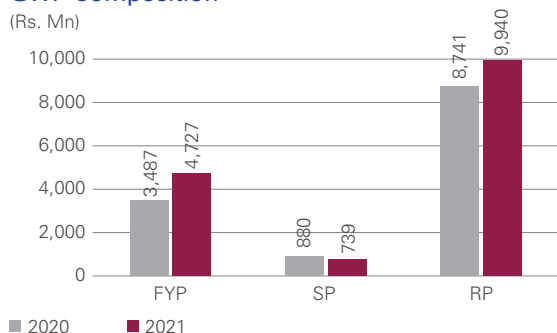


How we performed

Gross Written Premiums recorded a growth of 18%, increasing from Rs. 13.1 billion in 2020 to Rs. 15.4 billion in 2021. Significant growth in first year premiums as well as an increase in renewal premiums contributed to this strong growth in GWP during the year.

First year premiums which represent premium received from new business, exceeded the industry average growth of 29% and recorded a growth of 42%, propelling UA to the 2nd largest new business producer in the market. Renewal premium too grew by 12% showcasing the turnaround in premium payment patterns by the customers.

GWP Composition



Gross Written Premiums (GWP)



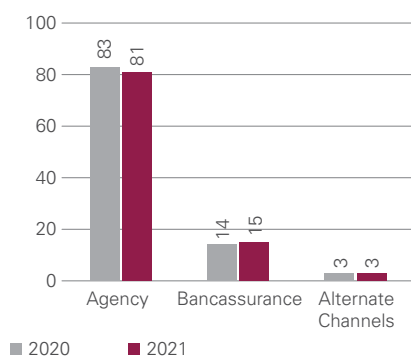
FINANCIAL CAPITAL

Performance Analysis by Channel

The company operates three business channels: Agency, Bancassurance and Alternate Channels

Channel Composition

(%)



How we performed

Agency Channel which accounted for almost 81% of the GWP, grew by 15% in 2021. The Bancassurance channel meanwhile continued to make significant strides growing by 27% compared to the previous year.

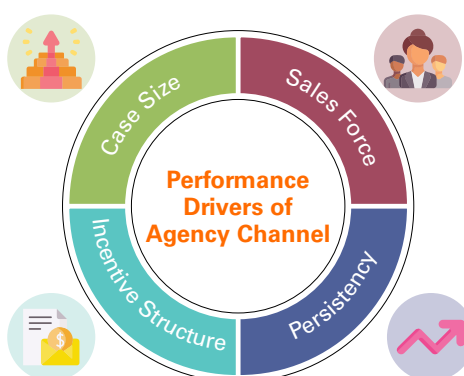
Rs. Mn	Agency		Bancassurance		Alternate Channels	
	2021	2020	2021	2020	2021	2020
FYP	3,569	2,551	858	697	302	239
SP	563	728	4	53	169	99
RP	8,414	7,596	1,513	1,119	14	25
Total	12,546	10,877	2,375	1,869	485	363

Agency Performance Dashboard

Rs. Mn	GWP	New Business Premium	Annualized New Business Premium	MDRT Pool	Productivity
Agency	12,546	3,569	4,780	232	1.48

The average case size grew by 11% supported by the Lifestyle bonus campaign which ran in first quarter of 2021 and the revamped incentive scheme for sales agents.

The incentive structure for sales cadre was improved with new criteria to incentivise and improve quality of the portfolio of new business.



Active sales force grew by 16% due to an aggressive recruitment drive in 2021 that increased the net sales force from 2,753 to 3,202. The launch of UA Premier Agency, a high calibre agent grooming platform also contributed to higher service levels from agents.

The 13 months premium persistency ratio improved from 82% to 86% during the year due to the new incentive scheme and increase in annual policy mode.

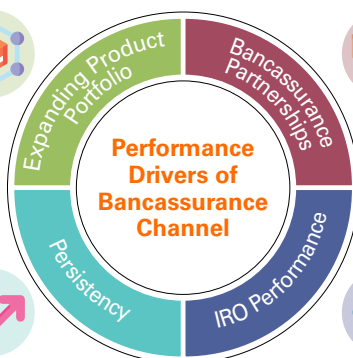
Bancassurance Performance Dashboard

Rs. Mn	GWP	New Business Premium	Annualized New Business Premium	MDRT Pool	Productivity
Bancassurance	2,375	858	1,022	67	2.3

Expanding Product Portfolio across Bancassurance channel



New business based incentive drive and increase in annual mode policies improved premium persistency



Optimising Bancassurance partnerships



Launching the circle of excellence, a high calibre IRO grooming platform to improve IRO performance



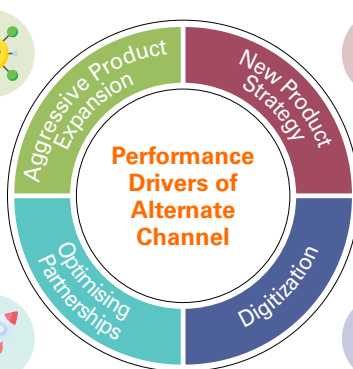
Alternate Channels' Performance Dashboard

Rs. Mn	GWP		Annualised New Business Premium	Combined Ratio	
	Group Life and Surgical	DTA		Group Life	Surgical
Alternate	302	169	12	100%	130%

Aggressive expansion of the product portfolio



Expansion via existing and new partners



Realignment to the new product strategy of the Company



Digitization of Customer onboarding and servicing



FINANCIAL CAPITAL

Performance Analysis by Product Lines

Rs. Mn	Par	Non-Par	Universal Life	Non-Unit	Total
Revenue	310	3,629	11,455	11	15,406

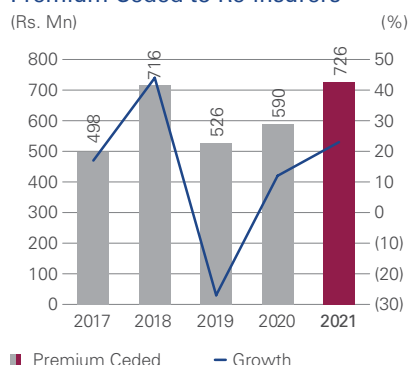
How we performed

Universal Life Products continued to be the main contributor to the top line, accounting for 74% of revenue. We continue to closely analyse product performance to strategically realign the product mix with a view to long-term value creation.

Premium Ceded to Re-insurers

Premium ceded to re-insurers refers to the premium paid to the re-insurer in consideration for the liability assumed by the re-insurers

Premium Ceded to Re-insurers



How we performed

The premium ceded to re-insurers increased from Rs. 590 Mn in 2020 to Rs. 725 Mn in 2021. The 23% increase is consistent with the increase in GWP and the expansion in the product portfolio. Consequently the cession ratio during the year increased from 4% in 2020 to 5% in 2021.

Details of the credit rating and the financial rating of the re-insurers are given in page 82 in Social and Relationship Capital section.

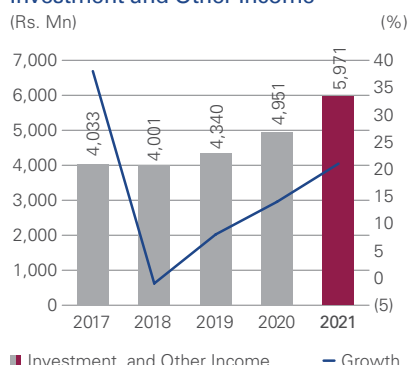
Key value drivers

The Company manages re-insurance expenses by adequately diversifying the portfolio and optimising underwriting practices.

Net Investment and Other Income

Net Investment income comprises mainly of income generated from the investment portfolio.

Investment and Other Income



How we performed

Net investment income grew by 5% to Rs. 5,276 Mn in 2021 despite the low interest rate environment that prevailed throughout much of the year. During the year, the Company tactically changed its asset allocation basis to mitigate the impact of lower interest rates on investment income. During the year, UA invested in Corporate Debentures and it contributed to Rs.156 Mn increase in net investment income. Meanwhile, the Company disposed quoted shares, unit trusts and government securities at an overall gain of Rs. 431 Mn during the year as part of its investment strategy.

Key value drivers

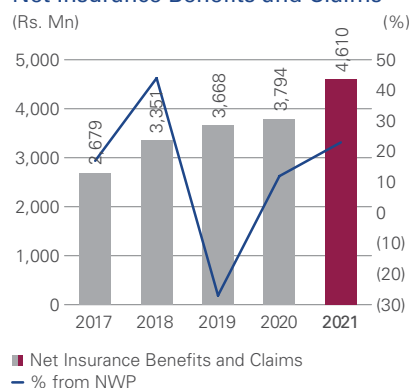
Asset allocation and investment in short-tenure were key drivers in 2021.

Rs. Mn	2021	2020	Growth
Net investment income	5,276	5,032	5%
Net realised gains/ (losses)	431	(402)	-207%
Net fair value gains	236	277	-15%
Other income	28	44	-37%
	5,971	4,951	21%

Net Benefits and Claims Expense

An insurance claim is a formal request by a policyholder to an insurance company for coverage or compensation for a covered loss or policy event. As per the re-insurance agreement, the insurance company has the right to recover part of its claim expense from its re-insurance partners. Net benefits and claim expense refers to the difference between the policyholder claim and amount recovered from the re-insurance partner.

Net Insurance Benefits and Claims



How we performed

Net benefits and claims expense are main costs of an insurance business stood at Rs. 4,610 Mn, a 22% increase against the previous year. The increase is mainly due to the expansion of the product portfolio, increase in maturities payout in line with the contractual obligations and increase in surrenders stemming from the adverse economic conditions.

Key value drivers

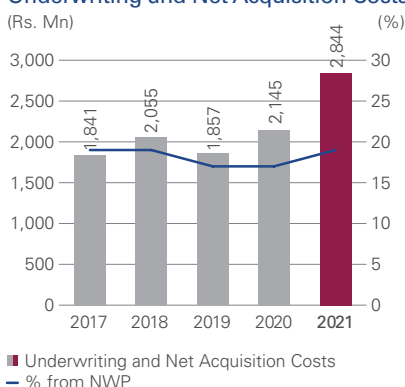
The Company achieved a One-day Health Claim Settlement Ratio of 93% reconfirming the company's efficiency, commitment and service standards in catering to the claim demands of our customers.

Types of Claims (In Rs. Mn)	2021	2020
Maturities	2,379	2,089
Surrenders	1,373	1,115
Annuity, Death, Stage Payments, Disability	1,250	484

Underwriting and Net Acquisition Cost

Acquisition costs are direct costs incurred by the Company to acquire premiums. This includes commissions and incentives paid to intermediaries to acquire business less any commission income due from re-insurers for placing business with them.

Underwriting and Net Acquisition Costs



How we performed

Net acquisition costs increased by 33% to Rs. 2,844 Mn in line with the growth in new business premiums. During the year, the payout and incentive scheme of Agency staff were aligned to new business KPI's of the Company.

Key value drivers

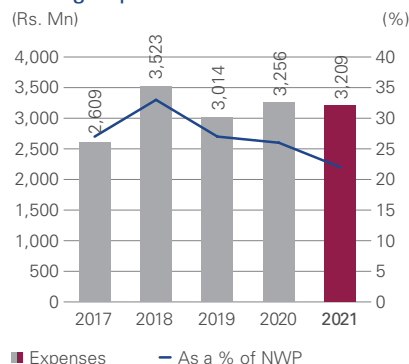
New incentive scheme focusing on new business was introduced during the year to drive Corporate KPIs.

FINANCIAL CAPITAL

Other Operating, Administrative and Selling Expenses

Relates to expenses incurred during the normal course of business such as employee expenses, administration and selling expenses.

Other Operating, Administrative and Selling Expenses



How we performed

Operating, administrative and selling expenses declined by 1% despite an increase in business activity mainly due to our robust expense management approach. Stringent budget controls, cost optimizing initiatives and the continuation of the spend control committee initiated in 2020 enabled the Company to reduce its expense ratio to 21% compared to 25% in 2020.

Software maintenance charges remained relatively high during the year as a result of the depreciation of the Rupee. Meanwhile, collection charges also witnessed an increase due to the growth in GWP. Selling expenses however, witnessed a decline compared to 2020, due to one off expense pertaining to a brand consultancy carried out in 2020.

Key value drivers

Effective function of the Spend Control Committee, stringent cost containment initiatives and budgetary control

Operating Profits and EBITDA

Operating Profit



How we performed

Operating profits during the year amounted to Rs. 2,627 Mn, a 46% increase compared to 2020. Surplus transfer from the life fund amounting to Rs. 1,600 Mn (2020: Rs. 825 Mn) contributed to this increase.

EBITDA for the year recorded a growth of 41%, amounting to Rs. 2,911 Mn compared to Rs. 2,068 Mn in 2020 mainly due to growth in profit before tax.

Profit After Tax (PAT)

How we performed

The strong growth in GWP combined with containment of expenses resulted in the Company posting a PAT of Rs. 2,054 Mn in 2021 compared to Rs. 921 Mn in 2020. The downward revision of the tax rate from 28% in 2020 to 24% in 2021 also contributed to the improvement in PAT.

Other Comprehensive Income

How we performed

Other comprehensive income during the year amounted to negative Rs. 888 Mn and includes Rs. 1,082 Mn losses arising from Available for Sale (AFS) assets as a result of increase in interest rates by 390 basis points towards end of the year and a revaluation gain of Rs. 190 Mn from Land and Buildings.

Financial Position of the Company

The statement of financial position is a snapshot of the company's assets, liabilities and equity. Material line items have been discussed in detail below;

	2021	2020	Growth
Total Assets	70,761,636	62,600,408	13%
Financial Investments	59,329,071	52,356,208	13%
Intangible Assets	1,545,529	1,247,057	24%
Property Plant and Equipment	2,746,114	2,468,821	11%
Total Liabilities	55,289,675	47,491,919	16%
Insurance Contract Liabilities	48,918,147	41,881,657	17%
Shareholder Funds	15,471,961	15,108,489	2%



Investment Portfolio

Rs.59.3 Bn

2020: Rs.52.4 Bn



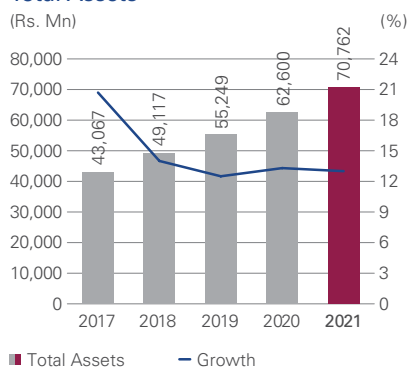
Life Fund

Rs.48.9 Bn

2020: Rs.41.8 Bn

Total Assets

Total Assets



How we performed

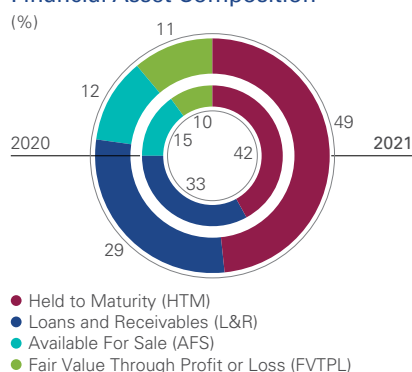
Total assets as at 31 December 2021 amounted to Rs. 70 Bn, a 13% increase compared to last year. The growth was fuelled by a 13% increase in financial investments.

FINANCIAL CAPITAL

Financial Investments

The financial assets which account for 84% of total assets comprise of a diversified mix of assets prudently managed through different funds. The key assets held under these funds are Treasury Assets (64%), Corporate Debt (20%), Equities (6%), Fixed Deposits (5%) and Other Assets (5%).

Financial Asset Composition



How we performed

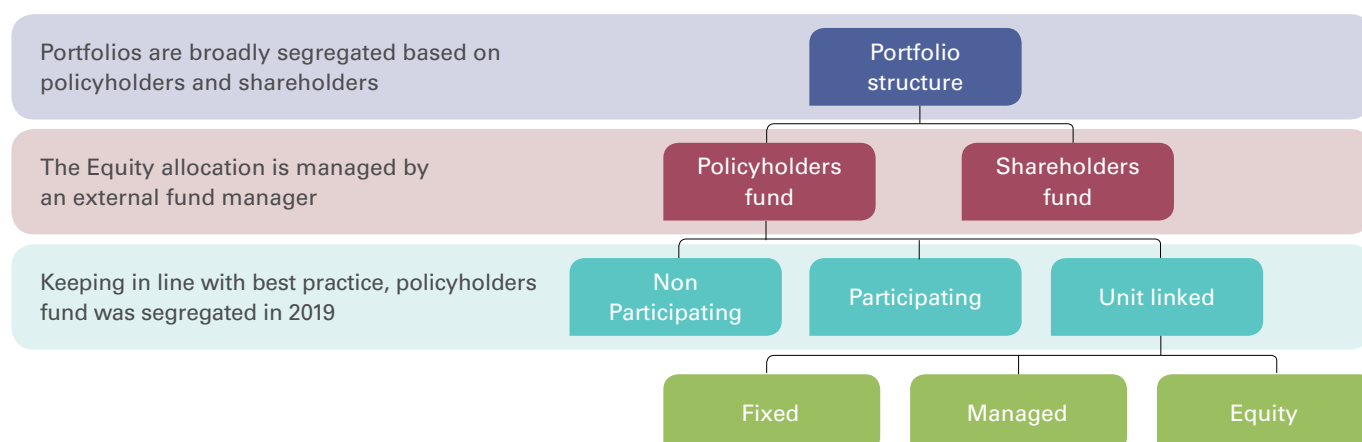
Total financial investments increased by 13% to Rs. 59 Bn as at 31.12.2021. Improved business cash flows, interest income and price appreciation supported the increase in the value of financial investments during the year.

Key value drivers

Asset allocation driven by regulatory requirements, company policies, market dynamics, investment return and investment risk.

Performance of the Investment Portfolio

The Portfolio Structure



Performance of the investment portfolio

Total investments of Life and Shareholder (excluding unit linked funds) increased by 14% to Rs. 58 Bn as at end 2021. The corresponding investment income increased only by 5% as a result of lower interest rates in the market. The Company continued to realign its asset allocation strategies in response to market dynamics enabling it to minimize the impact of lower interest rates during the early part of the year and subsequently benefit from the increase in rates towards the latter part of the year.

Fixed income portfolio

The Company continued to invest in short term assets such as commercial papers and money market unit trusts with the expectation that interest rates would continue on an upward trend. Medium term investments such as asset backed securities were added to the portfolio to match product requirements and improve investment return. All assets are investment grade and comply with IRCSL's regulations and limits. The fixed income portfolio grew by 14% during the year.

Equity portfolio

UA has appointed an external asset manager to manage equity investments of the life fund. The allocation under

life fund managed by the external fund manager provided a return of 14.3% in 2021. The core position was built assuming Sri Lanka will be able to address the external vulnerabilities during 2021, which did not materialize. This was addressed by increasing the non-core positions during the second half. Our core exposures were also negatively impacted due to local investors primarily focusing on speculative shares, which partly corrected toward the end of the year. Both of this helped the returns to recover strongly towards the end of the year. Given the market sentiments, UA did not invest new money in equities during the year.

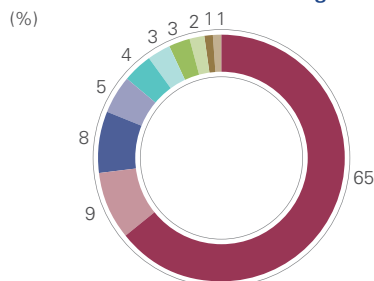
Unit Linked investment portfolio

UA manages three Unit Linked investment funds

1. Unit Linked fixed, a fixed income fund - managed internally
2. Unit linked managed, fixed income fund and equity fund - managed by an external asset manager
3. Unit Linked equity, an equity fund - managed by an external asset manager

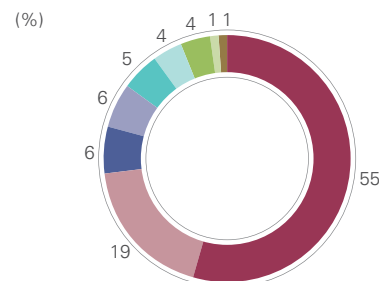
During the year total net assets of unit linked funds declined by 14% due to the continued fund outflows through surrenders. UA has discontinued new business in unit linked products.

Fixed Income Assets' Rating Analysis



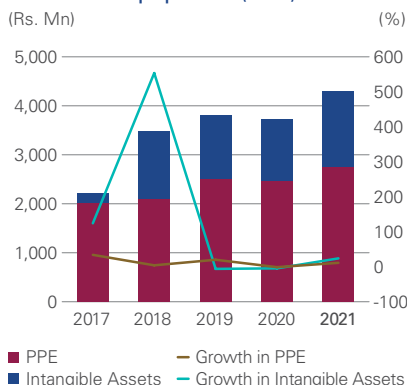
Risk free
 a
 aa(-)
 a(-)
 bbb(+)
 a(+)
 Not rated
 aaa
 aa
 aa(+)
 bbb

Asset Allocation of Fixed Income Assets



Treasury Bonds
 Quoted Debentures
 Quoted Equities
 Treasury Bills
 Bank Deposits
 Reverse Repurchase Agreements
 Unit Trusts
 Commercial Paper
 Asset Backed Securities

Intangible Assets and Property, Plant and Equipment (PPE)



PPE
 Intangible Assets
 Growth in PPE
 Growth in Intangible Assets

Property Plant and Equipment

How we performed

Property Plant and Equipment (PPE) accounted for 4% of total assets as at the year end. PPE increased from Rs. 2.5 Bn in 2020 to Rs. 2.7 Bn as at end 2021. The increase was mainly due to the revaluation of land and building in 2021 as per Company policy.

Key value drivers

Investment in branch network on account of strategic relocations, upgrades and new branches to extend customer reach and improve brand visibility.

Intangible Assets

How we performed

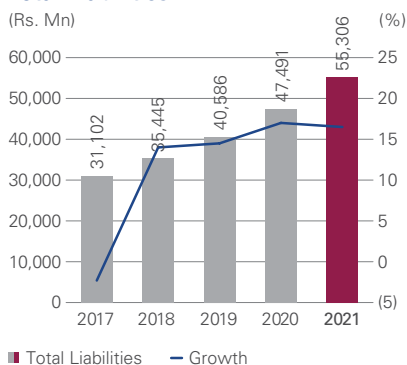
Intangible assets amounted to Rs. 1.5 Bn, a 24% increase compared to 2020. The increase was mainly due to upfront facilitation fees paid to Bancassurance partnerships and investment in digital infrastructure.

Key value drivers

Investment in digital infrastructure and Bancassurance partnerships.

Total Liabilities

Total Liabilities



Total Liabilities
 Growth

How we performed

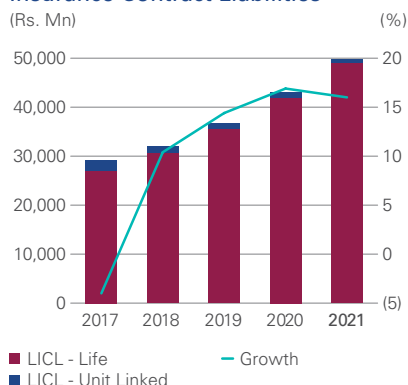
Total Liabilities of the Company increased by 16% to Rs. 55.3 Bn as at year end compared to Rs. 47.4 Bn at last year. The increase was mainly driven by the 17% growth in Insurance Contract Liabilities which accounts for 88% of the liabilities.

FINANCIAL CAPITAL

Insurance Contract Liabilities

Insurance Contract Liabilities (or simply the "Life Fund") is the fund maintained for the long-term insurance business by the Company in accordance with the Regulation of Insurance Industry Act, No. 43 of 2000, (as amended).

Insurance Contract Liabilities



How we performed

Life insurance contract liabilities including unit linked grew by 16% to Rs. 50 Bn as at year ended 2021. This was due to an increase in contract liabilities by Rs. 7 Bn. The transfer was supported by the growth in the business volumes.

The Company maintained a proper segregation of assets and liabilities for Participating, Non-Participating and Universal Life Funds as per the Direction 15 issued by the Insurance Regulatory Commission of Sri Lanka.

Life fund complied with the liability adequacy test as required by SLFRS 4 and actuarially certified by Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited.

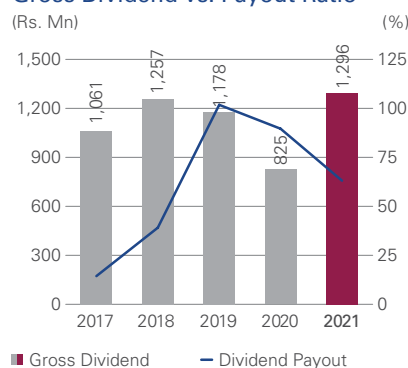
Key value drivers

Valuation guidelines stipulated by the IRCSL and nature of the product portfolio

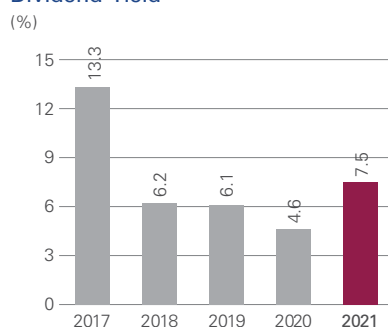
Capital Adequacy Ratio and its stress testing is discussed in detail in the Risk Management Report in the Annual Report.

Dividends and Dividend Policy

Gross Dividend vs. Payout Ratio



Dividend Yield



How we performed

Our dividend policy corresponds with sustainable growth in profits, whilst maintaining adequate funds for future expansions and business continuity in a volatile business environment.

The Company distributed a healthy percentage of its profit after tax as dividends to shareholders (63%).

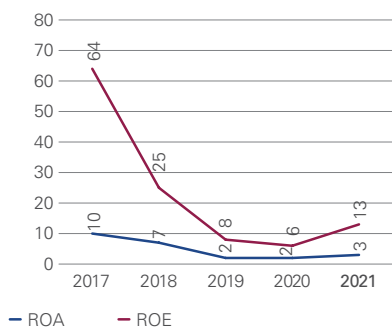
Key value drivers

Dividend Policy

Return on Assets (ROA) and Return on Equity (ROE)

ROA & ROE %

(%)



How we performed

ROA and ROE during the year stood at 3% and 13% respectively compared to 2% and 6% in 2020. Growth in profits supported the improvement of these ratios.

Key value drivers

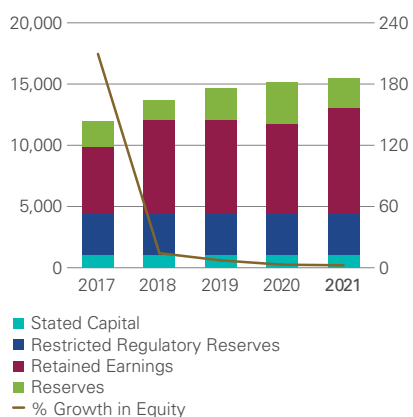
Profit growth and asset utilisation

Shareholders' Funds

Shareholders' Funds

(Rs. Mn)

(%)



How we performed

Shareholder equity increased by 2% during the year primarily due to net transfer of profit after tax amounting to Rs. 2,054 Mn and dividend payment of Rs. 825 Mn in 2021.

Key value drivers

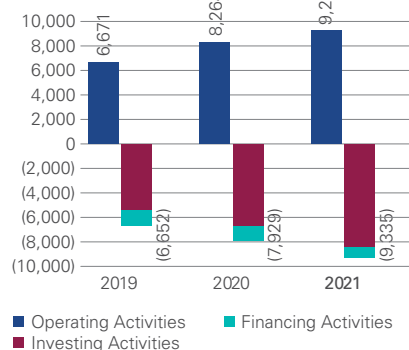
Solvency requirements stipulated by the IRCSL, dividend policy and growth strategy

Analysis of the Cash Flow Statement

	2021	2020	2019
Net Cash Flow from Operating Activities	9,255,791	8,263,728	6,671,067
Net Cash Flow from Investing Activities	8,375,897	6,653,037	5,370,514
Net Cash Used in Financing Activities	958,887	1,275,760	1,281,555
Cash and Cash Equivalents at the End of the Year	720,416	799,465	464,534

Cash Flow Generated Based on Activity

(Rs. Mn)



FINANCIAL CAPITAL

How we performed

Cash and cash equivalents comprise of cash in hand and at bank net of bank overdraft. The net cash position stood at Rs. 720 Mn showing a degrowth of 10% as at year ended 2021 compared to Rs. 799 Mn in 2020 mainly due to premium collection patterns.

Net cash flows from operating activities grew by 12% to Rs. 9,256 Mn as at year ended 2021 mainly on account of inflows from insurance premium collections.

Net cash flow from investment activities recorded Rs. 8,376 Mn compared to Rs. 6,653 Mn in 2020 due to the increase in financial

investments during the year. Cash flow from financing activities amounted to Rs. 958 Mn mainly on account of dividend payments made in 2021.

Managing our cash flows and liquidity position amidst the operational challenges caused by the pandemic was a key strategic focus during the year. To this end several cash management initiatives were implemented with the aim of closely monitoring our cash flows. Key initiatives included;

- Routing all payment outflows through a spend control committee on a weekly basis

- Structuring and planning expenditure based on the forecasted cash inflows
- Negotiating payment plans with vendors and restructuring expenses based on usage
- Closely monitoring budget utilization and setting expense ceilings aligned with the pace of revenue generation
- Closely monitoring maturity profiles of assets and liabilities by the Investment Committee together with finance, actuarial and investment teams

Our Approach to SLFRS-17 Implementation

The Company has identified SLFRS-17 as an opportunity to catalyse sustainable transformation and growth within the organization. To ensure a successful transformation, the Company has set up a SLFRS-17 implementation project team which comprises members across finance and planning, actuarial, IT and Life operations. UA has also set up a SLFRS-17 implementation Steering committee, a Board subcommittee to ensure the institutional strategic readiness for the implementation of SLFRS-17. Further detail on our approach to SLFRS-17 implementation is given in page 99 of the Corporate Governance section.

Value Created for Shareholders

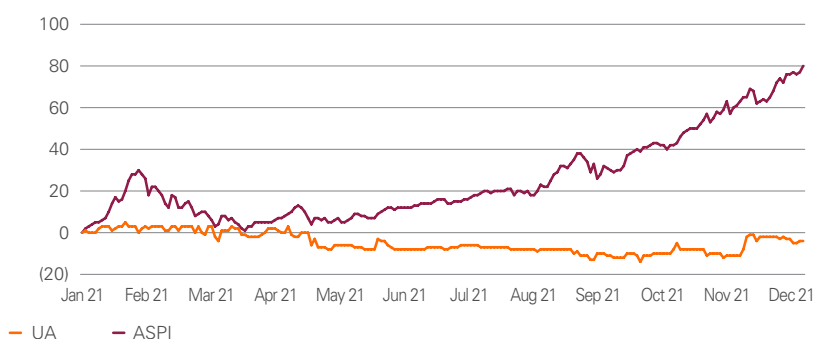
Union assurance continued to deliver value to shareholders despite the unprecedented challenges of 2021. The following measures depicts the values thus created.

Share Performance

UA is listed on the CSE (UAL.N0000) with a market capitalization of Rs. 17.3 Bn as at 31 December 2021. The number of shares issued remained unchanged during the year at 58,928,572. Highlights of the UA share performance are depicted below;

UA Share Performance vs ASPI

(Rs. Mn)



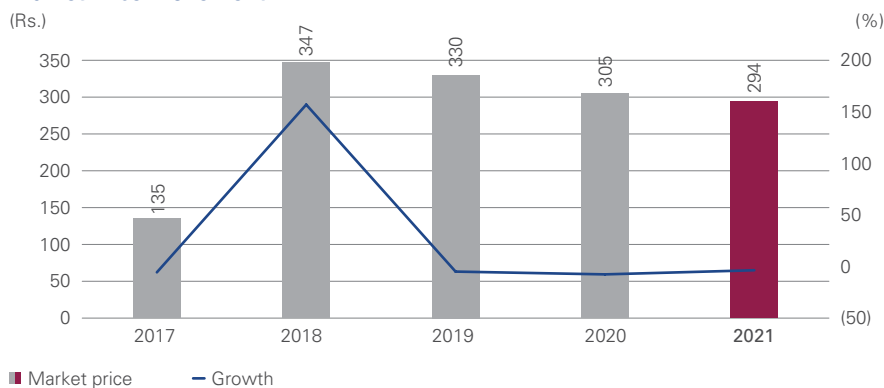
UA's share price declined by 4% in 2021 to close at Rs. 294.00 and traded throughout the year with an average daily volume of 786 shares. The shares traded between a low of Rs. 251.00 and a high of Rs. 325.00. The shares beta against the ASPI stood at 0.19 as of the fourth quarter of 2021.

Trading Statistics

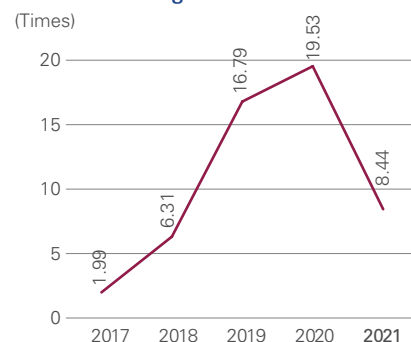
During the year 169,798 UA shares traded through 2,023 trades. The average daily turnover of the UA shares was Rs. 234,197 in 2021 in comparison to Rs. 461,067 recorded in the previous year.

	2021	2020
Number of transactions	2,023	1,622
Number of shares traded	169,798	257,632
Value of shares traded	50,586,560	80,686,845
Shares traded as a percentage of total shares in issue (%)	0.29	0.44
Market Capitalization (Rs. Mn)	17,325	17,973
Percentage of Market Capitalization (%)	0.32	0.61
Gross Dividend (Rs. Mn)	1,296	825

Market Price Movement



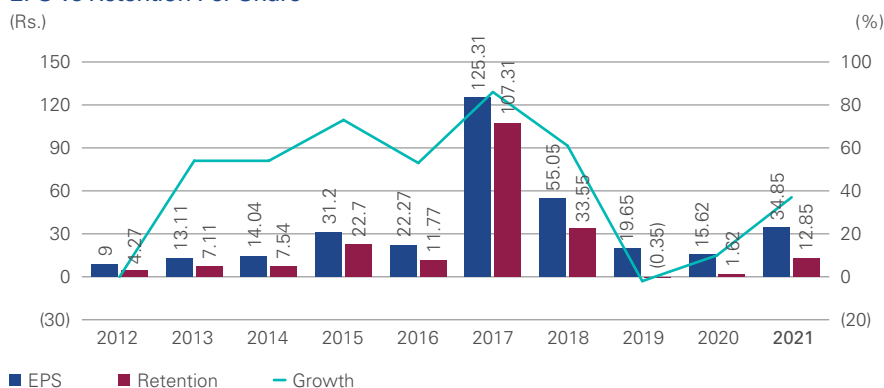
Price to Earnings Ratio



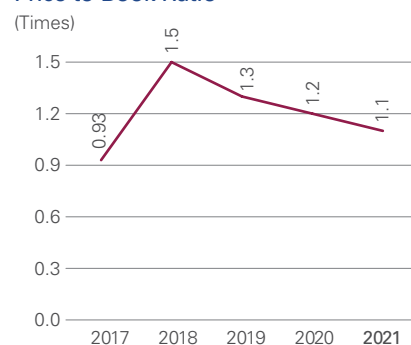
Earnings Per Share (EPS)

The earnings per share (EPS) for the financial year, increased by 123% to Rs.34.85 per share [2020: Rs.15.62] as net profit to equity holders increased.

EPS vs Retention Per Share



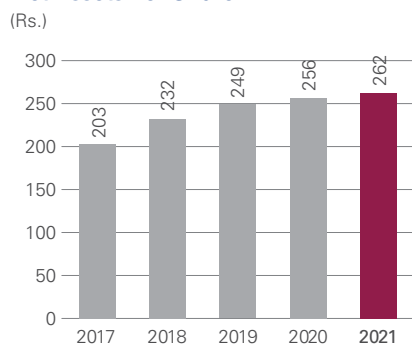
Price to Book Ratio



Net Assets Per Share (NPS)

Net assets per share of UA increased by 2.4% to Rs. 262 in 2021 compared to Rs. 256 in 2020.

Net Assets Per Share



Price to Earnings Ratio (PER) & Price to Book Ratio (PBR)

UA's PER stood at 8.44 times as at 31 December 2021. It was lower than the 19.53 times recorded in 2020 mainly due to increase in EPS. The sector and market PE stood at 8.79 times and 13.63 times respectively.

The price to book value ratio as at 31 December 2021 was 1.12 times compared to 1.2 times the previous year due to drop in market price. The sector and market price to book value stood at 1.19 times and 1.67 times respectively.

Distribution and Composition of Shareholders

The Company has a diversified base of shareholders across a wide geographical spread and includes both private and institutional shareholders. The total number of shares remained at 58,928,572 as of 31 December 2021. The Company has 1,398 registered individual shareholders representing 93.64% of the shareholders. A majority of the individual shareholders are residents of Sri Lanka and 93.76% of the Company shareholdings consists institutional shareholding. The top 20 shareholders hold 96.61% of UA's share capital. The Directors do not hold any share in their personal capacity as of 31 December 2021.

FINANCIAL CAPITAL

Composition of Shareholders

	31-Dec-21				31-Dec-20			
	No of Shareholders	%	No of shares	%	No of Shareholders	%	No of shares	%
Directors & spouses:	-	-	-	-	-	-	-	-
Resident:								
Individuals	1,385	92.77	3,619,638	6.14	1,396	92.33	3,630,761	6.16
Institutions	92	6.16	54,654,991	92.75	100	6.61	54,643,781	92.73
Non-Resident:								
Individuals	13	0.87	66,649	0.11	13	0.86	66,736	0.11
Institutions	3	0.20	587,294	1	3	0.20	587,294	1
Total	1,493	100	58,928,572	100	1,512	100.00	58,928,572	100

Distribution of Shareholders

Range of Shareholders	31-Dec-21				31-Dec-20			
	No of Shareholders	%	No of shares	%	No of Shareholders	%	No of shares	%
Less than 1,000	1,117	0.44	256,604	0.44	1,134	0.44	259,033	0.44
1,001 to 10,000	315	1.73	1,021,739	1.73	317	1.73	1,019,920	1.73
10,001 to 100,000	53	2.46	1,450,666	2.46	53	2.43	1,434,860	2.43
100,001 to 1,000,000	6	2.99	1,763,848	2.99	6	3.02	1,779,044	3.02
Over 1,000,001	2	92.38	54,435,715	92.38	2	92.38	54,435,715	92.38
Total	1,493	100.00	58,928,572	100	1,512	100.00	58,928,572	100

Public Shareholding

The Company is listed on the Colombo Stock Exchange and the percentage of shares held by the public, the number of public Shareholders and the float adjusted market capitalization is as given below;

Range of Shareholders	31-Dec-21				31-Dec-20			
	No of Shareholders	No of Shares	% of Total Holding	Compliant under option 1 - float adjusted market Capitalisation (Rs. Bn)	No of Shareholders	No of Shares	% of Total Holding	Compliant under option 1 - float adjusted market Capitalisation (Rs. Bn)
Public Shareholding	1,491	5,892,357	10%	1.7	1,511	5,892,357	10%	1.8

Directors' Shareholdings

No. of Shares as at	31.12.2021	31.12.2020
Mr Krishan Niraj Jayasekara Balendra - (Chairman)	Nil	Nil
Mr. Suresh Rajendra	Nil	Nil
Mr. Daminda Prabhath Gamlath	Nil	Nil
Mr. Dumith Hemantha Fernando	Nil	Nil
Mr. Stephen Anthony Appleyard	Nil	Nil
Mr. Warnage Malinga De Fonseka Arsakularatne	Nil	Nil

CEO's Share Holding

No. of Shares as at	31.12.2021	31.12.2020
Mr. Jude Gomes	500	Nil

Twenty Largest Shareholders

Name of Shareholder As at	As at 31 December 2021		As at 31 December 2020	
	No of shares	%	No of shares	%
John Keells Holdings PLC	53,035,715	90.00%	53,035,715	90.00%
Mr. S. N. P. Palihena	1,400,000	2.38%	1,400,000	2.38%
Hatton National Bank PLC/Suktam Holdings (PVT) Ltd	593,804	1.01%	609,000	1.03%
Citibank Newyork S/A Norges Bank Account 2	580,294	0.98%	580,294	0.98%
Rubber Investment Trust Limited A/C # 01	199,000	0.34%	199,000	0.34%
Corporate Holdings (Private) Limited	149,373	0.25%	149,373	0.25%
Captain D. V. H. Palihena	138,495	0.24%	138,495	0.24%
People's Leasing & Finance PLC / Mr. L. P. Hapangama	102,882	0.17%	102,882	0.17%
Mrs. A. Selliah	100,000	0.17%	100,000	0.17%
People's Merchant Finance PLC / P.T. S. De Silva	82,100	0.14%	55,415	0.09%
People's Leasing & Finance PLC / Mr. L. H. L. M. P Haradasa	78,494	0.13%	78,494	0.13%
People's Leasing & Finance PLC / Dr. H. S. D. Soysa & Mrs. G. Soysa	73,135	0.12%	73,135	0.12%
Mr. J. D. Bandaranayake & Miss. N. Bandaranayake & Dr. (Mrs.) V. Bandaranayake	59,019	0.10%	59,019	0.10%
Mr. J. D. Bandaranayake & Miss. I. Bandaranayake & Dr. (Mrs.) V. Bandaranayake	59,019	0.10%	59,019	0.10%
Mr. H. A. D. Ratnapala	56,250	0.10%	56,250	0.10%
Mr. J. W. Nanayakkara	56,250	0.10%	56,250	0.10%
Dr. S. Selliah	50,000	0.08%	50,000	0.08%
Mr. V. Sharda	44,200	0.08%	44,200	0.08%
Mr. N. D. Kurukulasuriya	39,000	0.07%	39,000	0.07%
Mrs. L. Amaradasa	33,750	0.06%	Nil	0.00%
Others	1,997,792	3.39%	2,043,031	3.47%
Total number of shares issued:	58,928,572	100%	58,928,572	100.00%

Record of Changes in Number of Shares

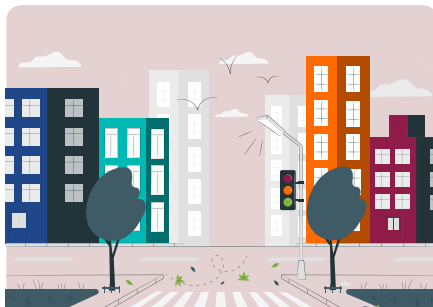
Year	Issue	Basis	No. of Shares	Share Capital (Rs.)
1987	Prior to public issue	-	8,000,000	80,000,000
1988	Public issue	-	2,000,000	20,000,000
1995	Rights @ Rs. 50	3:01	3,333,333	33,333,333
1999	Bonus	2:01	6,666,667	66,666,667
2002	Bonus	4:01	5,000,000	50,000,000
2007	Bonus	2:01	12,500,000	125,000,000
2011	Share split	1:02	37,500,000	-
2012	Rights @ Rs. 70	7:01	10,714,286	750,000,020
2015	Share repurchase	32:10	26,785,714	-
2015	Capital re-organization		-	125,000,020
			58,928,572	1,000,000,000



MANUFACTURED CAPITAL

Strengthening Our Operational Footprint

Our manufactured capital includes our branch network, IT infrastructure and other customer touch points. As we continue to expand and enhance our branch network, we are simultaneously investing in IT infrastructure that will enable us to strengthen our digital value proposition and further expand our reach.



Increasing our Brand visibility through an upgraded branch network that reflects our brand proposition.



Ongoing technology investments to improve customer convenience, process efficiencies and cost savings.



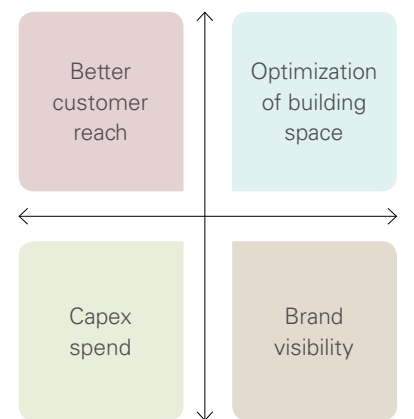
What success looks like to us

- Leveraging technology to meet client expectations with minimum disruption.
- Branch space maximization by upgrading branch infrastructure.
- Creating an attractive efficient work environment aligned to the digital distribution model.



How we measure progress

We measure success through optimization of resource usage. We consider the following aspects as main indicators of optimal resource utilization.



How we performed



No. of New Branches

02
2021

02
2020



Investment in PPE

Rs. 178 Mn 
2021

Rs. 51 Mn
2020



Investment in IT Infrastructure

Rs. 140 Mn 
2021

Rs. 34 Mn
2020



Training Space

51,909 Sqft 
2021

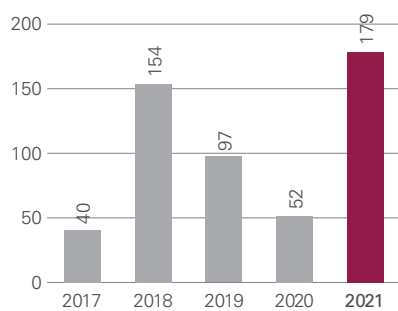
48,847 Sqft
2020

Our Branch Network

Our distribution network consisting of 77 strategically located branches across Sri Lanka serves as our main customer touch points. We continue to enhance our branch network through investments in physical and digital infrastructure, thereby enabling our agents to provide a superior customer service whilst providing our employees an attractive and a safe work space.

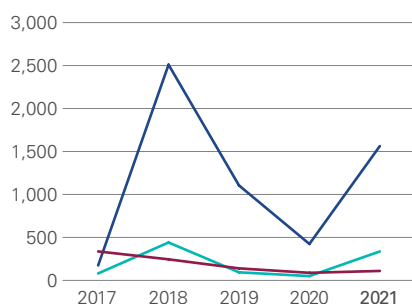
Investment in Property, Plant and Equipment

(Rs. Mn)



Age Analysis of Asset Categories

(No.)



— Computer Equipments
— Furniture and Fittings
— Plant Machinery & Office Equipments



Branch located at Avissawella

Strengthening our Branch Network

02

New Branches opened during the year

17

Branches in strategic relocations

03

Consolidated

Initiatives taken to enhance branch performance

- Focused drive on leader recruitments to fill branch cadre gaps.
- Key Value Drivers (KVD) based comprehensive monitoring mechanism to assess performance of branches.
- New career progression structure to promote non permanent performance based leaders to take over branch operations.
- Rewards and recognition schemes to increase branch performance.
- Skill enhancement through training and certification of sales support staff to perform their duties effectively.

		2021	2020
Revenue per investment in manufactured capital	Rs.	86	171
Fully Depreciated PPE	%	18	19
Branch Maintenance Cost as a % of total PPE	%	1.86	2.63
Total value of PPE	Rs. Mn	2,746	2,469

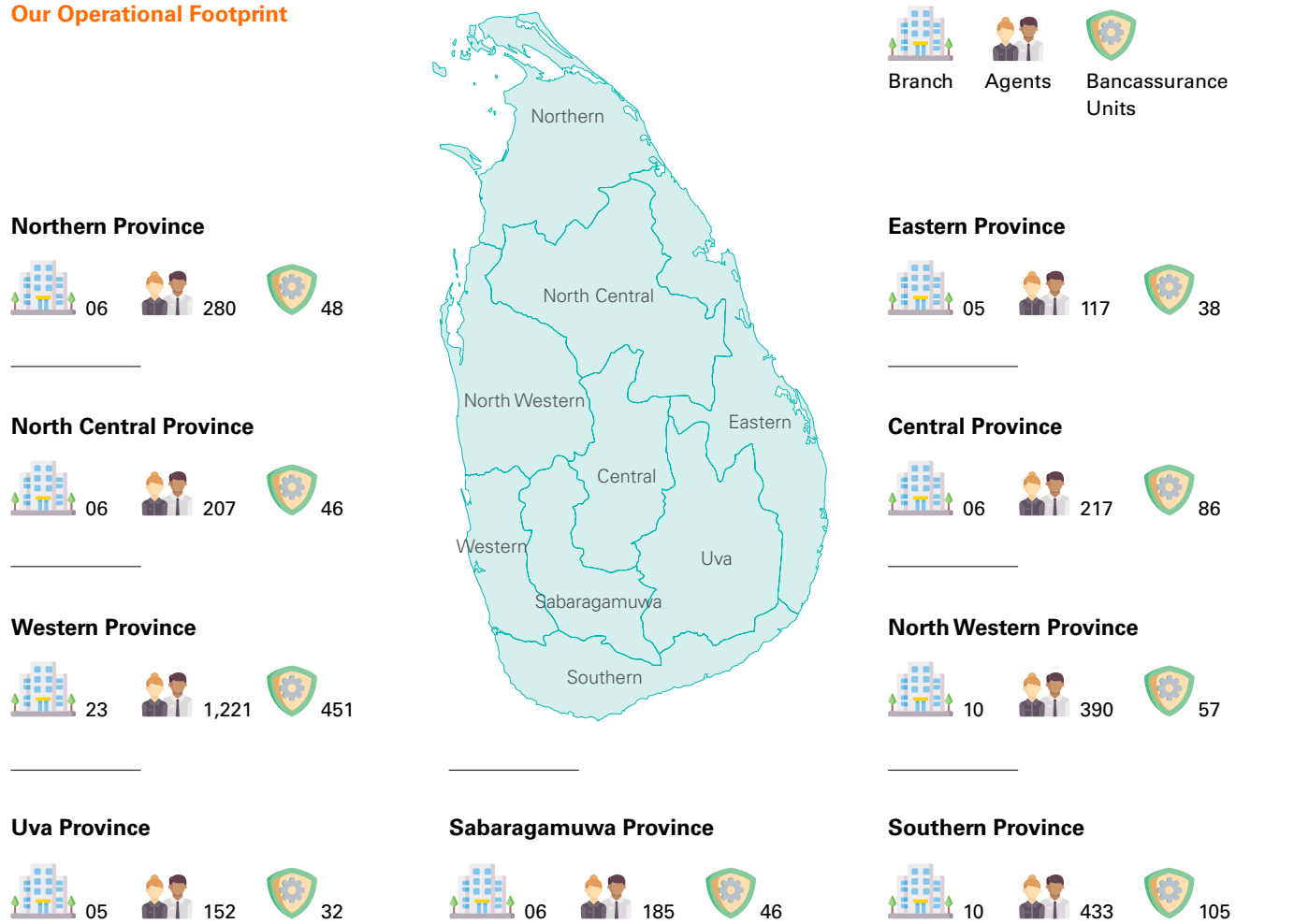


Branch located at Kandy



Branch opening

Our Operational Footprint



Digital Infrastructure Development

Responding to the rapid shift to digitization and new working model COVID-19, we continue to enhance our digital value proposition through ongoing investments in hardware and software. Our self-service App, "Clicklife," offer customers a safe and convenient channel to manage their policy/policies from the comfort of their homes. We continued to fine-tune the App during the year, enhancing the accuracy of data and introducing additional service features to provide a better and faster customer experience.

Strengthening our IT infrastructure and digital capabilities to support remote working arrangements was also a main priority during the year. Some of the recent investments and developments are highlighted below;

Growth in Clicklife Customers

(No.)



Maintenance and Certification

We have taken a number of initiatives to ensure regular maintenance of assets. All the assets are recorded as per the date of purchase and some assets are subject to service maintenance. We have obtained certification applicable to each class of assets.

- Replaced legacy MPLS network with Direct to internet Zero trust network access (ZTNA)
- Replaced physical data centres with virtual computing and container technology
- Introduction of latest video conferencing technology to head office and the branch network



- More secure, cost effective network architecture
- Ability to scale up on demand and minimize network downtime
- Facilitates effective virtual collaboration



Action in Focus

Building our Brand through the Branch Branding Initiative

As part of our efforts to establish brand presence and provide a better work place for our Agency Cadre and staff, we undertook a major initiative to change the overall look and feel of our Island wide branch network.



Looking Ahead

As working modalities and customer needs evolve in the post pandemic world, we will continue to invest in physical and digital infrastructure that support and facilitate these changes. Key priorities for 2022 will therefore be to;

- Invest in infrastructure that will improve our digital value proposition
- Upgrade the branch network with a new look and feel to communicate the UA brand value through customer touch points
- continue to maintain all safety protocols as per guidelines issued by health authorities.

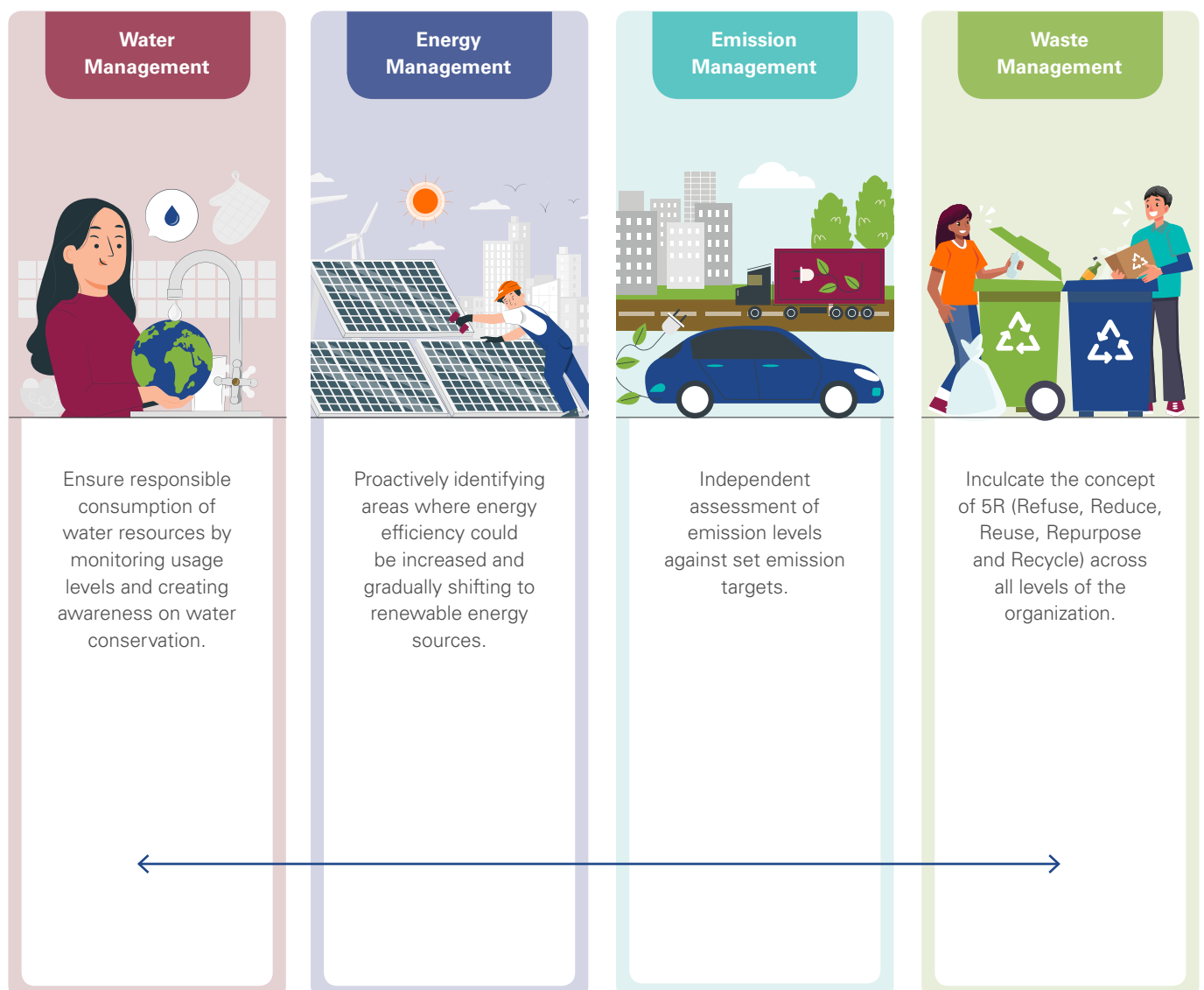


NATURAL CAPITAL

A Sustainable Operation

A corporate purpose with an in-built sustainability agenda together with robust systems and processes to monitor progress enable us to continue to minimize the negative impact and safeguard the environment for future generations.

As a service provider, our environmental footprint is determined mainly by how we use key resources such as energy, water and paper and by how we manage our outputs such as emissions and waste. Our environmental agenda therefore revolves around the following four core areas;





What success looks like to us

- Achieving a target of 5% reduction in energy consumption at branches through more energy efficient layouts and energy saving practices
- Further reduce GHG emissions by promoting hybrid and electrical car usage among employees



How we measure progress

We measure our impact on the environment by monitoring our inputs and outputs on an ongoing basis.



Inputs

- Electricity consumption
- Water Consumption



Outputs

- Emissions
- Waste

How we performed



Electricity Consumed



4,478 GJ
2021

5,379 GJ
2020

Electricity consumption in 2021 witnessed a notable decrease as a result of the shift to offsite working and energy conserving layouts and process improvements introduced during the previous years.



Water Consumed



14,727 m³
2021

17,759 m³
2020

Was able to achieve a 17% water saving compared to previous year due to our water saving initiatives.



Emissions



767.85 tCo₂e
2021

1,062.06 tCo₂e
2020

Continuing the long-term commitment to reduce the Company's environmental impact whilst ensuring it reaps the benefits of being a sustainable, ethical and eco-friendly business entity.



Waste Footprint



7,089 kg
2021

15,572 kg
2020

We continue to reduce our waste footprint by incorporating responsible consumption and waste management practices across all our locations.

Water Utility Management

As a service organization water consumption is limited to sanitary purposes at our head office and branches. Consequently, water usage during the year decreased significantly as a result of the shift to Work From Home arrangements. Pipe borne water is sourced from the National Water Supply and Drainage Board while drinking water is provided by third party vendors. We continue to focus on water conservation and have installed water conserving equipment such as

sensor taps and vacuum type syphons in washrooms and lunchrooms in head office and across the branch network. Meanwhile, we continue to create employee awareness on the importance of water conservation by sharing information on water saving tips.

14,727 m³
Total Water Consumption

21%
Water Recycled

Energy Management

Closely monitoring of our energy consumption and investing in energy optimization solutions have enabled us to be more energy efficient as an organization. Total energy consumption which amounted to 4,478 GJ during 2021, a decrease of 17% was due to most employees shifting to working from home. The reduction in energy consumption was also supported by the rationalization of our branch network and the relocating of our

NATURAL CAPITAL

GRI 103-1 103-2 103-3 302-1 302-2 302-3 302-4 302-5 305-1 305-2 305-3 305-4 305-5

operations into more energy efficient buildings. Meanwhile energy consumption outside the organization also reduced due to a decline in overseas business travel and work from home arrangements that reduced employee commute.

Energy Consumption within the Organization

Non Renewable Sources

Fuel (Litres)	16,169
Electricity (GJ)	4,478

Energy Consumption Outside the Organization

28,724 Litres



Energy Intensity

5.82 GJ

Energy Consumption
per Employee

58.16 GJ

Energy Consumption
per Branch

0.02 GJ

Energy Consumption
per Sq ft.

Emission Management

Emission Management at UA involves monitoring our emissions on a regular basis, ensuring that they fall within regulatory limits and taking proactive steps to achieve emission reduction targets. A customized organizational greenhouse gas (GHG) assessment to assess the direct and indirect GHG emissions arising from our business activities has been carried out annually by Carbon Consulting Company (Pvt) Ltd since 2013. 75% of our emissions are scope 2 emissions on account of electricity consumption while 19% of the emissions are scope 3 on account of employee commute.

A three pronged approach is adopted to reducing our GHG emission levels. This involves;

1. Minimizing activities with a high carbon footprint such as fossil fuel consumption and air travel.
2. Substituting these activities with low emission alternatives such as video conferencing, working from home, promoting hybrid and electrical car usage by employees.
3. Offsetting residual emissions.



To protect what nature breathes is to
protect what we breathe

Environment Day Campaign

An awareness campaign was conducted addressing the consequences of the environmental damage / pollution due to unsafe face mask disposal by highlighting the problem and practical solutions.



41.35 tCo₂e

Direct (Scope 1)
GHG Emissions

577.67 tCo₂e

Energy Indirect (Scope 2)
GHG Emissions

148.83 tCo₂e

Other Indirect (Scope 3)
GHG Emissions

767.85 tCo₂e

Total Emissions

GHG Emissions Intensity

Emissions per Employee

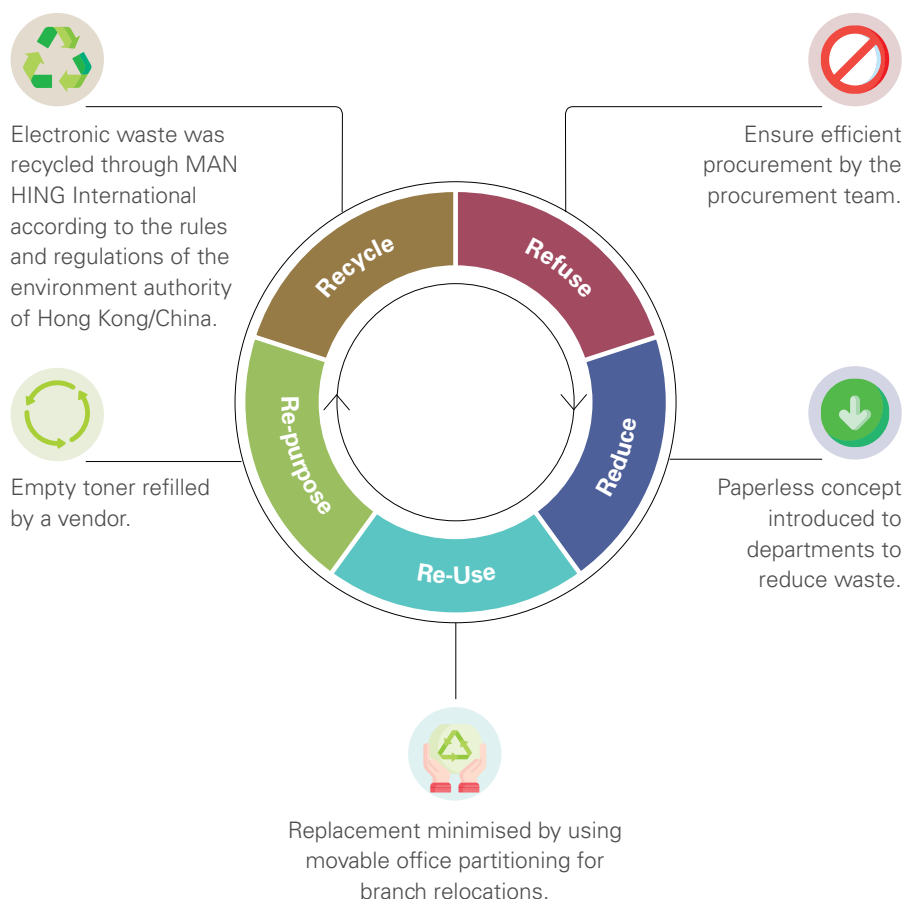
0.99 tCo₂e

Reduction of GHG
Emissions

-28%

Waste Management

Non-hazardous waste is segregated systematically on-site and recycled through selected third-party contractors. We have also partnered with Neptune Papers (Pvt) Limited and MAN HING International (Asia) Ltd to manage our waste ensuring all hazardous and non-hazardous waste is responsibly disposed. Further to that, e-waste is managed through JKOA by agreeing to use photocopy machines on a rental model. Meanwhile, ongoing waste management initiatives that revolve around the 5R concept of Refusing, Reducing, Reusing, Re-purposing and Recycling together with our efforts to create employee awareness has resulted in waste being kept to a minimum.



Action in Focus

Taking the onus of combating climate change

We strongly believe that governments, companies, and investors have a responsibility to mitigate the impacts of a changing climate and facilitate the transition to a climate-neutral economy. We are therefore committed to incorporating climate considerations into all aspects of our business.

In addition to taking proactive steps to mitigate the environmental impact of our direct operations through responsible consumption of resources, we are also committed to measuring and reporting on our environmental impact in a meaningful and consistent manner. We are therefore fully supportive of the recommendations of the Colombo Stock Exchange for sustainability disclosures and reporting.

Our commitment to sustainable business practices goes beyond our own operations and extends to our interactions with suppliers, business partners and customers. As part of our wider responsible business operations approach, UA enforces strict climate-related criteria as part of our screening and engagement process for suppliers while supporting a more environmentally friendly and sustainable lifestyle for our customers.

Looking Ahead

As climate change and ESG issues continue to grow in importance post COVID-19, we will continue to explore ways in which we can positively impact the environment through responsible consumption of resources and proactive efforts to drive environmentally friendly practices in the wider community. As part of these efforts, we will clearly specify resource usage targets to guide behaviour at company, business unit, team and individual level.



HUMAN CAPITAL

Operational Excellence

We continue to nurture a community of employees deeply committed to serve our purpose. We do so through our HR value proposition that creates mutual value to our employees and organization. Ongoing training and development opportunities, a safe and inclusive work environment and attractive remuneration and benefits result in higher employee engagement levels which in turn results in high productivity levels.

Our people strategy is delivered through four key strategic pillars;





What success looks like to us

- Managing the entire employee life cycle digitally whilst maintaining a high level of interpersonal engagement
- Continuing to be considered as a great place to work
- Ensuring our employees health and safety by adhering to the highest health and safety standards
- Continuing to motivate our people to embrace new ways of working and new skills to achieve their full potential in a changing work environment
- Creating an open environment where employees are encouraged to speak up and be heard.



How we measure progress

We measure the success of our HR value proposition by tracking employee satisfaction across all employee levels. The following surveys and indicators provide a holistic measure of employee satisfaction and engagement levels.

'Pulse' Employee Satisfaction Survey

GPTW Survey

Employee Turnover

Diversity and Inclusion

How we performed



GPTW



76%
2021

75%
2020

Our GPTW score has grown by 1% where we ensured our position for 8 years in the national list. We are also an inaugural list maker in 2021's best banking, financial services and insurance companies.



Pulse

581 respondents
2021

Initiated in 2021



Employee Turnover



23.93%
2021

17.47%
2020

Overall turnover increased due to restructure in sales cadre to drive performance.



Diversity and Inclusion

M F
52:48
2021

M F
52:48
2020

Participation of women in the senior management levels have improved by 20% in 2021 while ensuring the gender diversity.

A Diverse and Inclusive Workforce

We are committed to nurturing a diverse workforce and continue to create an empowered environment where individuals are free to bring their authentic self to work without fear of judgement or discrimination. This acceptance of diversity enables us to understand our customers and employees better.

Ensuring gender parity in the workplace is an important aspect of our diversity policy and we continue to strive to improve female representation at all levels of the organization. Currently 48% of our employees are female whilst at senior manager position representation is 20%.

Employee engagement is indicated by passion for job, a dedication to top performance and commitment.

HUMAN CAPITAL

GRI 102-8 401-1 405-1 405-2

Gender Parity



Female



Male

Total Employees

11	Senior Management	44
222	Executives	288
138	Other Staff	67

New Hires

5	Senior Management	9
50	Executives	66
72	Other Staff	28

Exits

2	Senior Management	8
44	Executives	64
18	Other Staff	10

Gender Gap Indicators

Proportion of Women who received training - **48%**

Average training hours
Male - 2,219 Female - 2,063

Retention of Women at work 12 months after maternity leave
2021 - 88% 2020 - 64%

Proportion of Women in IT and operation related activities
2021 - 42% 2020 - 43%

Compensation and Benefits

Our remuneration policy is designed to attract, motivate and retain talented staff whose skills and values help us accomplish our business objectives. Our policy stresses that we pay for performance; however we ensure that incentives and variable pay do not compromise integrity. Total payments to employees during the year amounted to Rs. 1,161 Mn. In addition to the basic salary, performance based bonus and statutory payments, we also provide a range of benefits including medical cost reimbursement.

Payments to Employees

Salaries and Benefits
Rs. 1,056 Mn



EPF and ETF Payments
Rs. 105 Mn



Total Payments
Rs. 1,161 Mn

Revenue Per Employee

Rs.20 Mn

2020 - Rs.17 Mn

Contribution for Defined Benefit Plan

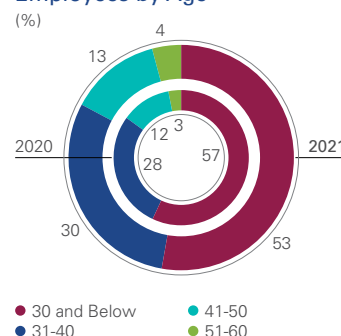
Rs.160.3 Mn

2020 - Rs.143.5 Mn

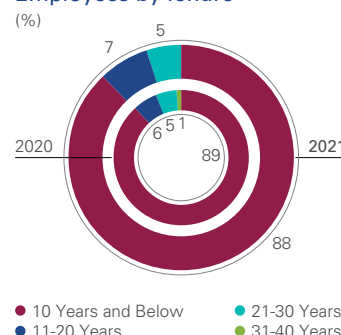
Workforce Profile

	2021	2020
Male	399	417
Female	371	378

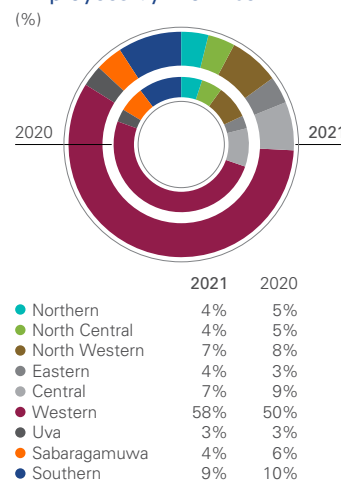
Employees by Age



Employees by Tenure



Employees by Province



Parental Leave

	Male	Female
Employees entitled to parental leave	399	371
Employees that took parental leave	5	17
Total number of employees that returned to work in the reporting period after parental leave ended	5	13
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	3	11

Equal Pay

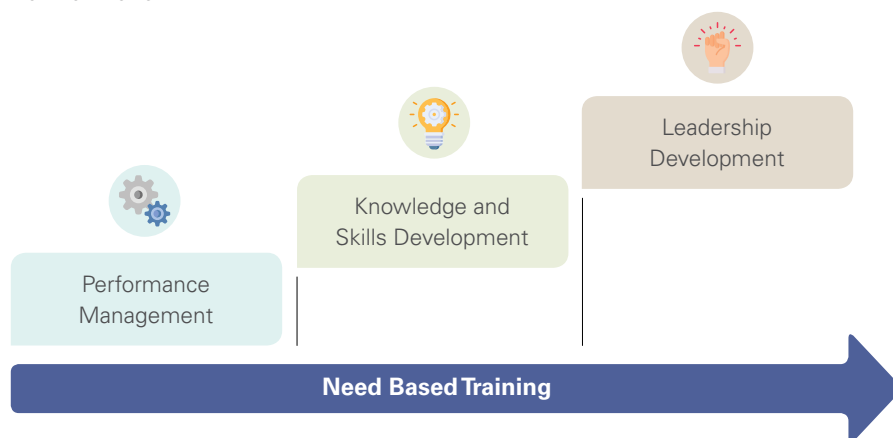
We guarantee equal pay for men and women and have in place stringent recruitment and remuneration policies that ensure that remuneration is dependent on qualification rather than gender. We ensure that employees are paid fairly and Company's payment policies ensure equal treatment of men and women when it comes to compensation and benefits.

Employee Recognition

We trust that recognizing employees is vital for the success of the Company. Efforts of the employees are acknowledged for the exemplary performance. We believe this will work as a positive reinforcement which would in turn result in better performance and business results. During the year, we have conducted a virtual employee recognition event where staff were recognized under multiple platforms such as Service Champions Awards, Employee Recognition (Individual) Awards and Employee Recognition (Team) Awards. During the year 249 staff members were recognized for their contribution.



Work from Home



Employee Development

Holistic training and development opportunities are provided to all employees ensuring that they are equipped with required skills and capabilities to succeed in an increasingly digitized work environment. The training programs are developed based on the needs identified through the annual performance review and aimed at knowledge, skill and leadership development.

Performance Management

Performance management is a collaborative effort between employees and managers, aimed at continuous improvement. Based on the "perform and develop" concept, the performance management process at UA, involves ongoing performance management through HRIS system complete with a system of recognition badges that are recorded on the employee profile. A formal performance appraisal is carried out at the mid-year and at year end. Performance reviews are carried out for all employees. An independent appeal mechanism is also in place to ensure that the performance management process is transparent, equitable and unbiased.

Knowledge and Skills Development

Our signature training programs focus on providing future fit skills and a solid knowledge in emerging fields. These programs comprise individualized learning journeys, action learning processes, executive engagement activities and accelerated work experience.



Key Training Programs conducted during the year

15

In-house Programmes

13

External Programmes



Total Training Hours

4,282

(2020: 4,884)

Total No. of Employees Trained

1,993

(2020: 795)

Training Investment

Rs.6.5 Mn

(2020: Rs.2.2 Mn)

Training Cost Per Employee

Rs.8,406

(2020: Rs.2,879)

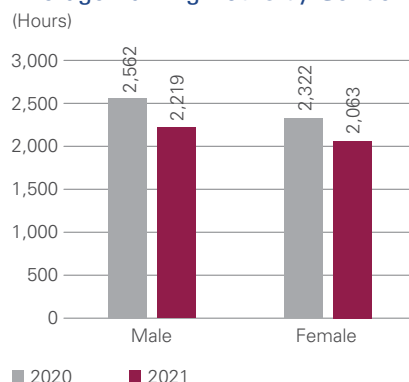
Social Welfare Cost Per Employee

Rs.13,695

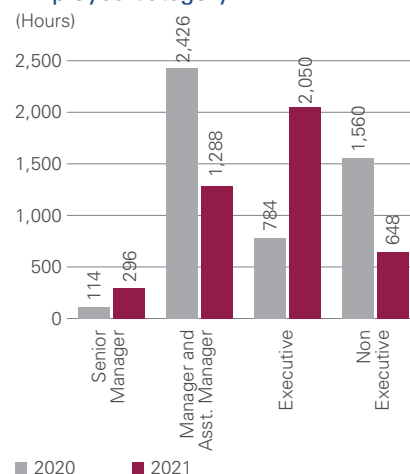
(2020: Rs.16,855)

Training and Development

Average Training Hours by Gender



Average Training hours by Employee Category



Leadership Development

- Over 48 employees participated in bespoke leadership development initiatives customized to meet specific capacity building requirements of the organization. Significant number of participants of our leadership programs consisted of women, further re-iterating our commitment to developing women leaders for the future.
- The launch of Senior management, Operational management, Junior management and HIPO 2021 leadership programs to ensure that pool of future leaders are trained to encounter diverse set of business scenarios and ensure existence of formal and structured development plans
- Launch of management trainee program to attract outside talent to create growth of future leaders with adequate understanding of the business.

Succession Planning

The Company's structured succession planning process forms part of the annual performance appraisal cycle. Training plans for identified skills gap are addressed by providing the required people management, technical and/ or soft skills training and development. During the year 12 positions were filled through internal talents.

Employee Engagement

Employee engagement is indicated by passion for job, a dedication to top performance and commitment to UA. We continue to create an environment where employees are engaged and are a part of the decision making process by ensuring transparent communication, impartial grievance management, a strong whistle blowing policy and ongoing team building activities. The level of employee engagement is monitored on an ongoing basis through employee surveys such as Pulse and GPTW.

We have undertaken following initiatives to ensure regular dialogue with staff. The details of the initiatives indicated in the diagram depicted in the next page.

- Transparent communication
- Impartial grievance management
- Whistle blowing policy
- Virtual team building activities

Despite the disruptions caused by the pandemic, we continued to conduct monthly team building activities virtually to ensure UA is a "Fun place to work".



We maintained a constant dialogue with our employees through virtual means and through ongoing initiatives such as "Happy Hour", "Connect with CEO" and Townhall meetings.

A comprehensive whistle blowing policy enables employees to report on concerns of illegal or dishonest fraudulent activity. The policy entails procedures to ensure confidentiality and is reviewed on an ongoing basis.

A documented grievance handling policy together with an online procedure enables employees to communicate grievances in a convenient and safe manner without fear of retribution.



Looking Ahead

We will continue to bring our people promise to life through people centric strategies that have tangible outcomes. Accordingly, priorities for the coming year are as follows;

- Continue to develop the skills and capabilities of our employees to meet the evolving needs of our policyholders.
- Build a strong pipeline of leaders who can steer the organization into the future with confidence.
- Explore innovative recruitment models to source and develop the right skill set
- Fine tune performance and reward mechanism to drive the right behaviours and business outcomes.
- Explore new work models that ensure work-life balance, higher levels of productivity and greater job satisfaction.

Action in Focus

A Health and Safety focused People Agenda

The unique set of challenges presented by the COVID-19 pandemic, caused unprecedented levels of employee uncertainty regarding their future and increased levels of concerns on well-being. As an organization with the entrenched ethos of caring for our employees, we swiftly took steps to implement a people agenda focused on ensuring the health, safety and security of our employees while providing an uninterrupted service to our customers.



Provided Work from Home facilities with rotation based shifts for on-site staff to minimize risk of cross infections.

Introduction of special quarantine leave and COVID care packages for affected employees.



Futuristic skills development.

Emotional and mental health counselling and coaching support provided for all employees.



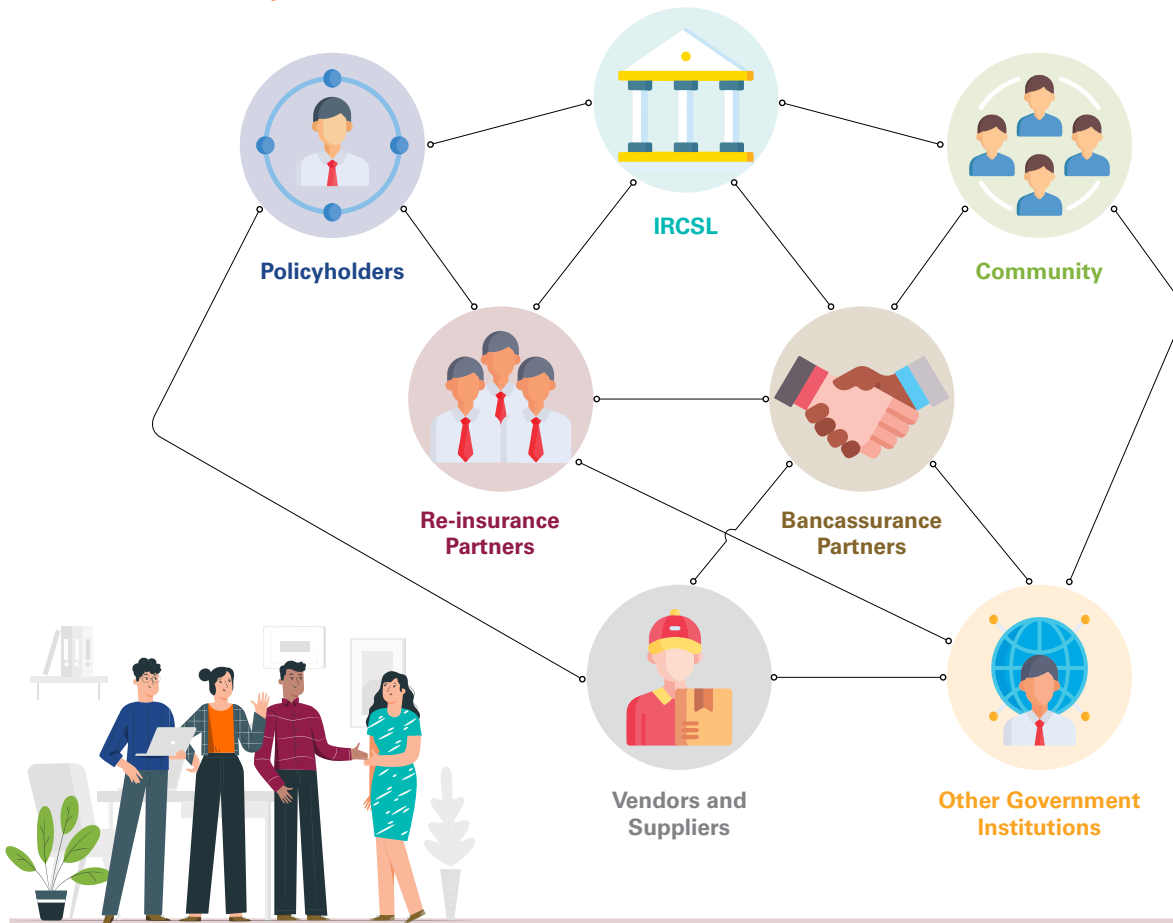


SOCIAL AND RELATIONSHIP CAPITAL

Sustainable Relationships

We strive to foster sustainable relationships with our stakeholders thereby differentiating ourselves as an organization that truly care. During the year, we focused on supporting our customers, business partners and community to rebuild and recover from the devastating impact of the COVID-19 Pandemic, further deepening our relationships.

Our Stakeholder Eco-System



What makes our social capital strong



Trust



Transparency



Accountability



What success looks like to us

- Exceptional Client Service
- Sustainable Business Partnerships that generate mutual value
- Creating industry knowledge
- Contributing to the economic and social growth of the country



How we measure progress

We have in place specific indicators and KPIs to assess the quality of our relationships with our stakeholders and the value we generate for them.



Customers

Continuously monitor NPS, complaint resolution rate and premium persistency to assess client satisfaction



Business Partners

Assess quality of relationship through ongoing engagement



Community

Track number of lives touched through our CSR activities

How we performed



NPS



58

2021

47

2019

23% increase in NPS due to our sustained efforts to consistently meet customer expectations.



Premium Persistency



87%

2021

83%

2020

The growth in Premium Persistency indicates our ability to retain customers.



Complaint Resolve Rate



99%

2021

97%

2020

An efficient complaint management system has enabled us to streamline our complaint management process.



Lives Touched



3,220

Individuals
2021

825

Individuals
2020

2,000

Families

We have increased the number of lives touched and increased the individuals served for 2021 by 290%.



Customers (Policyholders)

We are privileged to serve over 230,000 customers, includes individuals and corporates across Sri Lanka. We strive to understand their unique needs and aspirations, and partner with them to deliver desired outcomes.

Accountability to Customers: There were no reported incidents of non-compliance concerning product and service information and labelling, non-compliance concerning marketing communications or substantiated complaints concerning breaches of customer privacy and loss of customer data.

SOCIAL AND RELATIONSHIP CAPITAL

GRI 103-1 103-2 103-3 416-1

Relevant Products

Our comprehensive product portfolio seeks to meet an individual's insurance needs throughout their life span.

Group Life:

Union Protects

Health:

Health 360, Union Smart Health Premier

Retirement:

Union Pension Advantage

Protection:

Union Loan Protector, Union Smart Investor Life +, Decrease Term Assurance

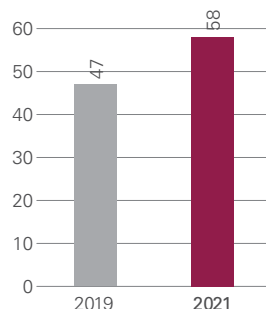
Investment:

Investment +, Union Super Investor, Union Single Premium Advantage, Union Smart Investor, Smart Life

Education:

Sisumaga +

Movement in Net Promoter Score (No.)



Innovative Products and Services

Despite the challenging conditions, we continued to develop new products and services to cater to the evolving needs of different customer segments

Union Health360 - Advanced Health Reimbursement Rider

Union Smart Life with Limited Pay Riders

Cashless Claim Facility during COVID-19

Superior Customer Service

We continue to improve our customer value proposition through ongoing investments aimed at enhancing customer convenience. Key developments during the year include;

Process Efficiencies

- Reduced Turn Around Time of policy issuance by streamlining the underwriting process
- Use of integrated digital platforms to ensure on time claim settlement

24/7 Trilingual Call Center

- Customers can easily access customer service representatives

Customer Care Unit

Ensures that walk-in-customer requirements are speedily addressed.

Enhanced Digital Premium Settlement Facilities

1/3 of premium payments made via digital channels.

Expanded Premium Payment Channels

We have enabled customers to pay their premiums through number of means including bank standing orders, online settlements through debit and credit cards, mCash, eZ cash, Keells supermarkets and through Abans collection centers.

Support for COVID-19 Recovery

UA is the first Company to offer upto Rs.1 Mn COVID-19 cover for all existing and new customers.

What Our Customers Want

Data Privacy

As a business privy to large amounts of confidential customer data, we give paramount importance to protecting customer information. Stringent controls and IT security measures have therefore been implemented to ensure confidentiality of customer data and protection of customer rights.

Speedy Complaint Management

The Complaint Management Unit is closely monitored by a dedicated complaints management team, to ensure that customer pain points are addressed speedily and effectively with escalation mechanisms if required.

- 1 Acknowledgement
- 2 Reviewing
- 3 Investigation
- 4 Resolution
- 5 Action (Corrective Measures)
- 6 Recording

Product Responsibility

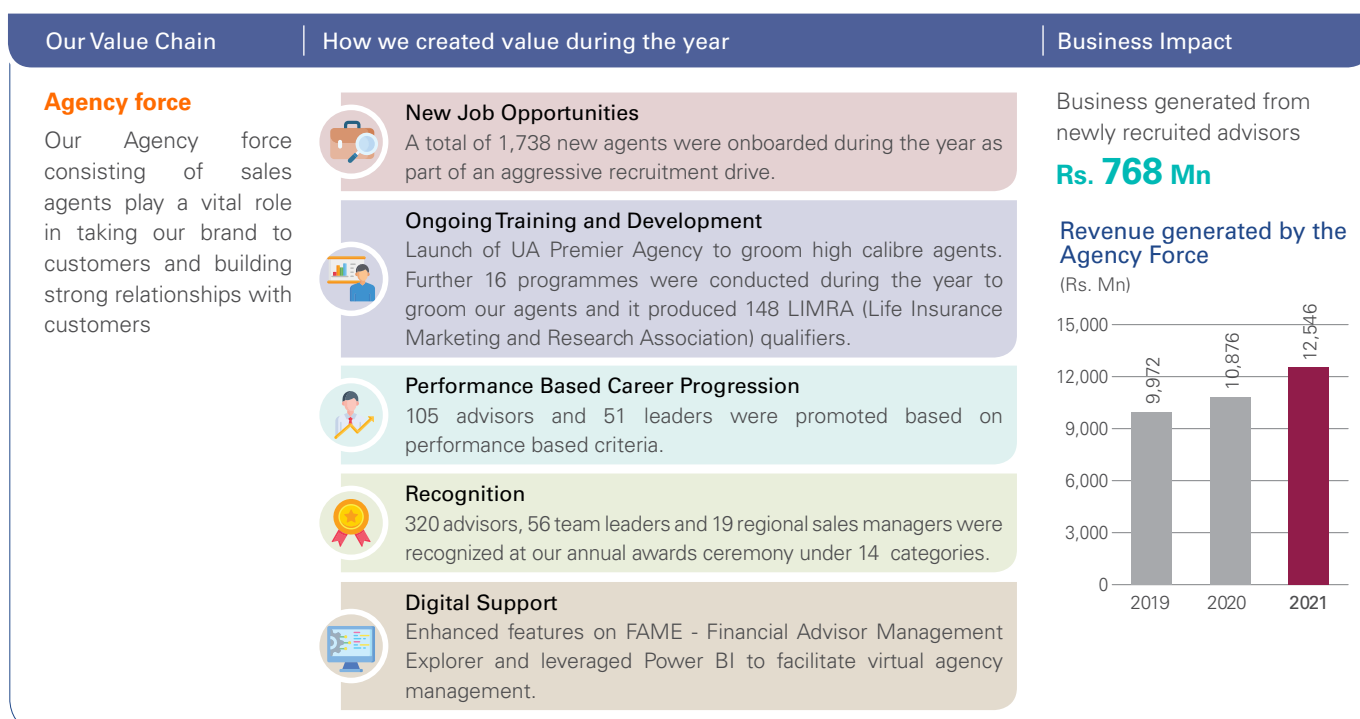
Our product development process complies with all the legal requirements as specified by the regulator. We have implemented measures to ensure quality of the development process. Robust process of quality management in place to ensure the quality of the service delivery. We have ensured the use of responsible marketing communication and taken measures to ensure health and safety of both customers and employees.



Business Partners

A reliable supply chain enables us to deliver a superior service to our customers efficiently and economically. The partnerships, we form with our Agency force, Bancassurance partners, Re-insurance partners, Suppliers and Vendors are therefore of critical importance. Over the years, we have nurtured mutually beneficial relationships with our business partners, based on a strong foundation of trust, transparency and fair treatment. During the year, we continued to strengthen these relationships in order to derive further synergies and value.

Accountability to Suppliers and Business partners:
Our interactions with business partners are governed by our Code of Conduct and stringent guideline and procedures that set out selection criteria, dispute resolution mechanisms and compliance criteria. This ensures that all our interactions are ethical and that all employees are held accountable for their actions.



Our Value Chain

How we created value during the year

Business Impact

Bancassurance partners

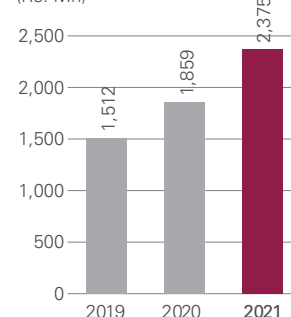
We continued to expand and strengthen our Bancassurance partnerships during the year, renewing the preferred bancassurance partnership with Nations Trust Bank and restructuring the partnership with Union Bank. Also, the Company entered into a partnership with Standard Chartered Bank. In addition, we operate open architecture partnerships with leading banks in the country.

Business generated from Bancassurance partnerships.

Rs. 2,375 Mn

Revenue generated from Bancassurance Partnerships

(Rs. Mn)



Re-insurance partners

Our re-insurance partners enable us to manage and diversify risk, limit volatility, improve capital positions, limit maximum losses and gain access to new customer segments.

	Financial rating	Credit rating
Munich Re	AA	AA+
Hannover Re	AA-	AA-
Partner Re	A+	A-
RGA	AA-	A

We continued to engage with our re-insurance partners on a regular basis by exchanging accurate and timely information required to navigate in a volatile business environment.

Re-insurance premiums for the year amounts to;

Rs. 723 Mn



Vendors and Service providers

Over 1,600 local and international vendors and suppliers enable us to run our operations smoothly.

We review our supplier relationships on an ongoing basis by engaging closely with suppliers to ensure that the basic promises of our supplier agreements continued to be adhered to. We ensure that all suppliers and vendors are treated in a fair and equitable manner in line with the Company's code of conduct. New suppliers go through a structured selection process and are required to meet stringent social and environmental criteria. As specified in the Corporate Governance Commentary in page 97, Exco sub-committees oversee the function of vendor selection and ensure that the operations of the Company are carried out in an efficient, transparent and effective manner.

Our long-standing relationships with vendors and service providers enabled us to continue to operate throughout the pandemic with minimal disruptions.

- ✓ Fair and unbiased selection
- ✓ Timely settlement of payments
- ✓ Equitable dispute resolution mechanism
- ✓ Transparent interactions
- ✓ Compliance



Industry Participation

We interact closely with the Insurance Regulatory Commission of Sri Lanka and other Government Institutions in the country to ensure strict compliance with all relevant laws and regulations. Our compliance department ensures that the Company complies with all regulatory requirements. We continued to maintain a cordial relationship with the regulator and other government institutions during the year.

We also actively contribute to policy dialogue by participating in technical committees appointed by the Insurance Association of Sri Lanka and as a member of the following bodies;

- The Ceylon Chamber of Commerce.
- American Chamber of Commerce in Sri Lanka
- Insurance Association of Sri Lanka (IASL)
- Employers Federation of Ceylon
- Sri Lanka Institute of Directors
- LIMRA (Life Insurance and Market Research Association)

Anti-Corruption

A comprehensive anti-corruption policy holds all employees accountable for ethical behaviour and provides clear guidelines for employees to adhere to the code of ethics and standards in their respective area of work. Employees are required to sign off on the policy and code of conduct periodically ensuring that all employees are well versed and updated on new developments pertaining to ethical behaviour.

Anti Corruption Policy and procedures are based on the following guidelines;

- Each member of UA is responsible individually to set up and maintain a high standard of business conduct in compliance with anti-corruption practices specified by applicable laws and regulations.
- Every member has a deep understanding in respect of the content, scope and importance of the policy.

Accountability to Community:

The UA Code of Conduct guides our interactions with community and our CSR activities ensuring that all dealings are ethical and transparent. There were no instances of non-compliance with laws and regulations in the social and economic area during the year.

Contribution to Sustainable Development Goals

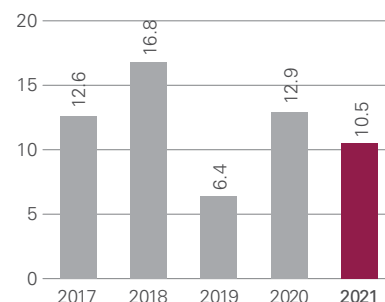
UA is committed to supporting the UN SDGs. We recognize that sustainable development is in the long-term interest of business and the global economy, but that a sustainable future for people and the planet will not be attainable without cooperation among all the parties concerned. We focus on the SDGs most relevant to our business and, within these, we have selected the specific targets linked to our strategy. This is where we believe we can make a significant contribution to the development of the society.

CSR Activities

Carried out under our unique brand, 'Union Manushyathwaya' – Danuwath, Suwapath, Yahapath Hetak, CSR activities at UA are aimed at supporting communities by creating a knowledgeable, healthier and better tomorrow.

Total CSR Spend

(Rs. Mn)

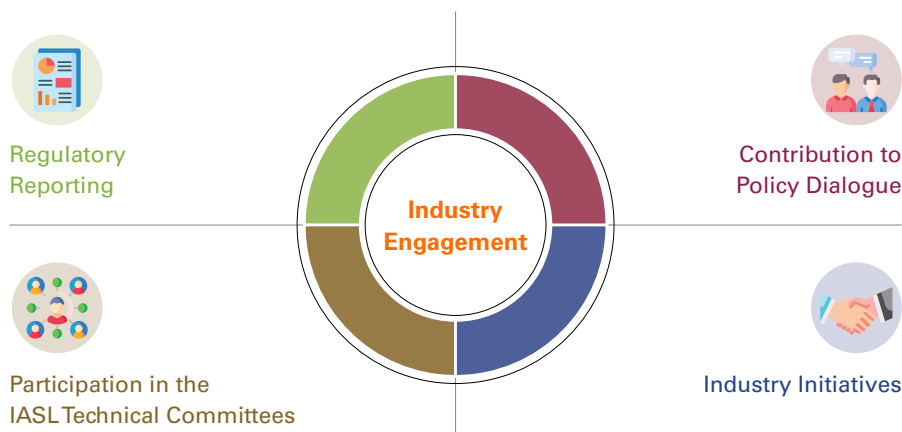


CSR Spend as a % of Revenue

0.1%

(2020:0.1%)

How we engage with the industry



Society

Social license to operate

Our communities and stakeholder groups accept us as a responsible corporate citizen due to our strong reputation for ethical behaviour and unwavering commitment to social development. Our business initiatives and CSR projects strive to cater to societal needs whilst always considering the overall impact on society.

Supporting Communities Rebuild after COVID-19



Supporting Online Learning

The pandemic has widened the gap in education for children especially with the digital adoption of learning activities. Many children have limited or no access to a tablet or desktop computer, putting their futures at risk.

Identifying this need, Union Assurance Sisumaga+ supported an initiative to upgrade online learning facilities in child care centres across the island.

As part of this initiative, UA together with seven other companies sponsored and distributed tablet computers and desktop computers to 397 child development centers island wide.

Reach:

**Over
10,632**
children



Awareness Campaigns

Effective communication is key to creating awareness on good health practices required to mitigate the spread of the pandemic.

Supporting this belief, UA collaborated with the Health Promotion Bureau of Sri Lanka to conduct Sri Lanka's first ever digital campaign aimed at creating awareness on good health practices including the storing and disposing of face masks. This collaboration comes as an extension to the mental health campaign conducted earlier this year to address the salient issues of mental health associated with the pandemic.

Reach:

**Over
3 Million**
Sri Lankans



Strengthening Community Health Infrastructure

Enhancing hospital capacity is critical to managing the pandemic and preventing stress on the hospital system.

As part of its efforts to address this issue, UA offered vital medical equipment including highflow oxygen machines, emergency trolleys, video laryngoscopes, and ventilators to four government hospitals.





'Meals that Heal' community project

Amidst the ongoing fight against the pandemic, extreme weather events have impacted over 200,000 individuals across 10 districts in the country.

To support communities impacted by the inclement weather Union Assurance partnered with Cinnamon Hotels & Resorts to distribute over 3,000 meals to people.



Action in Focus

Supporting our customers, partners and communities to rebuild after the pandemic

Supporting our customers, partners and communities to recover from the devastating impact of COVID-19 was a key priority during the year. Whilst ensuring business continuity and an uninterrupted service to customers, we leveraged technology to explore innovative ways of connecting and supporting customers through the difficult times. A significant increase in our NPS score reflects the sustained confidence our customers have in us. We also continued to support our business partners and suppliers by closely engaging with them despite the disruptions. As a responsible corporate citizen, we proactively identified areas in which we could support communities and intervened with meaningful CSR initiatives that helped communities recover.



Looking Ahead

We will continue to strengthen our relationships with our customers, business partners and communities by continuing to engage closely with these stakeholders to understand their evolving needs and find innovative solutions that can make a meaningful difference.



INTELLECTUAL CAPITAL

Innovation Led Growth

Our intellectual capital consisting of our IT Systems and Processes, Research and Development Capabilities and Organizational Knowledge supporting a culture of innovation that sets us apart from our competition and drives us to greater heights in the industry.

Leveraging Our Intellectual Capital to Drive Brand Value



What success looks like to us

- Greater integration between core business activities and Clicklife
- Superior user experience brought about by greater adoption of digital technology
- Efficient and effective management information and Process automation via Power BI.
- Continuous creation of organizational knowledge that sets us apart in the industry.
- Implementation of a "bionic" distribution strategy



How we measure progress

Reduction in Turn Around Times of client interactions

Efficiency of networking capabilities during pandemic



Growth in Brand Equity

Growth in Digital User Base

How we performed



PR Ranking



4th position
2021

5th position
2020

Our PR ranking moved upward by 1 position indicating the strength of the brand.



Digital user base



10,340
2021

Started monitoring in 2021.



Investment in IT system Development



Rs. 123 Mn
2021

Rs. 25 Mn
2020

The investment in IT infrastructure has increased by 389% over the year.



Claims Processing Turn Around Time



Structured	Unstructured
88%	93%
2021	

Structured	Unstructured
95%	88%
2020	

TAT's of several key processes improved as a result of process improvements implemented.

Brand Equity and Recognition

The Union Assurance brand continues to be recognized as a leading brand in Sri Lanka. A multitude of awards received during the year meanwhile continued to solidify the Brands acceptance as one of Sri Lanka's premier insurance brands whilst driving us to greater excellence.

UA Brand Ethos

'Protecting lifestyles,' ensuring life is enjoyed to its fullest, despite any unforeseeable challenges;

'Protecting relationships,' insuring lives and the future of loved ones against losses;

'Protecting ambitions,' supporting the dreams and goals of everyone who aspires to be the best version of themselves.



1

International Business Magazine Awards 2021

- Most Innovative digital insurance company and digital innovative Sri Lanka 2021

2

International Women's Day Confluence & Achiever's Awards 2021

- Women Marketing Officer of the Year
- Women Underwriter of the Year
- Women Agent of the Year

3

The Global Economics Awards 2021

- Best Workplace in Insurance Sector
- Most Innovative Insurance Services Provider

INTELLECTUAL CAPITAL

4

Global Brand Awards 2021

- Fastest Growing Life Insurance Brand, Sri Lanka, 2021
- Most Innovative Life Insurance Brand, Sri Lanka, 2021
- Digital Insurance Company of the Year, Sri Lanka, 2021
- Digital Insurance Innovation of the Year, Sri Lanka, 2021

5

Business leaders of the year Awards

- Life Insurance Company of the year - Large (Private sector)
- Most Admired Company of the year (Insurance Industry)
- CEO of the year
- Visionary Leader of the year
- Bancassurance Leader – Large - NTB Partnership

6

World Economic Magazine Awards 2021

- Best Life Insurance Company Sri Lanka 2021
- Most Admired Insurance Company of the year 2021 Sri Lanka
- Digital Insurance Innovation of the year 2021 Sri Lanka

7

Global Banking & Finance Review Awards 2021

- Leading Company in Building Community Resilience Sri Lanka 2021
- Best Insurance Company Digital Transformation Sri Lanka 2021
- Best Life Insurance App Sri Lanka 2021
- Most Innovative Education Insurance Plan Sri Lanka 2021

8

Global Business Review Magazine Awards 2021

- New Insurance Product of The Year Sri Lanka 2021
- Best Digital Insurance Initiative Sri Lanka 2021
- Most Innovative Insurance Services Provider Sri Lanka 2021

9

World Outlook Awards

- Most Innovative Education Insurance Plan in Sri Lanka 2021

10

International Finance Awards 2021

- Sri Lanka's Best Customer Service Insurance Provider 2021

11

Insurance Asia Awards 2021

- Domestic Life Insurer of the Year, Sri Lanka 2021
- New Insurance Product of the Year, Sri Lanka 2021

12

56th Annual Report Awards organized by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

- Silver award for Financial Reporting under the Insurance Category

13

GPTW Awards

- Recognized as a Great Place to Work for the 9th year, as well as a Best Place to Work in Asia for 2021. Also received the Bronze Award in the Large Enterprise Category, making Union Assurance the only insurance company in Sri Lanka to be recognized among the top three in this category.

14

Integrated Annual Report Awards organised by Certified Management Accountants of Sri Lanka

- One of the best Integrated Annual Reports.

IT systems and Process Automation

UA continues to lead the digital transformation of Sri Lanka's life insurance landscape. Ongoing IT investments and process improvements are aimed at eliminating bottlenecks, paperwork and legacy systems that are deemed time consuming and labour intensive. The launch of the Clicklife self-service App, where customers can purchase, obtain real time updates and manage their insurance policies from the comfort of their homes was a key milestone in our digitization journey.

During the year, we continued to digitize core processes with a focus on virtual sales and agency management with an end-to-end digital customer onboarding process, enhancing our digital underwriting and claims processing to improve decision quality and straight through processing and new digital insurance products.

Quality and consistency of our services are a direct result of the robust system of our processes. One of the primary features of the IT system is that its key processors are well developed and robust. These include development infrastructure, application development process and business continuity and information security.

Our digital infrastructure has enough strength to deal with the impact of COVID-19. We have made infrastructure innovation a priority to safeguard our physical systems to remain resilient during these challenging times.

As more and more companies undergo digital transformation, we continue to invest more in Security of the digital infrastructure. This has secured not just the organizational operations, but also our customers who exchange information with our organization.

Our Digital Transformation



Action in Focus

Digital ethics: A growing area of debate

Data and artificial intelligence (AI) present significant opportunities for the insurance industry. These technologies provide deep insights for insurers when it comes to potential policyholders.

If data is not used in a controlled and compliant way in terms of sources or invasions of privacy by consumers or insurers, the relationship between the two parties is threatened.

We will therefore continue to take a holistic perspective of new technologies such as AI, digitization and data analytics to ensure that we make the most of these technologies whilst protecting the rights and interests of our customers.

Research and Development Capabilities

An ongoing focus on research and development and continuous new product development has enabled UA to remain at the forefront of the competitive landscape. During the year, we strengthened our internal research and development capabilities by diverting additional resources to R & D. As a result, we were able to successfully develop several timely solutions to address emerging market needs. Details of these new products are included under Social and Relationship Capital Section on page 78.

Organizational Knowledge

Attracting and retaining the right talent is a core element of building a competitive advantage. We continue to focus on developing and retaining valuable talent within the organization as described in detail in the Human Capital Report on page 72. A regularly updated procedure manual preserves organizational knowledge in a systematic way and ensures that it cascades throughout the organization. Complimenting this is a culture of mentoring which ensures that knowledge is passed down to different levels through formal and informal means.



Looking Ahead

We will continue to rely on our deep insights into the insurance industry and leverage new technologies to navigate an increasingly complex and rapidly evolving insurance landscape. Our focus for the coming year will be to;

- Expand digital channels and ecosystems through ongoing investments in technology
- Leverage capabilities of the data lake and advanced analytics for new product development
- Introduce real-time risk scoring and underwriting based on health and wellness data enabling pay-as-you-live products
- Harness and retain organizational tacit knowledge.

CORPORATE GOVERNANCE

THE INTEGRITY WITHIN

Our business is founded on strong principles that have laid the foundation for how we work, interact and build value. The integrity within is reflected in every decision we make and every service we offer; we are built by design to nurture and uphold trust, sincerity and fairness.

92	Corporate Governance
135	Enterprise Risk Management



CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Krishan Balendra

Chairman/Non-Executive Director

(Member of the Board since 01 January 2019)

Board Sub-Committees: Member of the Nominations Committee and the Project Risk Assessment Committee of John Keells Holdings PLC.

Skills and Experience: Krishan is a former Chairman of Nations Trust Bank PLC and the Colombo Stock Exchange. He started his career at UBS Warburg, Hong Kong, in investment banking,

focusing primarily on equity capital markets. He holds a degree in Law (LLB) from the University of London and an MBA from INSEAD.

Other Current Appointments:

Listed Companies: Krishan is the Chairman of John Keells Holdings PLC and Chairman of many listed companies in the John Keells Group.

Others: He is the Deputy Vice Chairman of the Ceylon Chamber of Commerce, and also the Hon. Consul General of the Republic of Poland in Sri Lanka. Krishan is the Chairman of many unlisted companies in the John Keells Group.

Suresh Rajendra

Non-Executive Director

(Member of the Board since 16 August 2011)

Board Sub-Committees: Member of the Board Audit and Compliance Committee and SLFRS 17 Steering Committee.

Skills and Experience: Suresh has over 30 years of experience in the fields of Finance, Property Development and Real Estate Management, Travel & Tourism, and Business Development acquired both in Sri Lanka and overseas. Prior to joining the JKH Group, he was the Head of Commercial and Business

Development for NRMA Motoring and Services in Sydney, Australia and Director/General Manager of Aitken Spence Hotel Managements (Pvt) Ltd, Sri Lanka. He is a Fellow Member of the Chartered Institute of Management Accountants, U.K.

Other Current Appointments:

Listed Companies: Suresh is a member of the Group Executive Committee and President of the Leisure Group of the John

Keells Group. He is further responsible for both John Keells Information Technology (Pvt) Limited and John Keells Stockbrokers. Suresh also serves as Director of Asian Hotels & Properties PLC, Trans Asia Hotels PLC and John Keells Hotels PLC.

Others: He serves as a Director in many unlisted companies of the John Keells Group. Suresh also serves as the Chairman of the Condominium Developers Association of Sri Lanka.

Dumith Fernando

Independent Non-Executive Director

(Member of the Board since 03 August 2018)

Board Sub Committees: Member of the Board Audit and Compliance Committee

Skills and Experience: Dumith holds a BA in Physics & Economics from Middlebury College in the U.S. and an MBA from Harvard Business School. He has over 26 years of experience in international and Sri Lankan capital markets, having spent much of his career in the global financial centers of New York and Hong Kong, with global banking firms JPMorgan Chase and Credit Suisse. There he held various roles across Equities, Investment Banking,

Private Equity and Corporate Strategy. Prior to his return to Sri Lanka in 2013, Dumith was the Managing Director and Group Chief Operating Officer for Credit Suisse Asia Pacific – a US\$2.5 billion revenue business, operating across 12 countries, and a Member of that firm's Global Leadership Council.

Other current appointments:

Listed Companies: Dumith holds the position of an Independent Director of Singer (Sri Lanka) PLC.

Others: Dumith currently serves as the Chairman of the Colombo Stock Exchange (CSE). He is also the Chairman of Asia Securities Holdings (Pvt) Ltd, a leading independent Investment Bank in Sri Lanka, which offers Investment Banking, Wealth Management, Stock Brokerage and Research services to international and domestic institutions, corporates and many high net worth individuals. He is also a member of the Financial System Stability Consultative Committee (FSSCC) of the Central Bank of Sri Lanka, and the Economic Policy Steering Committee of the Ceylon Chamber of Commerce.

Stephen Anthony Appleyard

Independent Non-Executive Director

(Member of the Board since 01 January 2019)

Board Sub Committees: The Chairman of the SLFRS 17 Steering Committee.

Skills and Experience: Stephen has over 26 years of experience in the Life Insurance industry across Europe, US and Asia. He has held the Country Manager/CEO role at AIA (Indonesia), Allianz (Ayudhya Allianz C.P. Thailand), SCB Life (Thailand), as well as holding the office of Regional CEO at AIA (Hong Kong), and is currently the

Head of Distribution for AXA Asia (Life and Non-Life Insurance). Stephen has served as a Consultant to Direct Money (Vietnam) on Telco-assurance start-ups and is an Advisor to many Fintech companies. He has deep experience in Strategy, Distribution, Marketing, Finance and Operational Transformation. Stephen holds a Bachelor of Science from Sheffield Hallam University and an MBA from the University of Manchester.

Other Current Appointments:

Listed Companies: Stephen is currently the Head of Distribution AXA Asia Markets (Life and Non-Life Insurance).

Others: None

Daminda Gamlath

Non-Executive Director

(Member of the Board since 10 June 2020)

Board Sub Committees: None

Skills and Experience: Daminda holds a BSc. in Engineering from the University of Moratuwa and an MBA from the University of Colombo. He is a passed finalist of CIMA U.K. His areas of specialisations are Financial Accounting, Management Accounting, Business Analysis, Sales, Marketing and General

Management. Daminda currently serves as the President of the Consumer Foods Industry Group of John Keells. He was also attached to John Keells Computer Services (Pvt) Ltd and the IT Industry Group at John Keells. Prior to joining the John Keells Group, Daminda was with Hayleys Electronics Ltd and Hayleys Industrial Solutions (Pvt) Ltd.

Other current appointments:

Listed Companies: He is a Director of Ceylon Cold Stores PLC and Keells Food Products PLC.

Others: Daminda serves as a Director in many unlisted companies of the John Keells Group.

Malinga Arsakularatne

Independent Non-Executive Director

(Member of the Board since 14 July 2020)

Board Sub Committees: Chairman of the Board Audit and Compliance Committee.

Skills and Experience: Malinga has 25 years of experience in Investment Management, Corporate Finance, Business Strategy and General Management. He has held several roles during his 16 year tenure at the Hemas Group, including Managing Director (Leisure Travel & Aviation Group) and Group CFO. He has served on the Boards of Hemas Holdings PLC and Serendib Hotels Group.

Malinga is a CFA Charter Holder and a past President of CFA Sri Lanka. He is also a Fellow Member of the Chartered Institute of Management Accountants, U.K. and a past Board member of the CIMA Sri Lanka division. He holds a BSc. in Computer Science & Engineering from the University of Moratuwa, an MSc. in Investment Management from Cass Business School, and an Executive MBA from INSEAD.

Other Current Appointments:

Listed Companies: hSenid Business Solutions Limited.

Others: Malinga is a Director of Acorn Partners (Private) Limited, Acorn Ventures (Private) Limited, Acorn Air Services (Private) Limited, Acorn Management Services (Private) Limited, Acorn Aviation (Private) Limited, Acorn Travels (Private) Limited, Diethelm Travel Lanka (Private) Limited, Air Services Maldives Pvt Ltd, LTU Asia Aviation Services Co Ltd, Thailand, Discover the World (Thailand) Co Ltd, Fortiz Logistics International (Pvt) Ltd, Asia International Academy Holdings (Pvt) Ltd, British Institute of Engineering and Technology (Pvt) Ltd, Zigzag (Pvt) Ltd, Ifinity (Pvt) Ltd, Digital Healthcare Solutions (Private) Ltd.

CORPORATE GOVERNANCE

EXECUTIVE COMMITTEE

Jude Gomes

Chief Executive Officer

Jude joined Union Assurance on 01 December 2019.

He has over 29 years of experience in Financial Services, working across key Asian markets. Previously, he was heading Manulife China Bank Life Assurance Co., Philippines as the CEO and President. Jude has been with Manulife Group since 2012, pioneering Bancassurance in Vietnam as Vice President and Head of Partnership Distribution.

He was a founder member of Canara HSBC OBC Life Insurance Co., as Senior Vice President and Head of Channel, and was subsequently seconded to Hong Kong at HSBC Insurance Asia-Pacific (APAC) Regional Business Development, working across APAC markets.

Jude was among the pioneers at India's first privatised life insurer, HDFC Standard Life and also led wealth management for the Centurion Bank of Punjab. He is a recipient of Manulife's Global Star of Excellence Award in 2013 and 2015, and Standard Chartered Bank's Regional Award in 1999.

Jude was also awarded the prestigious title of 'CEO of the Year' in 2020 by CEO monthly magazine, U.K.

Jude holds a Bachelor of Commerce (Hons.) from the University of Calcutta and a Masters Diploma in Business Administration, specialising in Marketing Management from the Symbiosis Institute of Management Studies, Pune. He is a Licentiate in Insurance (III) and a certified Associate of the Indian Institute of Bankers (CAIIB-1), Mumbai. He is also a Fellow Member of The Institute of Chartered Professional Managers of Sri Lanka.

Harsha Senanayake

Chief Information Officer

Harsha joined Union Assurance in October 2016.

He has been with the John Keells Group for more than 16 years, where he has gained experience in IT and Management. During Harsha's tenure at John Keells, he was instrumental in the implementation of SAP and also promoting it as an ERP solution to many leading organizations

in Sri Lanka. Harsha also plays a pivotal role in the Group's digitization initiatives and in driving technology innovation to all areas of business.

In addition to his current role at Union Assurance, he oversees the IT functions of John Keells Stockbrokers and serves as the Head of Business Systems, Financial Services Sector of the Group.

Harsha holds a BSc. in Computer Science from the London Metropolitan University and a Post Graduate Diploma in Information Systems Management from the University of Colombo.

Asha Perera

Chief Financial Officer

Asha joined Union Assurance in September 2018.

Prior to joining the John Keells Group in 2005, she held multiple operational and finance responsibilities in the Apparel industry. Asha also serves as a Vice President of John Keells Holdings PLC, with multi sectoral

experience in Information Technology, Leisure, and Plantation services, and has an overall tenure of 16 years and 25 years of professional experience respectively.

Asha holds a Master of Business Administration (MBA) from the Post Graduate Institute of Management (PIM),

a BSc. in Management (Human Resource Management) from the University of Sri Jayewardenepura - Sri Lanka and is an Associate Member of the Chartered Institute of Management Accountants, U.K.

Senath Jayatilake

Chief Distribution Officer

Senath joined Union Assurance in November 2019.

Prior to joining Union Assurance, he served as the Chief Executive Officer, John Keells Logistics (Pvt) Limited. He is also a Vice

President of the John Keells Group and accounts for over 14 years of experience in Business Development Operations Management, Sales and Marketing, Financial Analysis and Strategy.

Senath holds a BA (Hons.) in Finance and Accounting from the University of Nottingham (U.K.), an MBA from the University of Sri Jayewardenepura and is an Associate Member of the Chartered Institute of Management Accountants, U.K.

Rumesh Modarage**Chief Technical Officer**

Rumesh joined Union Assurance in December 2019.

Prior to joining Union Assurance, he served as Senior Manager at Softlogic Life Insurance PLC, and counts over 11 years

of experience in the fields of Insurance Finance, Life Operations and Alternate Sales.

Rumesh holds a Master's in Business Administration (MBA) from the Postgraduate

Institute of Management (PIM) – the University of Sri Jayewardenepura, an Associate Member of the Chartered Institute of Management Accountants U.K. – CIMA, a Fellow Member of the Chartered Insurance Institute U.K. (FCII), and a Chartered Insurer.

Lucille Diaz**Head of Partnerships**

Lucille joined Union Assurance in July 2020, as the Chief Marketing Officer and is currently functioning as the Head of Partnerships.

She counts over 17 years of experience in Marketing across the diverse sectors of

Advertising, Wellness, Travel & Tourism and Insurance.

Lucille holds a Master's in Business Administration (MBA), specialised in Project Management from the Cardiff

Metropolitan University, and a Post Graduate Diploma in Marketing from the Sri Lanka Institute of Marketing. She also is a passed finalist of the Chartered Institute of Management Accountants, U.K.

Vindya Cooray**Chief Bancassurance Officer**

Vindya joined Union Assurance in June 2021.

Prior to joining Union Assurance, she served as a Vice President – Finance at Cinnamon Hotels & Resorts. Before that, she served as the Sector Financial Controller for the Leisure

Inbound Sector of the John Keells Group, and has been with the Group for over 9 years. Vindya possesses over 12 years of experience in Finance and Management consultancy.

She is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA),

a Certified Practicing Accountant (CPA), Australia, the Association of Accounting Technicians of Sri Lanka (FMAAT), and holds both an MBA and a BBA (Sp. Business Economics) from the University of Colombo. Vindya has also been the recipient of the Jane M. Klausman "Women in Business Award".

Imtiyaz Aniff**Chief People Officer**

Imtiyaz joined Union Assurance in September 2021.

Prior to joining Union Assurance, he was with Dialog Axiata PLC as the Head of Digital Organization and Culture Transformation. Imtiyaz is a Senior HR specialist with 18

years experience in the Banking, IT, FMCG and Telecommunications sectors across both Multinational Companies and leading local Conglomerates. He has provided leadership for many projects globally and was presented with the HR Leadership Award, by the World HRD Congress in 2020.

Imtiyaz holds an MBA (Merit) from the University of Wales, a Senior Certified Professional IPMA-HR (USA), a Certified Coach – Results Coaching Systems, a Certified Assessor – SHL and a Member of the Australian Human Resources Institute.

Jayaraman Muthukrishnan**Chief Actuarial Officer**

Jayaraman joined Union Assurance in September 2021.

Prior to joining Union Assurance, he was with AIA Insurance Lanka Limited as the Deputy Chief Actuary. He has over 28 years

of experience in many markets of the Life Insurance Industry, and as a result has in-depth knowledge and a proven track record of Actuarial techniques and methodology. Jayaraman has exposure to a wide range of insurers such as LIC of India, Indian Private

Life Insurers, and Sri Lankan, the U.K., and U.S. Insurers.

He is a Maths Graduate from Bharathidasan University and a Fellow of the Institute of Actuaries, U.K.

Mahen Gunarathna**Chief Marketing Officer**

Mahen joined Union Assurance in November 2021.

He is a marketing professional with over 17 years of experience in local and international

markets, and has worked with multinational companies such as Hilton, AVIVA and AIA.

Mahen holds an MBA from the Postgraduate Institute of Management, University of Sri

Jayewardenepura. He is also a qualified member of CIM-UK and SLIM and a Certified Professional Marketer of the Asia Marketing Federation. Mahen is also a lecturer and examiner at CIPM and IIHS.

CORPORATE GOVERNANCE

THE CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE

"We believe a strong governance mechanism is pivotal in enhancing accountability to diverse stakeholders, ensuring corporate fairmindedness and creating sustainable value. This Report demonstrates the framework and our approach towards Corporate Governance, to ensure the highest standards of governance and compliance within the Company".

Governance Attitude

The highest standards of transparency, reliability and ethical business conduct are well established guiding principles within the Company, which are articulated in a comprehensive policy framework and via a Code of Conduct, that is communicated and understood by all employees. Further, the Company's policy framework embraces international best practices and complies with voluntary frameworks, providing a solid foundation for performance as well as effective risk management. The governance structure serves to ensure judicious empowerment, and to create an appropriate balance of authority and responsibility within the Company.

Governance Structure and Leadership

The Company operates within a clearly defined governance structure, enabling the Board to provide strategic guidance and risk oversight whilst adhering to regulatory requirements. The structure also provides for delegation of authority while retaining effective control. The Board delegates authority to the relevant Board sub-committees and the Executive Committee of the Company, with clearly defined mandates and authority levels whilst maintaining its accountability.

The Board maintains an independent and diverse composition, to provide guidance on strategic direction and for efficient decision making. An appraisal of the Board's performance is conducted annually.

Culture and Ethics

Our culture is shaped by the Code of Conduct and Ethics, which articulates the standards of conduct expected of Directors and employees. The Code is

reviewed and updated from time to time, to ensure it is fit for purpose in a rapidly evolving business environment.

Accountability and Risk

Setting up a robust system of internal controls and risk management processes is a key responsibility of the Board, and we are assisted in this endeavour by the Board Audit and Compliance Committee (BACC). The BACC plays an important role in monitoring the Company's risk and assurance systems, and regularly reviewing the efficiency and effectiveness of internal controls. Please refer to the report of the BACC on pages 111 to 113.

Engagement with Stakeholders

Our stakeholder engagement mechanisms are structured and comprehensive, providing valuable insights into stakeholder concerns and enabling us to provide appropriate responses, while balancing multiple interests.

Governance Amidst the COVID-19 Pandemic

Our role as a Life Insurance provider became even more important and challenging amidst the global COVID-19 Pandemic. Faced with new challenges which emerged as a result of the Pandemic, the Board of Directors while ensuring that good governance discipline was maintained, remained committed to delivering our values with remarkable resilience, combined with vital support from the Company Management. More details are provided on page 98.

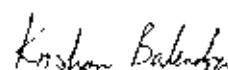
Way Forward

We will continue to monitor the macro-economic developments and remain pro-active to drive growth and improve returns, while continuing to invest in our people.

Furthermore, the Board through the SLFRS 17 Steering Committee, will ensure institutional readiness for SLFRS 17 implementation, both technically and strategically. The current progression and expected future plans of the governance framework for SLFRS 17 are provided on page 99.

Statement of Declaration

I am pleased to state that there were no departures from any of the provisions of the Code of Business Conduct and Ethics in the Code of Best Practice on Corporate Governance, jointly advocated by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. I also wish to affirm our commitment to upholding Group policies, where emphasis is placed on ethical and legal dealings, zero tolerance for corruption, bribery and any form of harassment or discrimination in our workplace and work-related situations.



Krishan Balendra
Chairman

28 February 2022

CORPORATE GOVERNANCE COMMENTARY

Key Corporate Governance Initiatives for the Year 2021



The Business Continuity Plan (BCP), which was reviewed progressively with the outbreak of the COVID-19 Pandemic in Sri Lanka, was tremendously successful in operating throughout the year and supported both onsite and remote working conditions, whilst maintaining a high level of customer service. Please refer to pages 124 to 125 for further details.



The Board established the SLFRS 17 Steering Committee for the implementation of SLFRS 17 across the Company, and to ensure strategic, tactical and operational readiness.



Strengthened both the Cyber Security and remote working infrastructure of the Company, to ensure protection of corporate data from unauthorized access. Please refer to pages 125 to 126 for further details.



Introduction of a new eKYC process for digital policy issuance, which is in line with regulatory requirements. This process helped improve customer experience, whilst enhancing customer accessibility during the Pandemic. Please refer to page 88 for further details.



Improvements on Forestpin and Power BI driven intelligent alerts, to enhance analytics-based outlier detection and intelligent alerts relating to controls and compliance. Timely and effective outlier detection is an essential facet in aiding compliance with applicable laws, regulations, internal controls and policies.



Strengthened the sanctions screening process as part of reinforcing the Customer Due Diligence (CDD) assessment adopted at Union Assurance, by automating the end-to-end screening process using advanced analytics. The new screening mechanism improved the frequency of screening and the ability to identify any outliers, resulting in improved efficiency.



The Audit, Risk and Compliance division together with the support of the cross-functional teams, made a significant contribution towards strengthening the control environment of the Company, having conducted several independent audits and reviews, awareness and training sessions on Audit and Compliance aspects, along with facilitating and implementing several new initiatives.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE COMMENTARY

Effective Governance during the Pandemic



The Chief Executive Officer and the Executive Committee kept the Board well informed about the Company's response to COVID-19 as they accelerated the Company strategy, while continuing to focus on supporting the customers and prioritizing our employees' safety and wellbeing, during a period of intense uncertainty. The Board devoted the time needed to address these challenges and ensure continued effective Board oversight, partnering with Management to find solutions and taking time-critical decisions in response to the Pandemic.

Some of the key actions implemented and focus areas are highlighted below;



Customer Focus Profile

Customer support has been a critical focus area for the Board throughout this period.

The Board considered updates from the Management in their attempt to assist and support customers during the Pandemic, and in ensuring the health and safety of those accessing branches.

The Board along with Management, facilitated the provision of Insurance services to customers, which were accessible from the safety, comfort and convenience of their homes.

➤ Please refer the "Customers" section under the "Social and Relationship Capital" segment on pages 79 to 81 for further information.



Our Employees

The Board considered employee wellbeing to be paramount throughout the Pandemic. The Board noted the support provided to employees working remotely, and ensured that on premise working environments were as safe as possible, with appropriate health and safety protocols implemented.

The employee vaccination status was also closely monitored, and staff encouraged to be vaccinated at the earliest possible opportunity.

The Board took into account employee survey results on how employees were coping throughout the year, and considered the appropriateness of Management's support in assisting employees to cope with some of the challenges created by the Pandemic.

➤ Please refer the "Human Capital" section on pages 72 to 77 for further information.



Driving Innovation

The digitisation of insurance means that innovation, disruption and cyber security remain the topmost priority, and this trend has accelerated during the COVID-19 Pandemic.

To remain relevant and competitive in this digital age, the Board has been proactive and enabled innovation from the top as one of its governance responsibilities.

The Company has seen an acceleration in the launch of digital usage over the past two years.

A significant increase in digital activity was underpinned by heightened focus on system stability and availability, while significant investment and resources continue to be allocated to our technology systems, platforms, as well as digital innovation overall.

➤ Please refer to the "Intellectual Capital" section on pages 86 to 89 for further information.



Risk and Conduct

The Board ensured oversight of the impact of COVID-19 across all risk areas. It further noted the overview of domestic regulatory interventions in response to the Pandemic.

The Board reviewed the impact of the Pandemic on the Company's risk assessment, financial performance, capital adequacy and the liquidity position based on various scenarios and assumptions.

➤ Please refer to the "Managing Risk Strategically" section under Enterprise Risk Management on pages 138 to 142 for further information.

Compliance by the Company with Mandatory and Voluntary Codes of Governance

Requirement/Standard/Principle/Code	Adherence	Compliance Status	Page Reference
1 Corporate Governance Framework for Insurers issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL), under Section 96 (A) of the regulation of Insurance Industry Act No. 43 of 2000	Mandatory	Complied	129
2 Statement of Compliance under Section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) on Annual Report Disclosure	Mandatory	Complied	130
3 Statement of Compliance under Section 7.10 of the continuing listing requirements of the Colombo Stock Exchange (CSE)	Mandatory	Complied	130 - 132
4 Code of Best Practice on Related Party Transactions (2013) advocated by the Securities and Exchange Commission of Sri Lanka (SEC)	Mandatory	Complied	132
5 Content of the Annual Report as per Section 168 of the Companies Act No. 7 of 2007	Mandatory	Complied	132
6 Code of best practice on Corporate Governance (2013) jointly advocated by the SEC and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	Voluntary	Complied	-
7 Code of best practice on Corporate Governance (2017) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	Voluntary	Complied with almost the full extent of the code, to the extent of business exigency	133 - 134

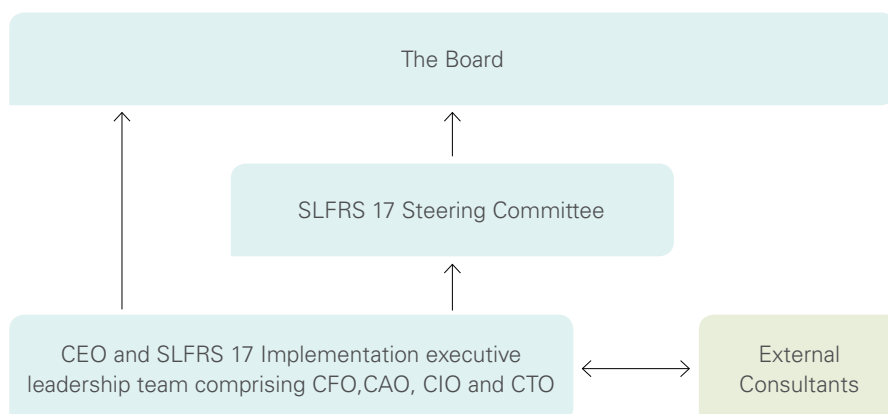
Implementation of SLFRS 17

The new Insurance contract standard is expected to be applied from 1 January 2023, whilst the insurance industry is in negotiation on a possible extension of the effective date. Due to both the fundamental changes that SLFRS 17 will require in insurance activities and the complexity of applying the standard's requirements, the Company has recognised the necessity for strong project management and an appropriate governance structure for successful implementation.

Understanding the importance of the SLFRS 17 implementation project, the Board appointed a SLFRS 17 Steering Committee to assist the Company through a review, restructuring and transition process, and to advise the Board on the institutional readiness for SLFRS 17 implementation, both tactically and strategically.

The role and the functions of the SLFRS 17 Steering committee is explained in page 110.

SLFRS 17 Implementation project Governance Structure



The SLFRS 17 implementation project team is represented by members across multiple functions including Finance, Actuarial, IT and Technical. The project team follows the SLFRS 17 implementation project plan and have regular meetings to discuss the progress of the project, risks, challenges and resource requirements.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE COMMENTARY

How Corporate Governance uplifts our value creation process:

Corporate Governance is at the core of our Value Creation process, and is connected to the organisational Capitals as depicted below;

Financial Capital

Prudent Financial Management practices ensure that value creation is maximised.

➤ Refer pages 48 to 63

Manufactured Capital

Robust, new and forward-thinking infrastructure have enabled us to navigate any potential obstacles to a successful business operating model.

➤ Refer pages 64 to 67

Social and Relationship Capital

Innovation is at the forefront of all operational activities implemented, inculcating a company-wide culture and environment that is conducive for transformation and creativity.

➤ Refer pages 78 to 85



Intellectual Capital

Embracing technology paired with rigid employee coaching and empowerment, formed the corner stone for adaptability and versatility within the Company.

➤ Refer pages 86 to 89

Human Capital

Several HR related policies are in place to ensure fair and equitable treatment of all employees, thereby improving their wellbeing and skills.

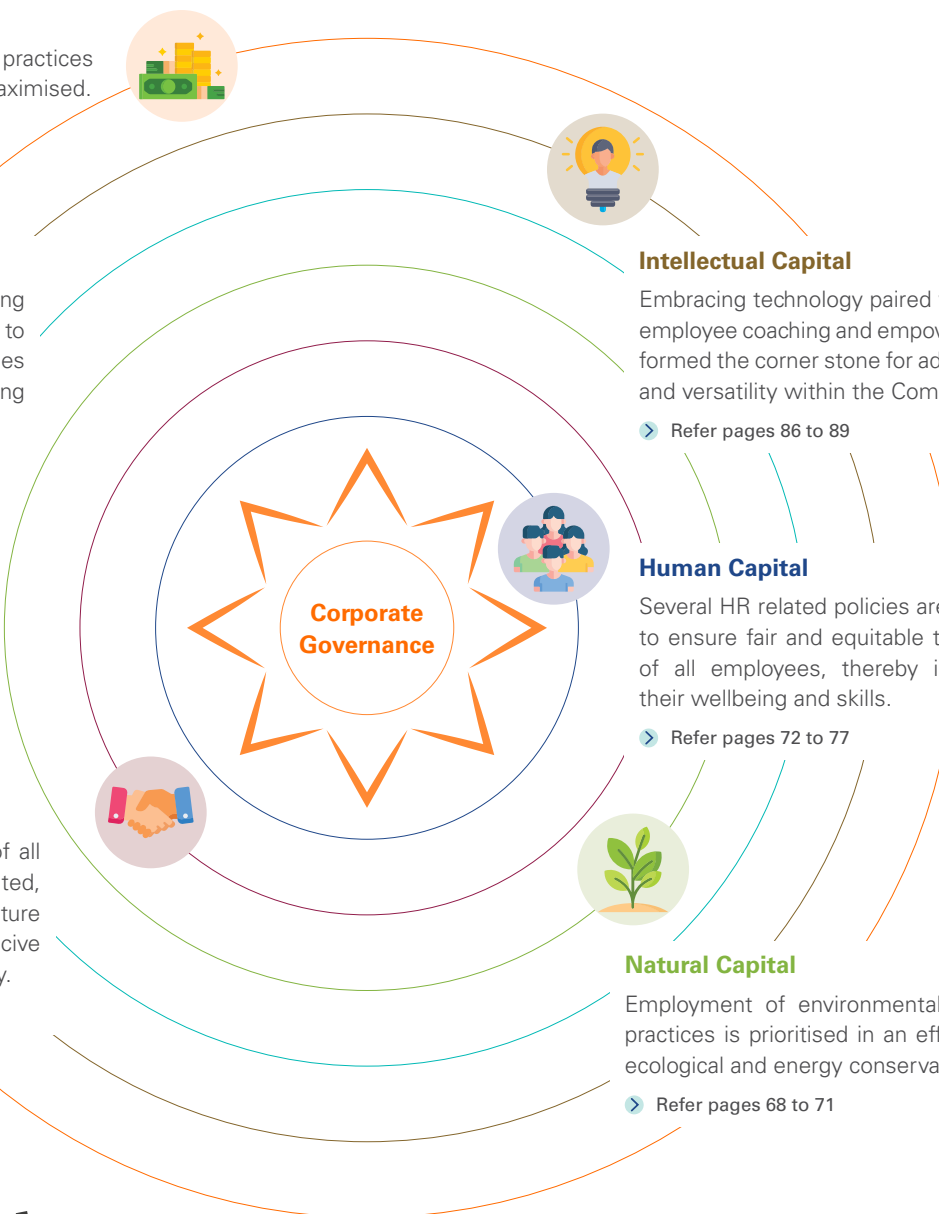
➤ Refer pages 72 to 77



Natural Capital

Employment of environmentally sound practices is prioritised in an effort to be ecological and energy conservative.

➤ Refer pages 68 to 71

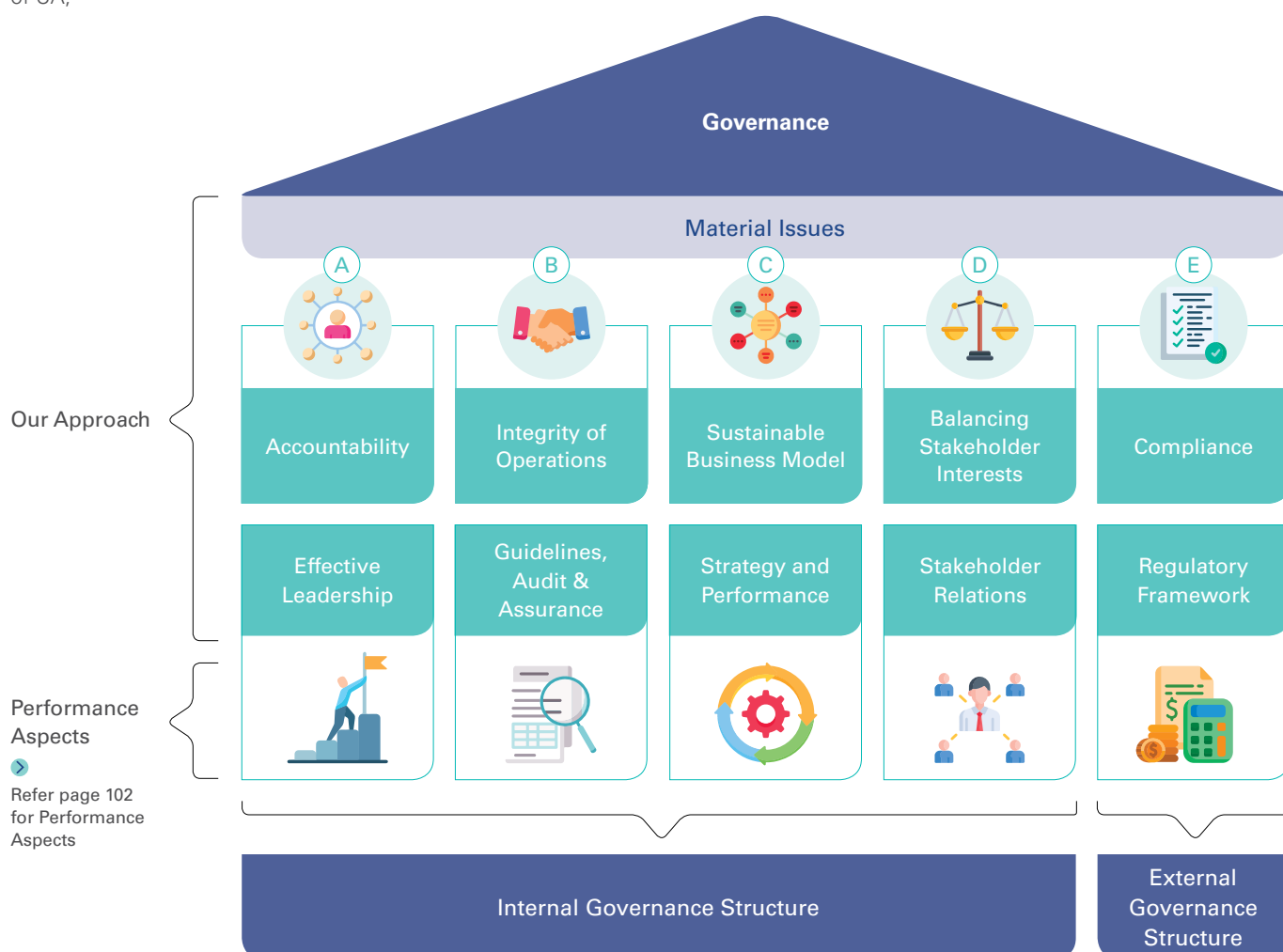


HOW WE ADMINISTER CORPORATE GOVERNANCE

Corporate Governance at Union Assurance (UA) promotes the long-term interests of stakeholders, strengthens Board and Management accountability, fosters/reinforces and increases public trust in the organisation, further supported and strengthened by the John Keells Group's reporting and governance structures. UA's robust governance framework and sound principles have proven to be a solid foundation in driving sustainable value.

Our Integrated Governance Framework

The Board has set in place a governance framework and structure appropriate to the Company's size, nature of activities, complexity and risk profile. These are reviewed when necessary to adapt to internal developments and to reflect best practices. The framework is built on the core principles of transparency, accountability and ethical conduct, which are essential for the creation, enhancement and maintenance of a sustainable business model. The diagram below illustrates key components of the Corporate Governance framework of UA;



Internal Governance Structure

The structure in place focuses on the responsibility of the Board of Directors, Board sub-committees, and Senior Management of the Company who formulate, execute and monitor the Company's business objectives.

It further endorses the operating structure of the organisation, assignment of responsibilities and authority levels, set up of reporting lines and information to be conveyed as well as the deployment of internal control systems, including risk controls, compliance and Internal Audit. A summary of the elements of the internal and external governance structures are highlighted in the Company's Corporate Governance model.

CORPORATE GOVERNANCE

HOW WE ADMINISTER CORPORATE GOVERNANCE

Performance Aspects



Effective Leadership

Section Number	Description	Page Ref.
1.1	• Our Internal Governance Structure	103
1.2	• Composition of Board, and Skills and Diversity	104
1.3	• Board Responsibilities	105
1.4	• Chairman & Chief Executive Officer	105 - 106
1.5	• Board Meetings	106
1.6	• Board Appointment & Re-election	107
1.7	• Board Independence	107 - 108
1.8	• Supply of Information	108
1.9	• Access to Independent Professional Advice	108
1.10	• Board Induction & Training	108
1.11	• Board Appraisal	108
1.12	• Appraisal of CEO	109
1.13	• Fair Remuneration	109
1.14	• Board Sub-Committees	109 - 115
1.15	• Investment Committee	117 - 119
1.16	• Corporate Senior Management Committee	119
1.17	• Executive Committee of UA & its Sub-committees	119 - 120
1.18	• Company Secretary	120



Guidelines, Audit & Assurance

Section Number	Description	Page Ref.
2.1	• Charters & Policies	121
2.2	• Systems, Controls & Assurance	121 - 122
2.3	• Code of Business Conduct & Ethics	122
2.4	• Related Party Transactions and Conflict of Interest	123
2.5	• Assurance by Internal Auditors	123
2.6	• Assurance by External Auditors	123



Strategy and Performance

Section Number	Description	Page Ref.
3.1	• Risk Management and Internal Controls	123
3.2	• ESG Factors	124
3.3	• Succession Planning	124
3.4	• Business Continuity Plan	124 - 125
3.5	• IT Governance & Cyber Security	125 - 126
3.6	• IT Controls over Financial Reporting	126
3.7	• Innovation	126
3.8	• Inspired employees	126



Stakeholder Relations

Section Number	Description	Page Ref.
4.1	• Stakeholder Engagement	126
4.2	• Communication Channels	127
4.3	• The Annual General Meeting	127
4.4	• Annual and Interim Reports	127
4.5	• Gender Parity	127 - 128



Regulatory Framework

Section Number	Description	Page Ref.
5.1	• Compliance framework and self-regulatory checklists	128
5.2	• Statutory and regulatory compliance	128 - 134

(A) Accountability

1.0 Effective Leadership

The Board of UA (BoD) & Board Sub-committees

The Board is appointed by the Shareholders, and has ultimate responsibility and accountability for the performance of the Company and its affairs. The Board seeks to provide effective leadership in driving sustainable value while balancing the interests of all stakeholders. The Board determines the strategic direction of the Company, manages risk and sets in place a sound Governance framework.

Certain responsibilities of the Board have been delegated to Board sub-committees and the Executive Management of UA, which is explained in detail through this report.

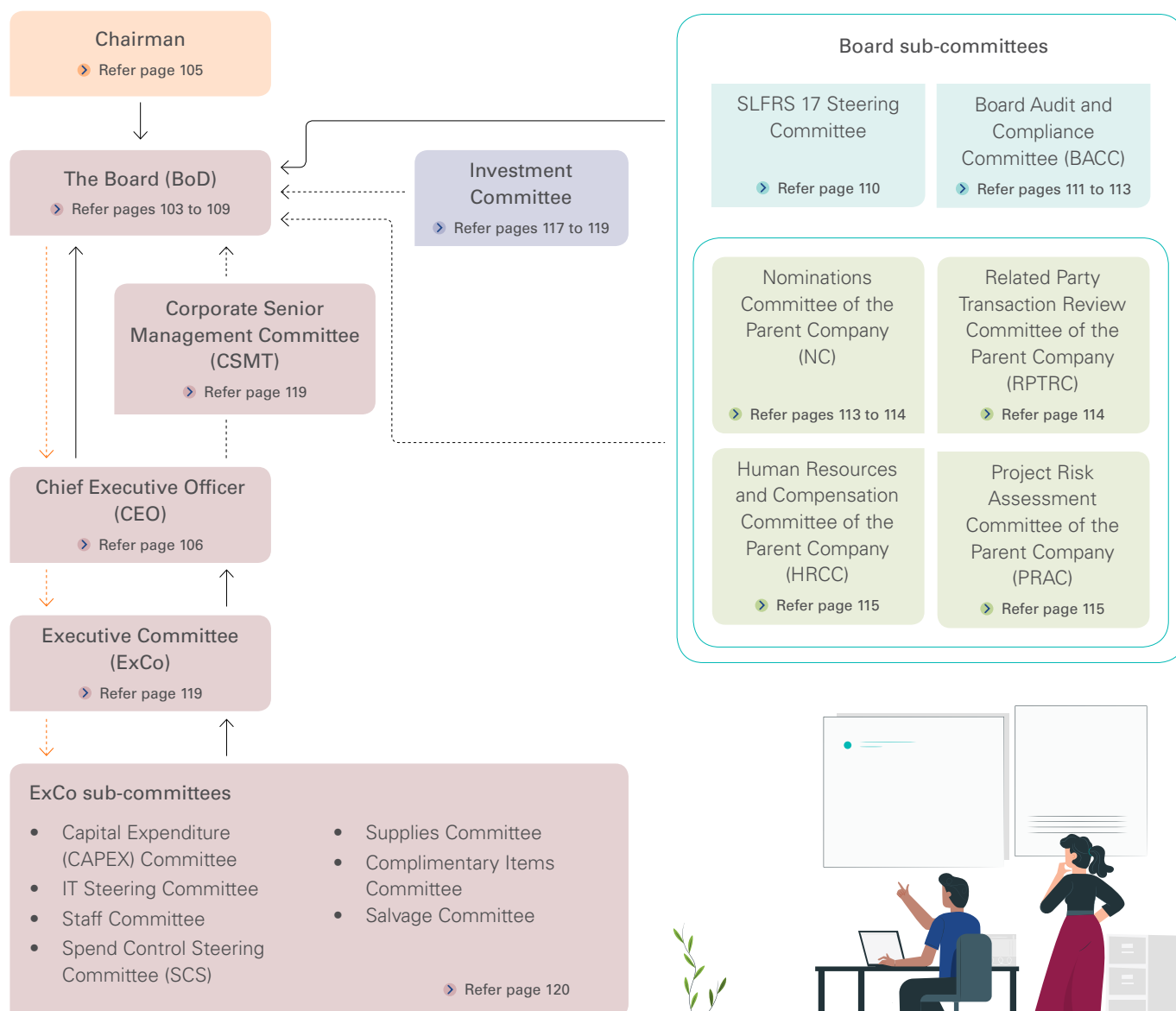
The Nominations Committee, the Human Resources and Compensation Committee, the Related Party Transaction Review Committee and the Project Risk Assessment Committee of John Keells Holdings PLC being the Parent Company of UA ("Parent Company"), serve as sub-committees for the Board of UA. Details of the sub-committees and their reports are provided on pages 109 to 115.

1.1 Our Internal Governance Structure

Two Tier Governance Structure

The Company operates with a Two-Tier governance structure, namely the Board of Directors comprising of Non-Executive Directors and the Executive Management Committees (ExCo), headed by the CEO.

This distinguishes clearly between the Supervisory body and the Management, whilst segregating core responsibilities between the Chairman and CEO. Our internal governance structure is depicted below;



CORPORATE GOVERNANCE

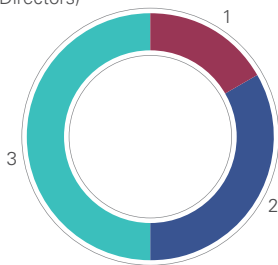
HOW WE ADMINISTER CORPORATE GOVERNANCE

1.2 Board Composition, Skills and Diversity

The Board of Union Assurance consisted of six Directors as at 31 December 2021. All the Directors are Non-Executive Directors and three of them are Independent Directors. The Board is diverse in its experience, expertise and age, contributing varied perspectives to boardroom deliberations whilst exercising independent judgement to bear on all matters. Brief profiles of the six Board members are given on pages 92 to 93 of this report. The following illustrates the key skills, composition, experience and personal attributes of the Directors of Union Assurance PLC.

Board Composition

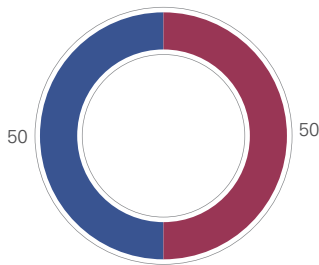
(No. of Directors)



- Chairman (Non-Independent Non-Executive Director)
- Non-Independent Non-Executive Directors
- Independent Non-Executive Directors

Independence

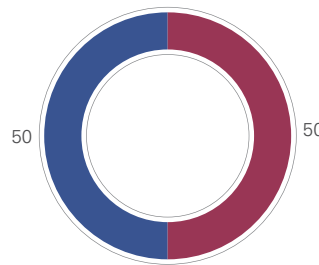
(%)



- Independent Non-Executive Directors
- Non-Executive Directors

Diversity - Age

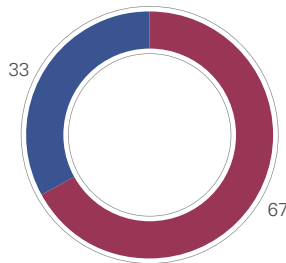
(%)



- 40-50
- 50-60

Overall Experience

(%)



- Over 25 years
- 15 to 25 years

Nationality

United Kingdom

1 Director -
Mr. S. Appleyard



Sri Lanka

5 Directors -
Mr. K. Balendra
Mr. S. Rajendra
Mr. D. Gamlath
Mr. D. Fernando
Mr. M. Arsakularatne



1.3 Board Responsibilities

In carrying out its responsibilities, the Board promotes a culture of openness, productive dialogue and constructive dissent, ensuring an environment which facilitates employee empowerment and engagement, while creating value to all stakeholders.

Board's key responsibilities include:



1.4 Chairman and Chief Executive Officer (CEO)

The roles and responsibilities of the Chairman and Chief Executive Officer are segregated, ensuring an appropriate balance of power and authority.

Chairman

Role:

Critical to preserving good Corporate Governance, the Chairman provides leadership to the Board, preserving order and facilitating the discharge of duties.

Responsibilities:

- Ensuring the effective participation of all Directors at meetings.
- Maintaining open lines of communication with Key Management Personnel.
- Ensuring constructive working relations between the Executive and Non-Executive Directors.
- Ensuring with the Board Secretary's assistance, that the Board procedures are followed and information is disseminated in a timely manner to the Board.

CORPORATE GOVERNANCE

HOW WE ADMINISTER CORPORATE GOVERNANCE

CEO

Role:

Provides executive leadership and expertise in the implementation of plans and achievement of strategic objectives.

The CEO is held accountable to the Board for the performance of the Company.

Responsibilities:

- Execution of strategies and policies set by the Board.
- Ensuring efficient management of business.
- Ensuring the operating model is aligned with short and long-term strategies of the Company.
- Succession planning of Senior Management.

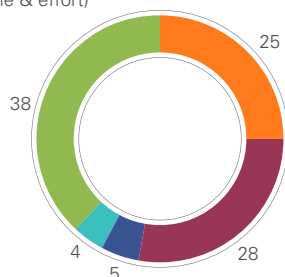
1.5 Board Meetings

The Board is well engaged and dedicates adequate time and effort for addressing Company matters. Board meetings are usually held once in every two months, unless business exigencies demand the convening of additional meetings. During the year 2021, the Board met on six (06) occasions.

The Board agenda is prepared by the Company Secretary, and reviewed and approved by the Chairman, where necessary in consultation with the CEO and members of the Board. The agenda and Board papers are generally shared seven (07) days prior to the Board meeting, allowing sufficient time for review of the same.

Key Focus Areas of the Board during 2021

(% time & effort)



- Finance
- Governance
- Human Capital
- Other
- Performance & Strategy



The attendance of Board meetings in 2021 is given below;

Name of Director	Date of Appointment	Eligibility	Attendance
Non-Executive Directors			
Krishan Balendra	01.01.2019	6	6
Suresh Rajendra	16.08.2011	6	6
Daminda Gamlath	10.06.2020	6	6
Independent Non-Executive Directors			
Dumith Fernando	03.08.2018	6	5
Stephen Appleyard	01.01.2019	6	6
Malinga Arsakularatne	14.07.2020	6	6

1.6 Board Appointments and Re-election

Board appointments follow a structured and formal process, within the purview of the Nominations Committee. Terms of Reference of the Nominations Committee and the Committee Report can be found on pages 113 to 114.

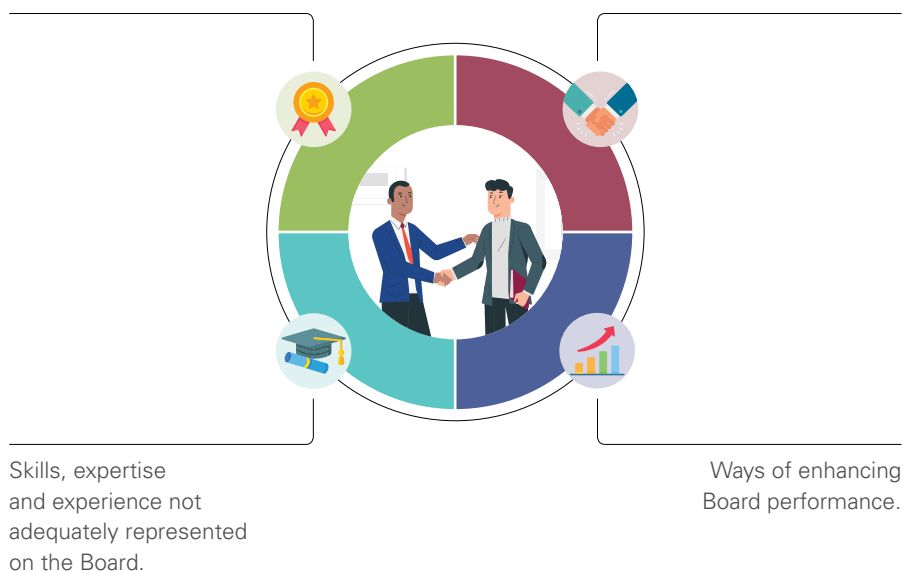
In accordance with the Articles of Association of the Company, one third of the Directors retire from office at each Annual General Meeting (AGM). The Directors except the Chairman to retire, shall be those who being subject to retirement by rotation, have been the longest in office since their last election, or appointment of a retiring Director who would be eligible for re-election by the Shareholders. Any Director who has been appointed to the Board during the year, holds office until the next AGM, and is eligible for re-election by the Shareholders.

- There were no new Appointments, Resignations or Retirements during the year 2021.
- Re-elections:
 - Mr. S. Rajendra will offer himself for re-election at the AGM to be held on 31 March 2022 in terms of Article 84 of the Articles of Association of the Company.
 - Mr. S. A. Appleyard will offer himself for re-election at the AGM to be held on 31 March 2022 in terms of Article 84 of the Articles of Association of the Company.

Key Considerations for Board Appointments

Process followed to ensure the selection of a candidate who possesses the required qualities.

Skills, expertise and experience necessary to meet the strategic vision of the business.



Details of new Directors are disclosed to the Shareholders at the time of their appointment by way of announcement through the CSE, as well as in the Annual Report. Directors are required to report any substantial changes in their professional responsibilities and business associations to the Nominations Committee, which will examine the facts and circumstances, and make recommendations to the Board accordingly.

1.7 Board Independence

All the Directors of Union Assurance PLC are Non-Executive Directors, with three Independent Non-Executive Directors and three Non-Independent Non-Executive Directors. All Directors are independent of Company Management and free of business dealings that may be perceived to interfere with the exercise of their unfettered and independent judgement. They submit annual declarations to this effect, which are evaluated to ensure compliance with criteria for determining independence, in line with regulatory requirements.

Compliance of Independent Non-Executive Directors in terms of their interest in business, is as follows;

Director	Employment in the Company (A)	Material Business Relationship (B)	Close Family Member is a Director or CEO (C)	Carrying not Less than 10% of Voting Rights (D)	Continuously Served for more than Nine Years (E)	Business Connection (F)	Director/ Shareholder in another Entity (G) and (H)
Malinga Arsakuratne	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Dumith Fernando	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Stephen Appleyard	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant

CORPORATE GOVERNANCE

HOW WE ADMINISTER CORPORATE GOVERNANCE

- ✓ (A) Has not been employed by the Company during the period of two years immediately preceding appointment as a Director.
- ✓ (B) Currently has no material business relationship with the Company directly or indirectly, nor had any such relationship during the period of two years immediately preceding appointment as a Director.
- ✓ (C) Does not have any close family member/s who is a Director or CEO or part of the Key Management Personnel in the Company.
- ✓ (D) Does not have a significant shareholding in the Company (shareholding carrying 10% or more of voting rights in the Company).
- ✓ (E) Has not served on the Board of the Company for a period exceeding nine years from the date of first appointment.
- ✓ (F) Self or close family member is not a Director or employee of another Company or a trustee, which is materially connected to the Company in terms of shareholding or business relationship.
- ✓ (G) Not a Director of another Company in which majority of the other Directors are employed/Directors have a significant shareholding.
- ✓ (H) Does not have any material business relationship or a significant shareholding in another Company, in which majority of the other Directors are employed/Directors have a significant shareholding.

Directorship Details of the Board Members

The following table illustrates the total number of Board seats held in other listed and unlisted companies by each of the six Directors.

Name of Director	Total Number of Directorships held in other companies	Number of Board seats held in Listed Companies		Number of Board seats held in Unlisted Companies
		Executive Capacity	Non-Executive Capacity	
Krishan Balendra (Chairman)	18	1	7	10
Dumith Fernando	18	-	1	17
Stephen Appleyard	-	-	-	-
Suresh Rajendra	19	-	3	16
Malinga Arsakularatne	17	-	1	16
Daminda Gamlath	19	1	1	17

1.8 Supply of Information

The Board pack is circulated at least seven days in advance and provides comprehensive qualitative and quantitative information on issues to be discussed at the meeting, ensuring robust discussions, informed deliberations and effective decision making.

The Chairman ensures that all Directors are briefed on the same, by requiring the presence of members of the Senior Management of the Company where necessary. Directors have independent access to Senior Management and unrestricted access to organisation information/resources, to discharge their duties. The Senior Management regularly makes presentations and keeps the Board abreast of important matters including strategy, regulatory updates, risk management, etc.

1.9 Access to Independent Professional Advice

To preserve the independence of the Board and to strengthen decision making, the Board is encouraged to seek independent professional advice, in furtherance of their duties at the Company's expense. This is coordinated through the Company Secretary, as and when requested.

1.10 Board Induction and Training



Directors undergo a comprehensive induction on appointment, where they are apprised, inter-alia of the Company values and culture, its operating model, policies, governance framework and processes, the Code of Conduct and operational strategies of the Company. Additionally, they are provided with the opportunity to meet with Key Management Personnel, External and Internal Auditors and visit key areas of operations, to obtain a better understanding of the business.

The Board of Directors recognises the need for continuous training, expansion of knowledge and undertakes such professional development as they may consider necessary, in assisting them to carry out their duties as Directors.

1.11 Board Appraisal

The annual appraisal to assess the effectiveness of the Board was carried out in January 2022, using a questionnaire covering the operations of the Board and each of its principal Committees. The findings were tabled and discussed at the Board meeting held on 27 January 2022.

1.12 Appraisal of the CEO

The Board discusses and sets financial and non-financial targets at the beginning of each financial year to be achieved during the year by the CEO and aligned to the short, medium and long-term objectives of UA. Performance is reviewed at the end of the year against the backdrop of the operating environment, and remuneration revised based on performance.

1.13 Fair Remuneration

The Company has established a formal and transparent procedure for the determination of remuneration of individual Directors. No Director is involved in deciding his or her own remuneration. Accordingly, the Human Resources and Compensation Committee comprised solely of Independent Non-Executive Directors of the Parent Company- John Keells Holdings PLC, functions as the Remuneration Committee of the Company as permitted by the Listing Rules of the CSE.

Due care is taken to ensure that the remuneration paid to Board members is commensurate with their skills, knowledge, competencies, involvement in Board activities, and in reference to fees paid to other Non-Executive Directors of

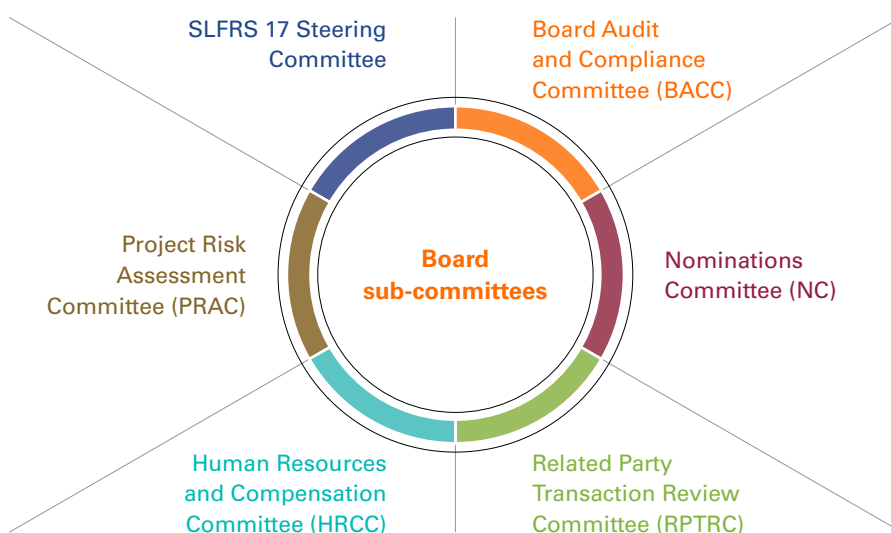
comparable companies. The Non- Executive Director fee was reviewed, and no changes were made during the year 2021.

The break-up of remuneration paid to Directors is disclosed among the other disclosures regarding remuneration in Note 21 on page 203 of the Annual Report.

1.14 Board sub-committees as at 31 December 2021

The Board has delegated some of its functions to Board sub-committees, while retaining decision rights. Members of these sub-committees are able to focus on their designated areas of responsibility, and impart knowledge/oversight in areas where they have greater expertise. Recommendations of these Committees are addressed directly to the Board, and minutes of meetings are tabled and discussed at the main Board meetings.

The Board sub-committees of UA are as follows:



Board Sub Committees comprised predominantly of Independent Non-Executive Directors

Board Committee	Areas of Oversight	Detailed Information and the Committee Report
SLFRS 17 Steering Committee (SLFRS 17 Steer. Co.)	- Review the SLFRS 17 project roadmap & the strategic way forward. - Keep the BACC and the Board apprised of the progress made, on the transition to SLFRS 17	Report of the SLFRS 17 Steer. Co. on page 110
Board Audit and Compliance Committee (BACC)	- Financial reporting - Internal controls & Risk management - Internal & External Audits	Report of the BACC on pages 111 to 113
Nominations Committee (NC)	- Appointment of Key Management Personnel - Succession planning of the Board - Effectiveness of the Board and its Committees	Report of the NC on pages 113 to 114
Related Party Transaction Review Committee (RPTRC)	Disclosure and review of Related Party Transactions	Report of RPTRC on Page 114

CORPORATE GOVERNANCE

HOW WE ADMINISTER CORPORATE GOVERNANCE

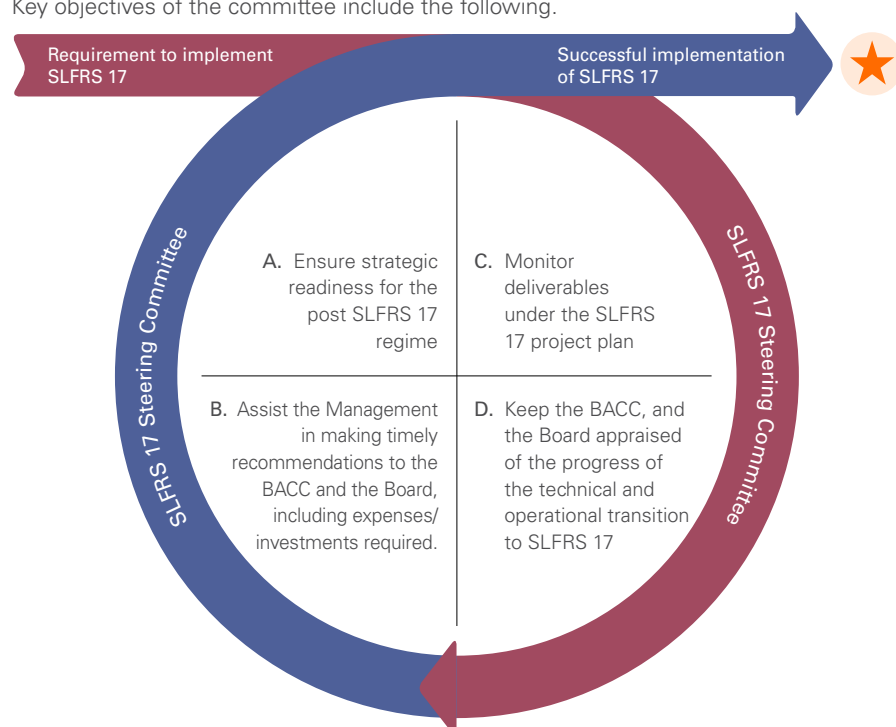
Board Committee	Areas of Oversight	Detailed Information and the Committee Report
Human Resources and Compensation Committee (HRCC)	- Review remuneration policy - Succession planning of Key Management Personnel - Review and recommend performance-based payment plans	Report of the HRCC on page 115
Project Risk Assessment Committee (PRAC)	- Review and assess large scale investments and projects - Evaluate project risks	Report of the PRAC on page 115

SLFRS 17 STEERING COMMITTEE REPORT (SLFRS 17 STEER. CO.)

Purpose and key objectives of the Committee

The Terms of Reference (ToR) of the SLFRS 17 Steering Committee aim to assist the Management of the Company, the Board Audit & Compliance Committee (BACC) and the Board of Directors (the Board), by overseeing the SLFRS17 implementation.

Key objectives of the committee include the following.



Sherin Cader (CFO – Sector)

Executive Vice President/Chief Financial Officer of the Financial Services Industry Group of John Keells Holdings PLC
Appointed w.e.f. 01.06.2021

Permanent Invitees:

The CEO, CFO, CIO and the CAO are regular attendees for meetings. The other members of the Executive Committee of the Company attend meetings by invitation on a need basis.

Secretary to the Committee

Sherin Cader - Executive Vice President/Chief Financial Officer of the Financial Services Industry Group of John Keells Holdings PLC.

Meetings

Six (06) meetings were held during the year 2021.

Name of Committee Member	Eligibility to attend/ Attended
Stephen Appleyard	6/6
Suresh Rajendra	6/6
Sherin Cader	6/6

Composition of the Committee as at 31 December 2021:

Stephen Appleyard (Chairman)
Independent Non-Executive Director
Appointed w.e.f. 01.06.2021

Suresh Rajendra (Director)
Non-Executive Director
Appointed w.e.f. 01.06.2021

REPORT OF THE BOARD AUDIT AND COMPLIANCE COMMITTEE (BACC)

Terms of Reference

The Board approved Committee Charter clearly defines the Terms of Reference (TOR) of the BACC, and regulates its composition, role and responsibilities.

The role of the Committee is to assist the Board of Directors in fulfilling its oversight responsibilities over financial reporting, internal controls and risk management, compliance with legal and regulatory requirements, external audits and the adequacy and performance of the Internal Audit function of the Company.

Key Responsibilities of the BACC :

Ensure Integrity of Financial Statements

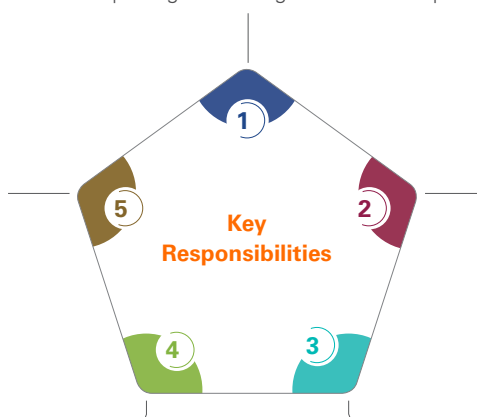
Ensuring the integrity of the Financial Statements of the Company and that a sound financial reporting system is in place to provide accurate, appropriate and timely information to the Management, Regulatory Authorities and Shareholders in compliance with Sri Lanka Accounting Standards, the Regulation of Insurance Industry Act, Companies Act, Listing Rules of the CSE and other financial reporting related regulations and requirements.

Going Concern

Assessing the Company's ability to continue as a going concern in the foreseeable future.

Independent Oversight

Exercising independent oversight over the Company's assurance functions, including External and Internal Audit. Ensuring the independence and effectiveness of both the Internal and External Audit functions.



Internal Controls

Monitoring and reviewing the adequacy and effectiveness of the Company's internal control system, and risk management function.

Compliance

Reviewing the Company's compliance with relevant legal and regulatory requirements.

Authority of the BACC

The Committee is empowered to carry out any investigations it deems necessary, and has unrestricted access to records, data, reports to Management and staff, in order to obtain relevant information considered necessary in the discharge of its duties and responsibilities.

The Committee seeks external professional advice as and when required.

The Chairman and the members of the Committee were in regular contact with the Management of the Company, through numerous meetings and communications to oversee the audit and control aspects of various initiatives the Company undertook during the year.

Key focus areas and functions during the year were as follows:

Financial Reporting

- Reviewed the Company's financial reporting process to ensure Financial Statements are prepared in compliance with relevant laws/regulations, and reflect a true and fair view on the financial position and performance of the Company.
- Reviewed and recommended to the Board for approval, the Annual and the Quarterly Financial Statements prior to their release, taking the following areas into account in particular:
 - (i) major judgemental areas,
 - (ii) changes in accounting policies and practices, if any,
 - (iii) any significant adjustments arising from the External Audit,
 - (iv) the validity of the going concern assumption,

- (v) the impact of the ongoing Pandemic on the business and possible impact on the financials, and

- (vi) compliance with all applicable regulatory provisions, including the Sri Lanka Financial Reporting Standards, the Companies Act, the Insurance Industry Act and amendments thereto, and other legal requirements.

- Assessed the adequacy of the internal controls and procedures, to obtain reasonable assurance that the financial reporting system is effective in providing reliable and timely information.

Internal Controls and Risk Management

- The Committee satisfied itself that adequate controls and procedures are in place to provide reasonable assurance to the effect that the Company's assets are safeguarded.

CORPORATE GOVERNANCE

REPORT OF THE BOARD AUDIT AND COMPLIANCE COMMITTEE (BACC)

- Reviewed the organisational risk register on a quarterly basis, illustrating the foreseeable risks the Company faces, likelihood and possible impact to the business, and action taken to mitigate such risks.
- Further reviewed the effectiveness of the Company's internal controls and risk management processes, through audit findings and recommendations by the External Auditors and Internal Auditors, as per the annual audit plan. Further specific focus area reviews and audits were conducted by the Audit, Risk and Compliance division of the Company.
- Data protection and Cyber Security are regularly addressed during the BACC.

Internal Audit

The Committee monitors the effectiveness of the Internal Audit function and is responsible for recommending to the Board their appointment or removal, and for ensuring they are adequately resourced to conduct audits.

- Monitored and reviewed the scope, extent, methodology and effectiveness of the Internal Audit function. The scope was designed based on a fraud deterrent framework, which was implemented across the JKH group by the Group Business Process Review (GBPR).
- Reviewed 40 Internal Audit reports during the year, covering operations of 36 Branch locations and several Head Office functions including Underwriting, Claims, Re-insurance, Finance, Human Resources, Sales Force Administration, Investments and Information Technology.
- Ensured the Internal Audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care.
- Met the Internal Auditors without the presence of Key Management Personnel during the year.
- The Audit, Risk & Compliance Division updated the BACC frequently on the progress of outsourced Internal Audits, significant audit observations, progress on routine & specific audits conducted by the Division, the status of

previously reported audit observations, and the BACC sought clarifications on any concerns which may warrant the attention of the BACC.

Composition of the Committee as at 31st December 2021

The Audit Committee comprises of Non-Executive Directors, where majority are Independent Directors. Further the composition of the committee complies with the requirement of having at least one member with significant, recent and relevant Financial Management and Accounting experience, along with a Professional Accounting qualification. Please refer to the BoD profiles on pages 92 to 93.

Malinga Arsakularatne (Chairman)

Independent Non-Executive Director
Appointed w.e.f. 14.07.2020

Dumith Fernando

Independent Non-Executive Director
Appointed w.e.f. 03.08.2018

Suresh Rajendra

Non-Executive Director
Appointed w.e.f. 26.09.2011

Regular Attendees by Invitation

Jude Gomes

Chief Executive Officer

Asha Perera

Chief Financial Officer

Rehan Ismail

Assistant Vice President - Audit & Compliance

Hisham Nazeem

Head of Group Business Process Review - John Keells Holdings PLC

Other Invitees

Other Members of the Executive Committee of the Company
External and Internal Auditors

Secretary to the Committee

Sherin Cader - Executive Vice President/ Chief Financial Officer of the Financial Services Industry Group of John Keells Holdings PLC

BACC Meetings

Six (06) meetings were held during the year. Minutes of the BACC meetings are regularly reported to the Board.

Name of Committee Member	Eligibility to attend/ Attended
Mr. Malinga Arsakularatne	6/6
Mr. Suresh Rajendra	6/6
Mr. Dumith Fernando	6/5

Independence and Objectivity of the External Auditors

The Committee has policies in place aimed at safeguarding and supporting the independence and objectivity of the External Auditors. The services provided by the External Auditors were segregated between what requires an independent view, such as audit and assurance services and other advisory services such as tax consultancy. The work is assigned in a manner to prevent a conflict of interest for the External Auditor.

- Assisted the Board in engaging External Auditors for audit and non-audit services, in compliance with regulatory provisions.
- Discussed the audit plan, scope and the methodology proposed to be adopted in conducting the audit with the Auditors, prior to commencement of the Annual Statutory Audit.
- Reviewed the audit and non-audit work assigned during the year, and monitored the independence, objectivity and effectiveness of the External Auditor.
- Reviewed audit findings, management letters and management responses.

Messrs. KPMG have been functioning as the External Auditor from 1988. The last Engagement Partner rotation was carried out in the year 2020, with the KPMG Engagement Partner having completed six years. The Committee reviewed the audit and non-audit work that is assigned to Messrs. KPMG, to ensure that provision of such services does not impair their independence.

External Auditors, Messrs. KPMG, have made a declaration as required by the Companies Act, confirming that they do not have any relationship or interest in the Company, which may have a bearing on their independence within the meaning of the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka.

Oversight on Regulatory Compliance

The Committee with the assistance of the Internal Auditors, External Auditors, and the Audit, Risk and Compliance division of the Company, closely scrutinises compliance with mandatory statutory requirements, reviewing alignment of the systems and procedures in place to ensure compliance with such requirements.

Further, the BACC continued to monitor and oversee the bottom-up compliance sign off process, to ensure compliance of all functions within the Company. This process provides comfort to Senior Management and the Board, that staff at all functions are aware and conduct business transactions as per laid down rules and procedures. This process is also verified by internal auditors as part of the Audit scope. Please refer further details on the structure of the bottom-up compliance signoff process on page 122.

Report of External Actuary

Written representations were received from the independent external Actuary, summarising the observations and comments with regard to the work they performed. The Committee met the independent external Actuary, without the presence of Key Management Personnel during the year.

Ethics and Good Governance

The Committee continuously emphasises the importance of upholding ethical values by all staff members. The Code of Ethics and Whistle-Blower Charter, ensures all members of staff are encouraged to resort to Whistleblowing, if they suspect wrong doings or other improprieties.

All appropriate procedures are in place to conduct independent investigations, into incidents reported through Whistle-Blowing or identified through other means. The Whistle-Blower Charter guarantees strict confidentiality of the identity of Whistle-Blowers. The Committee reviewed and revised the Whistle-Blowing policy during the year.

Evaluation of the Committee

A self-evaluation exercise is conducted annually with input by each member of the Committee and in addition by the External and Internal Auditors, CEO, CFO and the Secretary of the Committee. The outcome of the evaluation was presented to the Board and it was determined that the Committee was effective.

Re-Appointment of the External Auditors

The Committee has recommended to the Board that Messrs. KPMG be re-appointed as auditors for the financial year ending 31 December 2022, subject to approval by the Shareholders at the next Annual General Meeting. The Committee recommends the fees payable to the auditors, for approval by the Board.

Conclusion

The Committee is satisfied that internal controls have been operating as designed, and the Company's assets have been adequately safeguarded during the period under review.

The Committee is also satisfied that the Company's Internal and External Auditors have been effective and independent throughout the period. The Committee believes that the Company's accounting policies are appropriate, and have been applied accurately.



Malinga Arsakularatne
Chairman
Board Audit and Compliance Committee

28 February 2022

REPORT OF THE BOARD NOMINATIONS COMMITTEE (NC)

Terms of Reference

- Define and establish the nomination process for Non-Executive Directors (NEDs), pilot the process of Board appointments and make recommendations to the Board on the appointment of Non-Executive Directors.
- Assess what skills are required on the Board, given the needs of the business.

- Prepare a clear description of the role/capabilities required for appointments.
- Identify and recommend suitable candidates for appointments to the Board.
- Ensure that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment, specifying clearly the expectations in terms of time commitment, involvement outside of formal Board meetings, participation in Committees amongst others.

- Ensure that every appointee undergoes an induction to the John Keells Group.

Composition of the Committee

The Committee comprised the following Directors of the Parent Company, John Keells Holdings PLC (JKH) as at 31 December 2021:

- **Ashroff Omar** (Chairman) Independent Non-Executive Director of John Keells Holdings PLC

CORPORATE GOVERNANCE

REPORT OF THE BOARD NOMINATIONS COMMITTEE (NC)

- Krishan Balendra**
Executive Director/Chairman and CEO of John Keells Holdings PLC
- Premila Perera**
Independent Non-Executive Director of John Keells Holdings PLC
- Hans Wijayasuriya**
Independent Non-Executive Director of John Keells Holdings PLC

Secretary to the Committee

The Secretary to the Board of John Keells Holding PLC is the Secretary of the Committee.

Meetings

Three (03) meetings were held during the year 2021.

Name of Committee Member	Eligibility to attend/ Attended
Ashroff Omar	3/3
Krishan Balendra	3/3
Premila Perera	3/3
Hans Wijayasuriya	3/3

The self-review of the mandate and scope of the Committee, reaffirmed that it exists to:

- To recommend to the Board, the process of selecting the Chairman and Deputy Chairman. The appointment of the Chairperson and Executive Directors is a collective decision of the Board.
- To identify suitable persons who could be considered for appointment to the Board of the Parent Company - JKH PLC and other Listed Companies in the Group, as Non-Executive Directors.
- Make recommendations on matters referred to it by the Board.

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE (RPTRC)

As the Parent Company is also a listed Company, the Securities and Exchange Commission of Sri Lanka (SEC) has permitted the Related Party Transactions Review Committee of the Parent Company, to represent the listed Companies within the JKH Group, of which UA is a member.

Objective

To exercise oversight on behalf of the Board of UA, in complying with the Code on Related Party Transactions (RPTs), issued by the Securities and Exchange Commission of Sri Lanka ("The Code"), and with the Listing Rules of the Colombo Stock Exchange (CSE). The Committee has also adopted best practices as recommended by CA Sri Lanka and the CSE.

Functions

The Committee primarily relied on processes that were validated from time to time, periodic reporting by the relevant entities and Key Management Personnel (KMP), with a view to ensuring:

- compliance with the Code;
- protection of Shareholder interests; and

- maintenance and preservation of fairness and transparency.

The Committee has always reviewed and pre-approved all proposed non recurrent RPT's of the Company.

Further, recurrent RPTs were reviewed annually by the Committee.

Composition of the Committee

The Committee comprised the following Directors of the Parent Company, John Keells Holdings PLC (JKH) as at 31 December 2021:

Premila Perera (Chairperson)

Independent Non-Executive Director of John Keells Holdings PLC

Amal Cabraal

Independent Non-Executive Director of John Keells Holdings PLC

Nihal Fonseka

Independent Non-Executive Director of John Keells Holdings PLC

Regular Attendees by Invitation

Krishan Balendra

Executive Director/Chairman and CEO of John Keells Holdings PLC

Gihan Cooray

Executive Director/Deputy Chairman/ Group Finance Director of John Keells Holdings PLC

Mohan Thanthirige

Group Financial Controller of John Keells Holdings PLC

Secretary to the Committee

Hisham Nazeem

Head of Group Business Process Review of John Keells Holdings PLC

Meetings

Four (04) meetings were held during the year 2021.

Name of Committee Member	Eligibility to attend/ Attended
Premila Perera	4/4
Amal Cabraal	4/4
Nihal Fonseka	4/4

Conclusion

The activities and views of the Committee are communicated to the Board of Directors quarterly, through verbal briefings and by tabling the minutes of the Committee meetings.

REPORT OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE (HRCC)

Terms of Reference

- Review and recommend the overall remuneration philosophy, strategy, policies, practices, and performance - based pay plans for the Group.
- Determine and agree with the Board on a framework for remuneration of the Chairman and Executive Directors, based on performance targets, benchmark principles, performance related pay schemes, industry trends and past remuneration.
- Succession planning of the Key Management Personnel.
- Determining the compensation of Non-Executive Directors, will not be covered under the scope of this Committee.

Composition of the Committee

The Committee comprised the following Directors of the Parent Company, John Keells Holdings PLC (JKH) as at 31 December 2021:

Amal Cabraal (Chairman)

Independent Non-Executive Director of John Keells Holdings PLC

Ashroff Omar

Independent Non-Executive Director of John Keells Holdings PLC

Hans Wijayasuriya

Independent Non-Executive Director of John Keells Holdings PLC

Regular Attendees by Invitation

Krishan Balendra

Executive Director/Chairman/CEO of John Keells Holdings PLC (unless Chairman/CEO/Executive Director remuneration is under discussion)

Gihan Cooray

Executive Director/Deputy Chairman/Group Finance Director of John Keells Holdings PLC (unless Executive Director Remuneration is under discussion)

Secretary to the Committee

Deputy Chairman/Group Finance Director is the Secretary of the Committee.

Meetings

Two (02) meetings were held during the year 2021.

Name of Committee Member	Eligibility to attend/ Attended
Amal Cabraal	2/2
Ashroff Omar	2/2
Hans Wijayasuriya	2/2

REPORT OF THE PROJECT RISK ASSESSMENT COMMITTEE (PRAC)

The Committee was established in July 2018 with the following objectives:

Purpose

- Identifying, reviewing and assessing risks associated with large-scale investments and the mitigatory plans thereto.
- Ensuring that stakeholder interests are aligned, as applicable in making investment decisions.
- Where appropriate, obtaining the specialised expertise required from external sources to evaluate the risks, in consultation with the Group Finance Director.
- Recommending to the Board, any necessary actions required to mitigate risks that are identified during the course of evaluating a project, to ensure that those risks are captured for monitoring and mitigation.

Composition of the Committee

The Committee comprised the following Directors of the Parent Company, John Keells Holdings PLC (JKH) as at 31 December 2021:

Hans Wijayasuriya (Chairman)

Independent Non-Executive Director of John Keells Holdings PLC

Premila Perera

Independent Non-Executive Director of John Keells Holdings PLC

Krishan Balendra

Executive Director/Chairman and CEO of John Keells Holdings PLC

Gihan Cooray

Executive Director/Deputy Chairman/Group Finance Director of John Keells Holdings PLC

The mandate requires the Committee to comprise a minimum of four Directors, including two Non Executive Directors, the Group Chairman and

the Group Finance Director. The Committee Chairman must be a Non-Executive Director.

Secretary to the Committee

Deputy Chairman/Group Finance Director is the Secretary of the Committee.

Meetings

As per the Mandate, the Committee convenes only when there is a need to transact any business.

One (01) meeting was held during the year 2021.

Name of Committee Member	Eligibility to attend/ Attended
Hans Wijayasuriya	1/1
Premila Perera	1/1
Krishan Balendra	1/1
Gihan Cooray	1/1

CORPORATE GOVERNANCE

DIRECTORS' STATEMENT ON INTERNAL CONTROLS

The following statement fulfils the requirement to publish the Directors' statement on Internal Controls, as per the Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka.

The Board of Directors is responsible for the adequacy and effectiveness of the Internal Controls System at UA. It is designed to manage the Company's key risk areas within an acceptable risk profile. The Board has established a continuous process for identifying, evaluating and managing the significant risks faced by the Company, and this process includes enhancing the system of Internal Controls as required, based on the changes to the operating environment and/or regulatory guidelines.

The Board has structured an Enterprise Risk Management (ERM) process to identify the key risks impacting the business and mitigating actions by the Management. The Company's Management implements policies on risk and controls set by the Board, and are accountable to the Board for monitoring and providing assurance as to their effectiveness. The Company has commissioned Messrs. PricewaterhouseCoopers (PwC) as the independent Internal Auditors to ensure the effectiveness of the Internal Control Systems. Several processes have been improved during the year and in the past, as a result of these audit engagements. The Management assists the Board in the implementation of the Board's policies and procedures on risk and control, by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable Internal Controls to mitigate and control such risks.

The Board has implemented the following actions to obtain reasonable assurance that proper systems of Internal Controls are in place;

- Delegated certain key responsibilities to Board sub-committees, where the members of these Committees have adequate expertise to assist in discharging the Board's duties and to improve governance.
- Maintained an effective Board Audit and Compliance Committee (BACC), and an independent Internal Auditor to review and report on the Internal Control Environment of the Company.

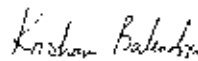
- The minutes of the BACC meetings are tabled at regular Board meetings. The BACC reviews and approves the Internal Audit plan for each year, and the plan is structured on a matrix based on key risk areas and delivery dates. The report of the BACC provided on pages 111 to 113 of the Annual Report, provides details of the oversight responsibilities of the BACC, which are performed to assist the Board.
- The Internal Auditors conducted regular reviews to ensure the effective design and implementation of Internal Controls. The reports are discussed and reviewed by the BACC, and improvements to the processes have been/are being implemented where required.
- The Audit, Risk and Compliance division which oversaw the functions of Internal Audit, Compliance and Risk Management, independently reported the progress on relevant matters to the BACC. The Division also updated the BACC on the progress of its independent audits and process/system control reviews conducted, along with the progress of new initiatives taken towards improving controls and to strengthen the compliance function.
- Concerning Information Technology (IT) controls, the Board has initiated and maintained multiple mechanisms; IT system audits were carried out to ensure the integrity of financial information. Data security and adequate access controls are in place with regards to both processing and privacy of data. In addition to the year-end system review, the External Auditors performed a follow up on all critical IT applications/systems reviewed during the previous year.
- The Company continued to implement a bottom-up Enterprise Risk Management (ERM) process, which is an ongoing process for identifying, evaluating and managing risks faced by the Company. A summary of the key risks is updated in a risk register and reported to the BACC on a quarterly basis by the Audit, Risk and Compliance division. Quarterly updates also include new risks, mitigating actions and modifications of the risk statuses of previously identified risks. The process continued to be effective during the year under review.

- Policies/charters are developed covering all functional areas of the Company, and these are approved by the Board or Board approved committees. Such policies and charters are reviewed and approved periodically.
- The BCP which was activated progressively ahead of the COVID-19 Pandemic, was highly successful in implementation throughout the year. The Business Continuity Plan (BCP) was tested during the year under review, and the BCP was updated with the support of an external consultant in a rapidly changing operating environment.
- The BACC continued to monitor the progress of the bottom-up compliance sign off process, which strengthens the control environment.

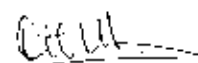
Conclusion

The Board having implemented the above, is aware that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, not absolute assurance against material misstatements of loss.

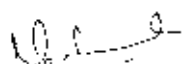
The Board confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting. The Financial Statements have been prepared in accordance with applicable accounting standards, requirements of the Companies Act No.7 of 2007, Regulation of Insurance Industry Act No. 43 of 2000, subsequent amendments and the listing rules of the Colombo Stock Exchange.



Krishan Balendra
Chairman



Dumith Fernando
Director



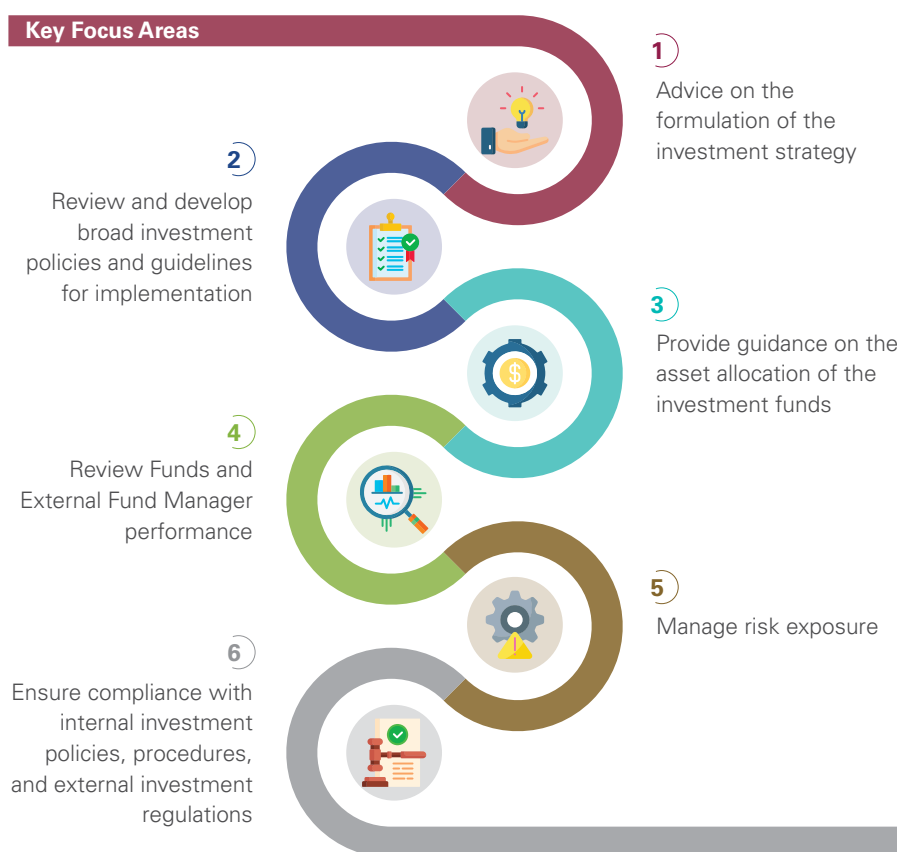
Malinga Arsakularatne
Chairman
Board Audit and Compliance Committee

28 February 2022

1.15 Report of the Investment Committee (IC)

Terms of Reference

The Committee is guided by the Board approved Investment Policy Statements (IPS). The purpose of the Committee is to assist the Board of Directors to fulfil their responsibility to Shareholders and Policyholders, in relation to the management of the investment portfolios including the development of overall and portfolio specific investment guidelines. Within this framework, the Committee performs the following duties;



During the year, the Committee reviewed and updated the investment policies and procedures, to reflect changes to all applicable regulatory requirements and market conditions.

Composition

The Chairman of the Committee, Gihan Cooray has extensive knowledge and experience in the fields of Accounting, Taxation, Corporate Finance and Strategy, Treasury and Information Technology. He is the Deputy Chairman/Group Finance Director of John Keells Holdings PLC and Chairman of Nations Trust Bank PLC. He serves as a Committee Member of the Ceylon Chamber of Commerce.

The Committee solicits the services of economists and other experts in related fields, to aid in the decision-making process.

Composition of the Committee

Gihan Cooray - (Chairman)

Executive Director/Deputy Chairman/
Group Finance Director - John Keells
Holdings PLC

Malinga Arsakularatne

Independent Non-Executive Director
(appointed w.e.f. 27/01/2022)

Jude Gomes

Chief Executive Officer

Asha Perera

Chief Financial Officer

Jayaraman Muthukrishnan

Chief Actuarial Officer (appointed w.e.f.
01/09/2021)

Nalin Subasinghe

Chief Actuarial Officer (resigned w.e.f.
12/10/2021)

Angelo Keil

Head of Investment

Regular Attendees by Invitation

Sherin Cader

Executive Vice President/Chief Financial
Officer of the Financial Services Industry
Group of John Keells Holdings PLC

Aruni Fernando

Manager Middle Office

**An Independent Professional in the
fields of economics, risk and investment
management.**

External outsourced Equity Fund Manager

Meetings

Thirteen (13) meetings were held during the year. The minutes of the Committee meetings are presented to the Board of Directors, along with a detailed list of investments and their performance during the period.

Name of Committee Member	Eligibility to attend/ Attended
Gihan Cooray	13/13
Jude Gomes	13/13
Asha Perera	13/13
Nalin Subasinghe	9/9
Jayaraman Muthukrishnan	4/4
Malinga Arsakularatne	-

CORPORATE GOVERNANCE

Summary of Key Activities of the Key Focus Areas



The following core principles of asset management continued to be adopted during the year:

1. An effective and efficient governance structure

- UA's investment function is driven by the Investment Committee. The Committee assists the Board of Directors to fulfil their responsibilities to Shareholders and Policyholders, in relation to management of the investment portfolios. The Committee is guided by the Board approved Investment Policy Statements.
- Solicited robust external expertise to provide advice on the economic environment and other specialised areas.
- Reviewed investment performance on a monthly basis, appraised investment proposals submitted by the Management and set the investment strategy.

2. Formulated the broad investment strategy and set policies, procedures and risk parameters

- Formulate appropriate investment policies for each Fund.
- Adopted the most suitable and appropriate investment strategies, after considering changes in the economic environment and any uncertainties.

3. Continuous assessment of the external environment in order to adjust asset allocation decisions to take advantages of these volatilities

- Detailed discussions on a monthly basis on the economic climate and the potential impact on investments.
- Provided guidance on how to change duration, during times of uncertainty that prevailed due to political and COVID related events.

- Conducting a detailed analysis of market conditions and issuers, when evaluating new investments. All investments are compliant with regulations that impact the Company. All transactions are entered into on an arm's length basis, and follows guidelines set by the Parent Company's Related Party Transactions Review Committee.

4. Evaluating and identifying suitable investments for strategic investment products launched by the Company

- Structured investments that provided sufficient yields, to match the single premium products launched.

5. Improved all the internal control mechanisms relating to investment activities

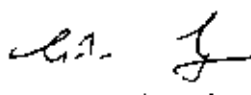
- Processes in place to ensure the integrity of the investment activities. Front Office, Middle Office and Back Office functions have been segregated to ensure proper workflow segregation.
- Strictly enforced authority and dealing limits via the Manual of Financial Authority (MOFA).
- Introduced a new process to record security transactions in the SAP treasury module, which improved the transparency of all transactions carried out and recorded in SAP.

6. The Middle Office function

The Middle Office monitors and controls the treasury activities of UA, through enforcement of procedures which are defined by the Investment Committee and the IRCSL. The Middle Office is responsible for daily valuation, monitoring & reconciliation of investment assets and collateral management. Regular checks are carried out and controls are further strengthened to ensure compliance of investment transactions.

Conclusion

In view of all of the above, the Committee was satisfied with the performance of the Funds under management during the year, and the policies and procedures in place for management of the invested funds.

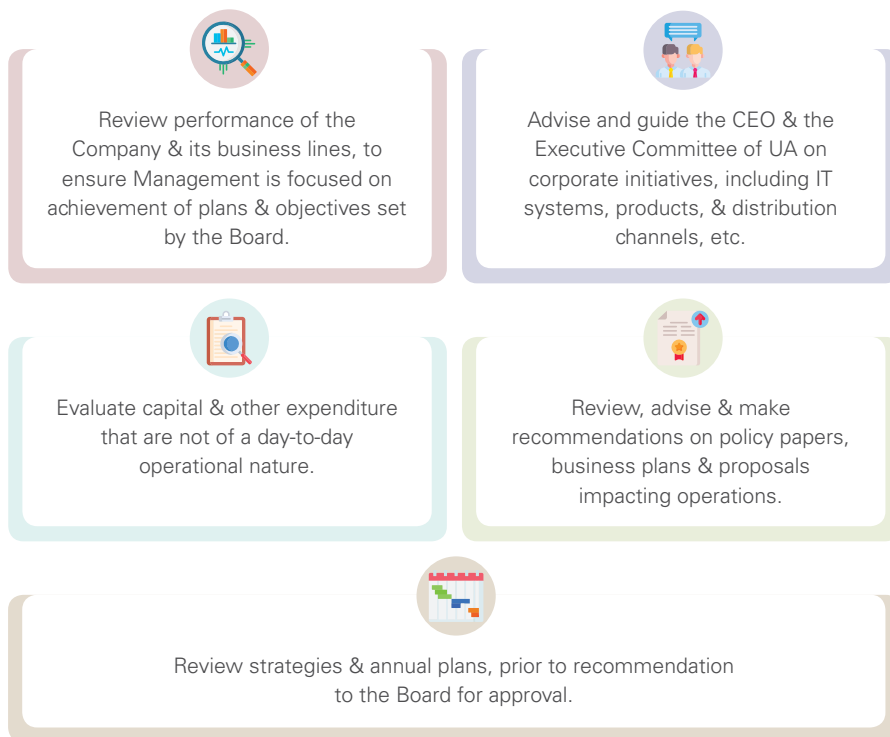


Gihan Cooray
Chairman
Investment Committee

28 February 2022

1.16 Corporate Senior Management Committee (CSMT)

The CSMT Committee is chaired by Suresh Rajendra, Non-Executive Director, and this Committee continues to ensure a well devolved Executive Committee structure. The role, key focus areas and activities of the CSMT are given below;



1.17 Executive Committee (ExCo) of Union Assurance

The ExCo consist of nine members of the Senior Management team, including the Chief Executive Officer of the Company. Led by the CEO, the ExCo drives corporate strategy and operationalises Company policies. They are responsible for the day-to-day operational management of the business.

Key Focus Areas of the ExCo



CORPORATE GOVERNANCE

ExCo Sub Committees

In addition, the below specific Committees comprising of Senior Management personnel have been set up to manage operations of UA in an efficient, transparent and effective manner. Their objectives and functions are depicted below;



1.18 Company Secretary

All Directors have access to the advice and services of the Company Secretary; Keells Consultants (Private) Limited.

 The Shareholders may contact the Company Secretary, Keells Consultants (Private) Limited on 0112306245 during working hours from 8.30 a.m. to 4.30 p.m., for any Company related information requirements.

Key responsibilities include:

- Guiding the Board and all individual Directors in the proper discharge of their duties and responsibilities.
- Acting as a central source of guidance on matters of ethics and governance.

- Ensuring Board compliance with relevant rules and regulations.
- Retaining and maintaining minutes, registers and similar records of the Company.
- Induction of new Directors.
- Assisting the Chairman and the Chief Executive Officer in determining the Annual Board plan.
- Making necessary disclosures on Related Party Transactions, as required by laws and regulations.
- Acting as a channel of communication with Shareholders, to ensure a robust relationship with Shareholders.

(B) Integrity of Operations

2.0 Guideline, Audit and Assurance

Stakeholders rely on the integrity of underlying operations, for the presentation of credible information to make decisions. At UA, Audit and Assurance practices and activities are monitored by the Board Audit & Compliance Committee (BACC), supported by the Audit, Risk and Compliance division of UA, ensuring the integrity of operations.

These include compliance with applicable laws and regulations (explained under External Governance Structure – page 128), adoption of appropriate internal policies, implementation of sound systems of internal control, adherence to a Code of Conduct, management of conflicts of interest, Internal Audit reviews and restrictive assurance by Independent External Auditors.

2.1 Charters and Policies

Combined with laws and regulations, our internally formulated charters and policies define how we operate.

The Union Assurance Policy Framework includes the following:



2.2 Systems, Controls & Assurance

Corporate Management together with the guidance of the BACC, the Audit, Risk and Compliance division and through Internal Audits, periodically reviews the adequacy of internal controls for process optimisation and efficacy. During the year, the internal assurance process was reviewed and further strengthened.

Key areas of process controls at UA, include the following:



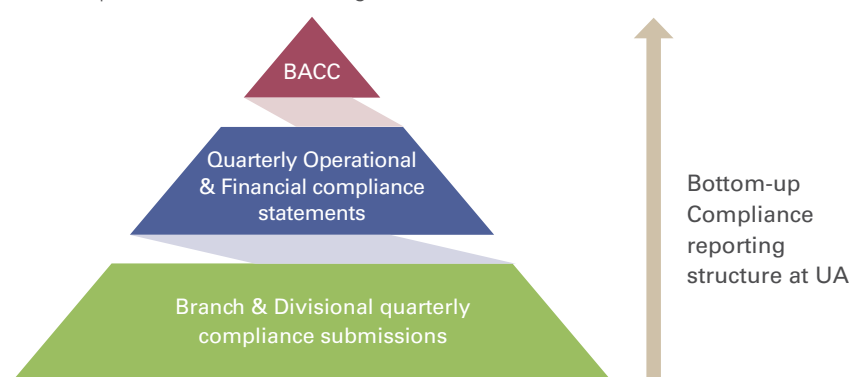
CORPORATE GOVERNANCE

i. Compliance Assurance

Compliance Assurance is derived through a bottom-up sign-off process. Compliance checklists at branch and divisional level signed are based on internal policies and procedure manuals covering financial controls, regulatory compliance and operational compliance.

The financial and operational compliance statements for the Company are signed off and submitted to the BACC on a quarterly basis, and consequently reported to the JKH Group Audit and Compliance Committee. Regulatory sign-off is maintained on a monthly basis.

The Audit, Risk and Compliance division closely oversees the bottom-up compliance process of the Company and reports on the same to the BACC. During the year, the internal quarterly compliance checklist submission process established for branches, was made efficient through semi-automation and accountability for any identified non-compliances made more stringent.



Complaints relating to policyholder premium misappropriation, wrong selling, etc. are channelled to and reviewed by a separate committee.

Further, the susceptibility of business processes to misappropriation and fraud is reviewed as part of the Internal Audit scope. The External Auditors too perform an evaluation of the Company's processes, to assess the possibility of manipulation, falsification and alteration of accounting records. The Company adopts a Zero-Tolerance Policy in cases of fraud and misappropriation.

v. IT Governance

IT Governance is a subset discipline of Corporate Governance, focused on Information Technology (IT), its performance and risk management. It involves everyone across the organisation and plays a key role in maintaining a sustainable business model. For more details, please refer pages 125 to 126, IT Governance and Cyber Security.

ii. Employee Participation in Assurance

While an Open-Door Policy is maintained, formal channels such as exit interviews, employee surveys and a Whistle Blower Policy provide opportunities to employees to report in good faith, any genuine suspicions of wrongdoing or other improprieties. The policies and practices provide for anonymity and protection of the reporting employee.

iii. Financial Resource Management

The Board has delegated certain Financial Authority to the CEO and Divisional Heads, through a comprehensively documented Manual of Financial Authority (MOFA). The MOFA indicates clearly the authority and responsibilities of employees who enter into financial transactions and commitments on behalf of the Company, including persons responsible for recommendation, approval and payment. MOFA is updated periodically in line with changes in the organisation structure and operating environment.

iv. Fraud Risk Assessment and Internal Audits

The Company has set up a separate unit to manage customer complaints channelled through the Customer Feedback System. A well-structured process has been set up to handle customer complaints, as well as to detect fraud risks related to customer premiums. A summary of all complaints and their resolution status is reported to the BACC each quarter.

2.3 Code of Business Conduct & Ethics

The Board continuously emphasises the importance of upholding ethical values by all staff members. Our comprehensive Code of Business Conduct and Ethics applies to all Directors, employees and sales agents, which is published on the Intranet to create greater awareness and ensure strict compliance.



2.4 Related Party Transactions and Conflicts of Interest

All Directors act in the best interests of the Company, avoiding any kind of conflicts of interest. Directors declare their business interests at appointment, at the beginning of every financial year and in Quarterly Financial Statements. Details are maintained in a Register by the Company Secretary and tabled at the following Board meeting. The Register is available for inspection in terms of the Companies Act.

If a Director has a conflict of interest in a matter to be considered by the Board, and which the Board has determined to be material, such matters are disclosed and discussed at Board meetings where Independent Non-Executive Directors who have no material interest in the transaction, are present. Such potential conflicts are subsequently reviewed by the Group Related Party Transactions Review Committee to ensure the integrity of the Board's independence, and that no Related Party benefits from favourable treatment.

On the basis that the Parent Company is also a listed Company, the Securities and Exchange Commission of Sri Lanka (SEC), has permitted the Related Party Transactions Review Committee of the Parent Company to represent the listed Companies within the JKH Group, of which Union Assurance PLC is a member. The Related Party Transactions Review Committee report is given on page 114.

2.5 Assurance by the Internal Auditors

The Internal Audit function of the Company has been outsourced to Messrs. PricewaterhouseCoopers. There are clear processes for monitoring and following up on corrective actions for control weaknesses or failures reported. These audit findings together with the Management responses are reviewed by the BACC and the Board. The reports are provided to the Group Finance Director and reviewed by the Group Audit Committee as well.

2.6 Assurance by the External Auditors

Messrs. KPMG, the Company's External Auditors performed an audit at the year end to obtain assurance that the internal controls and processes which are in place for the preparation and presentation of the Financial Statements are effective. This audit covered IT security and data assurance as well. The Board of Directors and Management do not have any relationship with KPMG, apart from their engagement as the Independent External Auditor of the Company.

In addition, there was a special purpose audit conducted by KPMG for the period of 1st April 2020 to 31st March 2021, at the request of the Group Auditors for Group Reporting purposes. The audit concluded in early May 2021.



(C) Sustainable Business Model

3.0 Strategy and Performance

UA's continued success is underpinned by its unique business model, characterised by factors including a passion for innovation, a robust risk management system and inspired employees who actively exploit business opportunities while avoiding related threats. The Company integrates economic, social and environmental performance in creating stakeholder value.

3.1 Risk Management & Internal Control

The Board is responsible to safeguard Shareholder investments and assets of the Company, and therefore formulates and implements appropriate Risk Management Processes and Internal Control Systems.

A detailed overview of the process is outlined on pages 135 to 143 of this report, under the Enterprise Risk Management section.

Through the BACC, the Board assesses the adequacy and effectiveness of Internal Control Systems at UA, and is satisfied that adequate controls and procedures are in place to provide reasonable assurance to the effect that Company's assets are being safeguarded. Refer pages 111 to 113 for the BACC report.

CORPORATE GOVERNANCE

3.2 Environmental, Social and Governance Factors (ESG)

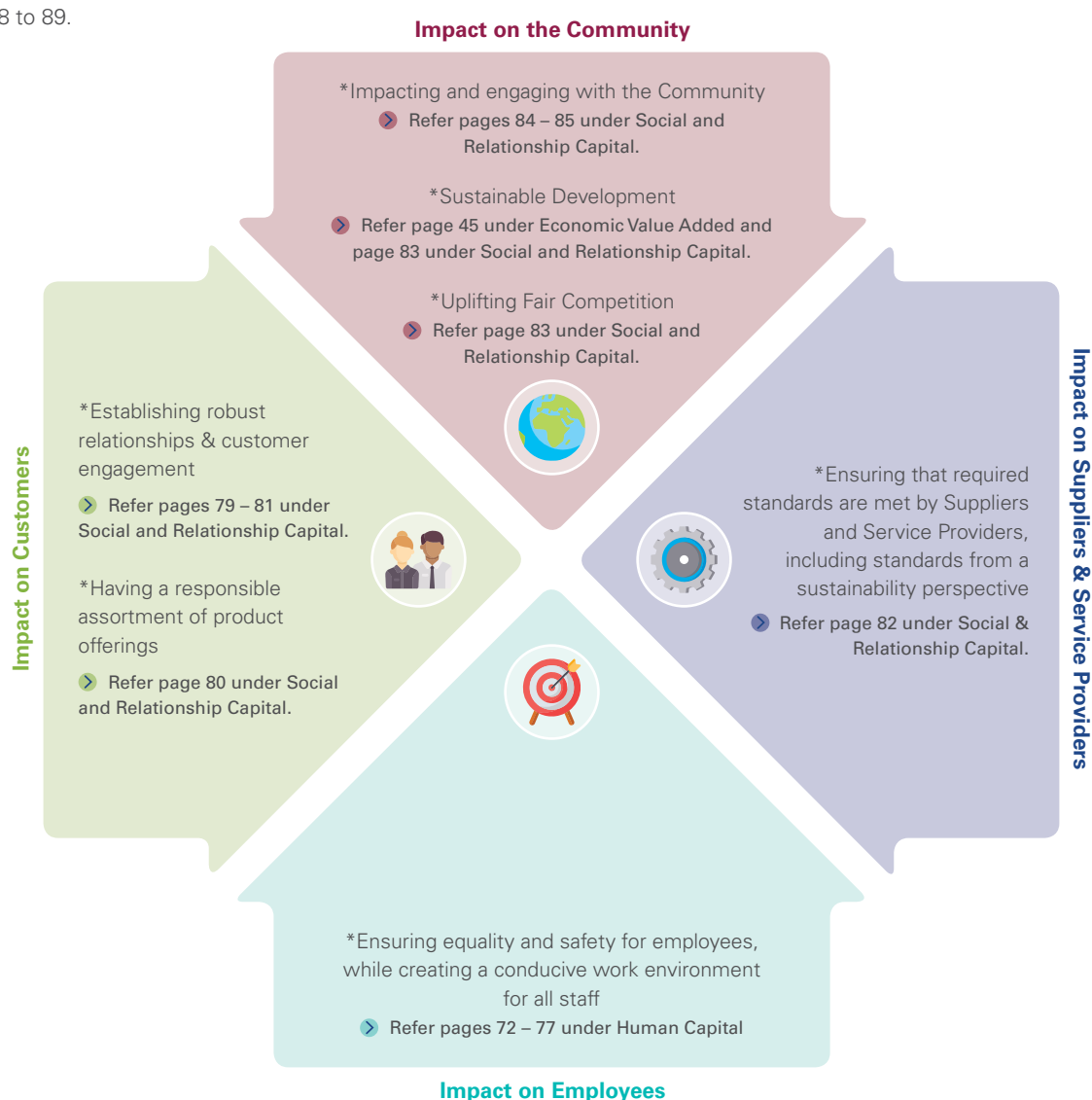
Environmental, Social and Governance factors are the central factors that set out the standard for operations at UA. We constantly measure and monitor the changes in our operating environment, which will have an impact on the ESG factors to ensure they are properly managed. ESG factors are explained in detail under Capital Management Review on pages 48 to 89.

Reporting on Environmental Sustainability

The Company is aware of its obligations to environmental sustainability, and has taken several measures to reduce its impact and avert detrimental effects on the environment. Further details are available under Natural Capital on pages 68 to 71.

Reporting on Social Sustainability

The Company considers the social impact of its activities on all its stakeholders, in an effort to be socially responsible and sustainable. The below diagram entails the aspects of Social Sustainability addressed by the Company, together with references to relevant Annual Report sections in this regard.



3.3 Succession Planning

Successor Development Plans: Jobs at risk and successors for these jobs are identified during the Career Committee meetings. Further, talents within us will be trained and developed over a period for future leadership in the organization.

3.4 Business Continuity Planning

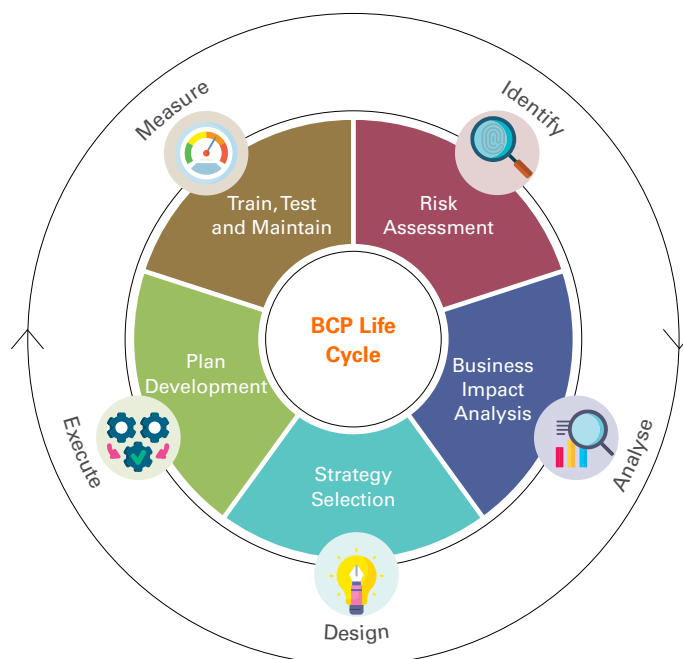
The Business Continuity Plan (BCP), is an essential element of UA's response planning. It sets out how the business will be resilient in the face of extreme events, how it will operate following an incident, and how it expects to return to 'business as

usual' in the quickest possible time. The BCP is designed to be in compliance with the Disaster Recovery Institute International's professional practices, ISO 22301: 2019 International Standard and Business Continuity Guidelines of the Insurance Regulatory Commission of Sri Lanka.

To be in line with these requirements, during the year we conducted a series of interventions which included:

- a review of the Business Impact Analysis and Recovery Objectives,
- a review of the Business Continuity Plan covering all functions,
- a round of desktop drills and call tree drills and
- simulated drills and IT systems recovery.

The desktop drills were performed by each Division, and were designed to assess the organization's capability to support its time-critical processes, for a prolonged outage of its 'Line of Business Applications'. The drills conducted also included desktop and simulated drills, covering crisis communications. Interventions planned by the organization also incorporated a second review of the BCP documentation and a round of simulated drills.



3.5 IT Governance and Cyber Security

IT Governance plays a critical role in creating a sustainable business model, by assuring integrity, confidentiality and continuity of information management within the Company. The core areas of IT governance at UA are as follows;

Alignment with Business



Continuous reviews ensure that IT objectives are aligned with business objectives, by defining them in business terms. To this end, the IT policies, standards, and procedures are aligned as and when needed, where new technologies are utilised.

IT Risk Management



Focus on IT risk is based on the severity of impact and probability of occurrence. Risk management encompasses processes designed to understand risks and implement controls to effectively manage them, as well as techniques for minimising risk exposure and embedding risk management responsibilities into the organisation.

Resource & Performance Measurement



Necessary emphasis is placed on monitoring strategic implementations, project completion, resource utilisation, results of disaster recovery/Business Continuity Plan tests and service delivery. It includes people, processes and technologies for improving the efficiency and effectiveness of business solutions. Further, tracking mechanisms for security related events and use of security dashboards are also included.

Value Delivery



Ensure optimal investment in support of corporate objectives, with the availability of proper controls including well defined policies and Key Result Areas (KRAs), for the management of critical resources and people.

Integration



Involvement of all corporate stakeholders in the decision-making process is ensured by seamless integration with assurance activities. This is done by enabling the processes to operate as intended from end-to-end, while minimizing hidden risks.

Compliance



Regulatory and compliance requirements are embedded through implementation of appropriate IT controls in systems, and conducting periodic reviews of the same to ensure effectiveness.

CORPORATE GOVERNANCE

Cyber Security



Within our IT Governance, managing Cyber Security Risk is of significant importance given the pervasive and ever-expanding threat of Cybercrime.

The Board places significant emphasis on ensuring that UA's soft and hard infrastructure is adequate to counter any potential breach. Data protection and Cyber Security are regularly addressed during the BACC.

UA is amongst the few Banking, Financial Services and Insurance Companies with ISO 27001:2013 certification in Sri Lanka, which assures the security of information assets i.e., all business information, customer data, financial information, intellectual property, employee details and information entrusted by third parties. Given the escalation in Cyber Risk, UA has established a Cyber Security policy in line with the JKH Group and has implemented IBM's managed Security Operations Center (SOC) security intelligence platform, to further strengthen Cyber Resilience.

Other initiatives also include the data classification and rights management initiatives of data, and two factor authentication for employee accounts as an extra layer of security. UA also conducts periodic vulnerability assessments for all applications, and IT general control assessments to ensure adequate information security.

During the year, UA has further strengthened Cyber Security and remote working infrastructure by implementing a state-of-the-art Zero Trust platform, encompassing Secure Web Gateway, Advanced Threat Protection, Data Leak Prevention and Zero Trust Network access to protect corporate data from unauthorized access. Further UA is in the process of implementing a Center for Internet Security (CIS) framework to calibrate IT services and products, thereby ensuring the highest standards of Cyber Security.

3.6 IT Controls Over Financial Reporting

The reliability of financial reporting is heavily dependent on a well-controlled IT environment. Therefore, the following IT controls over financial reporting are in place to ensure the quality of information used for financial reporting;

Data centre operation controls such as job setup and scheduling, operator actions and data backup/recovery procedures.



1



4

Access security controls that prevent inappropriate and unauthorized use of the system.

System software controls over the effective acquisition, implementation and maintenance of system software, security software and utility software.



2



3

The 'System Development Life Cycle' document defines processes that should be followed in application system development. The 'Software Change Management' document defines change processes.

3.7 Innovation

Operating in a dynamic business landscape characterised by digital technology that shapes customer experiences, challenging market conditions and increasing regulations, UA continues to adapt and innovate to remain ahead of the competition. Please refer pages 86 to 89 Intellectual Capital, for corporate initiatives on driving innovation.

3.8 Inspired Employees

Our employees play a pivotal role in achieving the goals, objectives and long-term strategies of the business. Pages 72 to 77 Human Capital on Capital Management Review describe UA's systems and practices that inspire our employees to reach greater heights.

(D) Balancing Stakeholder Interests

4.0 Stakeholder Relations

UA's governance framework ensures that the Company pursues its strategic goals, while balancing stakeholder interests.

4.1 Stakeholder Engagement

The Company has robust procedures in place to engage with various stakeholders. Adoption of charters for key stakeholders, addresses the apparent conflicts between various stakeholder groups.

Feedback obtained from stakeholder engagement mechanisms form a key input in strategy formulation, ensuring that the Company's growth is responsible and sustainable. Our stakeholder engagement mechanisms are well structured and comprehensive, providing valuable insights into stakeholder concerns and enabling us to provide appropriate responses, while balancing multiple stakeholder interests.



4.2 Communication Channels

Employee Communications

UA adopts a number of effective communications channels to ensure every employee is aware of its strategic direction, policies and procedures, high standards expected, and the corporate values each must display in their day-to-day interactions with external and internal stakeholders.



Shareholder Communications

UA uses the following communication channels to disseminate timely information during the year;

- Shareholder meetings including the Annual General Meeting (AGM)
- Integrated Annual Report
- Financial and other notices as and when required through the Colombo Stock Exchange
- Corporate website - www.unionassurance.com
- Press notices

Shareholders may also contact;

- The Chief Executive Officer, Union Assurance Centre, 20, St. Michael's Road, Colombo 3, Sri Lanka.

- The Chairman, Union Assurance PLC, 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02.
- Investor relations Hotline on 011-2990314 or email to investorrelations@unionassurance.com

4.3 The Annual General Meeting (AGM)

The Board uses the AGM to communicate with Shareholders and encourages their participation. The AGM provides a forum for the Board to inform the Shareholders of the Company's business, and how it has performed during the year. Investors have an opportunity to ask questions from the Directors and to use their votes responsibly. Notice of the meeting and related documents are circulated 15 working days prior to the AGM. The Chairman ensures that the Chairman of the Board Audit and Compliance Committee, Directors, Senior

Management and representatives of the External Auditors are available to answer questions at the AGM, if required.

SHAREHOLDERVOTING - All Shareholders are encouraged to participate at general meetings and cast their votes. Each matter is proposed as a separate resolution at the AGM. Proxy forms are sent along with the Annual Report to Shareholders who are unable to be physically present at the AGM, to cast their votes.

Highlights of the 34th Annual General Meeting Held on 31 March 2021

- Mr. D. H. Fernando who retired in terms of Article 84 of the Articles of Association of the Company was re-elected as a Director of the Company.
- Mr. W. M. Arsakularatne and Mr. D. P. Gamlath who retired in terms of Article 90 of the Articles of Association of the Company were re-elected as Directors of the Company.
- Re-appointment of Auditors Messrs. KPMG, Chartered Accountants, as the External Auditors of the Company.

4.4 Annual and Interim Reports

These comprehensive reports contain sufficient information for investors and other stakeholders to carry out their own analysis, and make informed judgements regarding the performance and position of the Company. The Board of Directors take reasonable steps in ensuring that all Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs) issued by CA Sri Lanka, the requirements of the CSE and other applicable authorities. Information contained in the Financial Statements of this Annual Report are supplemented by a detailed discussion and analysis, which explains to stakeholders the strategic, operational, investment, sustainability and risk related aspects of the Company, and the means by which value is created and is likely to influence future results.

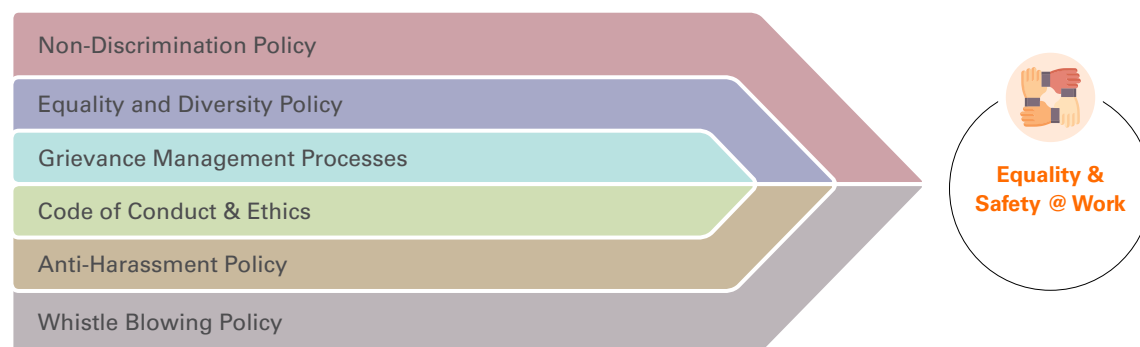
4.5 Gender Parity

UA appreciates the positive impact on productivity and competitiveness in engaging a gender diverse workforce. The Company has adopted policies that ensure

CORPORATE GOVERNANCE

equal opportunity, a safe workplace and has implemented practices that support female employees to fulfill their career aspirations. The success of these initiatives is demonstrated in the female representation of 48% of the workforce. Please refer the HR Capital report on pages 72 to 77 for policies, practices and gender representative data. Furthermore, female representation on the Executive Committee stands at 33%.

Our HR policies and processes seek to provide equal opportunity and a safe environment in the workplace;



External Governance Structure

External mechanisms are often imposed on the Company by external stakeholders in the form of relevant laws, contracts, regulatory guidelines or best practices. The Company is governed by mandatory rules and regulations, and voluntary adoption of codes of best practice.

(E) Compliance

5.0 Regulatory Framework

The Company is compliant with all relevant statutory and regulatory requirements. UA has checks and controls in place to ensure it complies with all laws, rules and regulations that govern the Company.

5.1 Compliance Framework and Self-Regulation Checklists

Compliance statements are signed off on a quarterly basis for ensuring compliance with regulatory requirements and internal policies. Changes to regulations are updated in the checklists on a regular basis, with relevant evidence of compliance.

5.2 Statutory and Regulatory Compliance

Requirement	Compliance
As required by the IRCSL, the Company submits compliance Certificate (A) and (B) to IRCSL on a quarterly basis signed off by the Chief Executive Officer (in his capacity as the Company's Principal Officer (PO) and the CFO on behalf of the Board of Directors of the Company.	Compliance Certificate A - Certifies that the Company has; - Complied with all provisions in the Regulation of Insurance Industry (RII) Act No.43 of 2000, rules, regulations, determinations, directions issued by IRCSL; Complied with all orders made by the Ministry of Finance and Planning under the RII Act, No.43 of 2000, - Complied with terms and conditions pertaining to re-insurance placements issued by IRCSL in terms of section 31(1) of the RII Act, No. 43 of 2000, - Complied with conditions pertaining to co-insurance issued by IRCSL and complied with all applicable circulars issued by IRCSL Compliance Certificate B - Certifies that the Company has; - Complied with all applicable provisions in the Financial Transactions Reporting Act No 6 of 2006 - Complied with rules on Know Your Customer (KYC) and Customer Due Diligence (CDD) for the Insurance Industry issued by the Financial Intelligence Unit established under the Financial Transactions Reporting Act, No. 6 of 2006 - Complied with guidelines on Anti Money Laundering Programme for Insurers issued by IRCSL.
Compliance with Regulations governing Investments	The Life fund is adequately backed by 'approved investments' as per Section 25 (1) of the RII Act and subsequent determinations.
Ability to Meet Policyholder Obligations	An Insurance Company's ability to meet its obligations to policyholders is measured by the Capital Adequacy Ratio (CAR). CAR reflects UA's Total Available Capital (TAC) as against Risk Capital required at a particular date. The CAR as of 31st December 2021 is 228% and the minimum regulatory requirement is 120%.
Actuarial Valuation of Insurance Liabilities	Life Insurance liabilities have been validated by an independent External Actuary in accordance with the RII Act. Refer Actuarial Report on page 153.

Requirement	Compliance
Re-Insurance Arrangements	The IRCSL has stipulated that Insurance Companies must enter into re-insurance arrangements with companies which at a minimum having a rating of BBB. As per details on page 139 all of our re-insurance arrangements are with companies that have been assigned a healthy credit rating by international rating agencies.
Capital Structure	As of 31 December 2021, the Company's stated capital of Rs. 1,000 Mn exceeds the minimum share capital requirement set by the IRCSL for a Life Insurance Company of Rs. 500 Mn.

Compliance Summary

Corporate governance framework for insurers issued by Insurance Regulatory Commission of Sri Lanka (IRCSL) under Section 96 (A) of the regulation of insurance industry Act no 43 of 2000

Requirement	Complied	Reference	Pages
A. Recommended to adhere to the Code of Best Practice on Corporate Governance, 2017 (the Code), issued by the Institute of Chartered Accountants of Sri Lanka.	Compliant with almost the entire 2017 Code, to the extent of business exigency and as required by the John Keells Group	Corporate Governance Report	133 to 134
B. 1. The Board must comprise a minimum of two Directors who are citizens of Sri Lanka and also residents of Sri Lanka.	Yes	Corporate Governance Report	104
2. The total period of service of a Director other than an Executive Director, shall not exceed nine years (except major Shareholder Director and Technical Director), and such period in office shall be inclusive of the total period of service served by such Director.	Yes	Board of Directors	92 to 93
3. (i) The age of a person who serves as Director shall not exceed 75 years.	Yes	Corporate Governance Report	104
(ii) Notwithstanding above, a person who serves as a director and is over 75 years or above as at 1st July 2019, such director may continue to serve as a director only until June 30, 2022, and shall be deemed to have vacated office on June 30, 2022.	N/A	N/A	N/A
4. The Board must adhere to Section 7.10 of the Listing Rules of the Colombo Stock Exchange (or any amendments made thereto), pertaining to Corporate Governance.	Yes	Corporate Governance Report	130 to 132
5. A person shall be disqualified to be a Director of an Insurer if such person is a Director of more than 20 companies inclusive of subsidiaries or associate companies of the insurer. Of such 20 companies, not more than 10 companies shall be those classified as Specified Business Entities in terms of the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995.	Yes	Corporate Governance Report	108
6. Insurers are required to demonstrate compliance with the Direction No. 17 by way of disclosure in their Annual Reports, including the disclosure requirements stated in 7.10 of the Listing Rules of the CSE.	Yes	Corporate Governance Report	129, 130 to 132
7. The Insurer shall rectify its non-compliance in respect of items B1 to 6 above within three months from the date of non-compliance and inform IRCSL immediately after 3 months.	N/A	N/A	N/A
8. a) The Insurer should provide a certification from the Company Secretary to the IRCSL, that continuation of the relevant Director/s beyond the age of 70 years, has been duly approved by passing a resolution at a General Meeting in terms of Section 211 of the Companies Act No. 7 of 2007.	N/A	N/A	N/A
b) The Insurer shall also provide a written confirmation from the Secretary to the IRCSL, that the continuation of a Director, beyond the age of 70 years, is not prohibited by the Articles of Association.	N/A	N/A	N/A

CORPORATE GOVERNANCE

Statement of compliance under Section 7.6 of the listing rules of the Colombo Stock Exchange (CSE) on Annual Report disclosure

Requirement	Complied	Reference	Pages
(i) Names of persons who during the financial year were Directors of the entity	Yes	Board of Directors	92 to 93
(ii) Principle activities of the entity and its subsidiaries during the year and any changes therein	Yes	Notes to the Financial Statements - Note 1	167
(iii) The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Yes	Finance Capital	63
(iv) Public holding percentage	Yes	Finance Capital	62
(v) A statement of each Director's holding and Chief Executive Officer's holding in shares of the entity at the beginning and end of each financial year	Yes	Finance Capital	62 to 63
(vi) Information pertaining to material foreseeable risk factors of the Company	Yes	Enterprise Risk Management	135 to 143
(vii) Details of material issues pertaining to employees and industrial relations of the entity	Yes	Human Capital	72 to 77
(viii) Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties	Yes	Notes to the Financial Statements - Note 27	213 to 217
(ix) Number of shares representing the entity's stated capital	Yes	Notes to the Financial Statements - Note 36	234
(x) A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings in the given categories	Yes	Finance Capital	62 to 63
(xi) List of ratios and market price information	Yes	Finance Capital	60 to 61
(xii) Significant changes in the Company's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value as at end of the year	Yes	Notes to the Financial Statements - Note 27	213 to 217
(xiii) Detail of fund raised either through a public issue, Rights Issue, and private placement during the year	N/A	N/A	N/A
(xiv) Employee Share Option Schemes and employee Share Purchase Scheme	Yes	Notes to the Financial Statements - Note 40	236 to 238
(xv) Disclosures pertaining to Corporate Governance practices in terms of rules 7.10.3, 7.10.5 C, and 7.10.6 C of section 7 of the Listing Rule.	Yes	Corporate Governance Section	92, 93, 115 and 112
(xvi) Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per audited Financial Statements, whichever is lower.	Yes	Notes to the Financial Statements - Note 48	247 to 251
There were no material transactions during the year with related parties			

Statement of compliance under Section 7.10 of the continuing listing requirements of the Colombo Stock Exchange (CSE)

Requirement	Complied	Reference	Pages
7.10 COMPLIANCE WITH CORPORATE GOVERNANCE RULES			
7.10.1 Non-Executive Directors (NED)			
(a) The Board of Directors of a Listed Entity shall include at least, - two NEDs; or - such number of NEDs equivalent to one-third of the total number of Directors, whichever is higher.	Yes	Board Composition	104
(b) The total number of Directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting	Yes	Board Composition	104

Requirement	Complied	Reference	Pages
(c) Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change	N/A	N/A	N/A
7.10.2 Independent Directors			
(a) Two or one-third of NEDs, whichever is higher, should be independent.	Yes	Board Composition	104
(b) The Board shall require each NED to submit signed declaration of independence/non-independence annually	Yes	Corporate Governance Report	107
7.10.3 Disclosures Relating to Directors			
(a) Names of Independent Directors should be disclosed in the Annual Report	Yes	Board of Directors	92 to 93
(b) In the event a Director does not qualify as independent as per the rules on Corporate Governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the Annual Report	N/A	N/A	N/A
(c) A brief resume of each Director should be published in the annual report including the areas of expertise	Yes	Board of Directors	92 to 93
(d) A brief resume of any new Director appointed to the Board should be provided to the Exchange for dissemination to the public	N/A	Corporate Governance Report	107
7.10.4 Criteria for Defining Independence			
(a to h) Requirements for meeting the criteria to be an Independent Director	Yes	Corporate Governance	107 to 108
7.10.5 Human Resources and Compensation Committee (HRCC)			
A Listed Entity shall have a HRCC	Yes	HRCC Report	115
(a) The remuneration Committee shall comprise of NEDs a majority of whom shall be independent	Yes	HRCC Report	115
(b) Functions of the HRCC shall be to recommend the remuneration of the CEO and the Executive Directors	Yes	HRCC Report	115
(c) The Annual Report shall set out: The names of the Directors that comprise the HRCC.	Yes	HRCC Report	115
A Statement of Remuneration Policy. Aggregate remuneration paid to Executive and Non-Executive Directors.		Notes to the Financial Statements - Note 21	203
7.10.6 (A) Composition and role of the Audit Committee			
7.10.6 A listed Company shall have an Audit Committee	Yes	BACC Report	111 to 113
(a) The Audit Committee shall comprise Non-Executive Directors a majority of whom shall be independent	Yes	BACC Report	112
The Chairman or one member of the Committee should be a member of a recognised professional accounting body		BACC Report	112
7.10.6 (B) Audit Committee - Functions			
(b) The functions of the Audit Committee shall include;	Yes	BACC Report	111 to 113
Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards,			
Overseeing the compliance with financial reporting and information requirements as per laws and regulations,			
Overseeing the process to ensuring the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards,			
Assessing of the independence and performance of the External auditors, and			
Make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors and to approve the remuneration and terms of engagement of the External auditors.			

CORPORATE GOVERNANCE

Requirement	Complied	Reference	Pages
(c) The Annual Report shall set out; the names of the Directors who comprise the Audit Committee The Audit Committee shall make a determination of the independence of the External Auditors and disclose the basis for such determination. A report by the Audit Committee setting-out the manner of compliance of the functions set out in above, during the period to which the annual report relates.	Yes	BACC Report	111 to 113

Statement of compliance under code of best practice on related party transactions (2013) advocated by the Securities and Exchange Commission of Sri Lanka (SEC)

Requirement	Complied	Reference	Pages
(a) Details pertaining to Non-Recurrent Related Party Transactions	Yes	Notes to the Financial Statements - Note 48	247 to 251
(b) Details pertaining to Recurrent Related Party Transactions	Yes		
(c) Report of the Related Party Transactions Review Committee	Yes	RPTRC Report	114
(d) Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise	Yes	Corporate Governance Report	123

Content of the annual report as per section 168 of the companies act no. 7 of 2007

Rule	Complied	Reference	Pages
168 (1) (a) The nature of the business together with any change thereof	Yes	Notes to the Financial Statements - Note 1	167
168 (1) (b) Signed Financial Statements of the Company	Yes	Financial statements	160 to 253
168 (1) (c) Auditors' Report on Financial Statements	Yes	Independent Auditors' Report	155 to 158
168 (1) (d) Accounting policies and any changes therein	Yes	Notes to the Financial Statements	167 to 253
168 (1) (e) Particulars of the entries made in the Interests Register	Yes	Annual Report of the Board of Directors on the affairs of the Company	149
168 (1) (f) Remuneration and other benefits paid to Directors of the Company	Yes	Notes to the Financial Statements - Note 21	203
168 (1) (g) Corporate donations made by the Company	Yes	Annual Report of the Board of Directors on the affairs of the Company	150
168 (1) (h) Information on Directorate of the Company at the end of the accounting period	Yes	Board of Directors	92 to 93
168 (1) (i) Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered	Yes	Notes to the Financial Statements - Note 21	203
168 (1) (j) Auditors' relationship or any interest with the Company	Yes	BACC Report	112
168 (1) (k) Acknowledgement of the contents of this Report and signatures on behalf of the Board	Yes	Annual Report of the Board of Directors on the affairs of the Company	147 to 151

Code of best practice on corporate governance (2017) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

Code ref	Requirement	Complied	Reference	Pages
A. DIRECTORS				
A.1	Effective Board	Yes	Corporate Governance Report	103 to 109
A.1.1	Regular meetings	Yes	Corporate Governance Report	106
A.1.2	Role and responsibilities of the Board	Yes	Corporate Governance Report	105
A.1.3	Act in accordance with laws of the country. Obtain professional advice, when required.	Yes	Corporate Governance Report	108 and 150
A.1.4	Access to advice and services of Company Secretary	Yes	Corporate Governance Report	120
A.1.5	Independent judgement	Yes	Corporate Governance Report	105
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company	Yes	Corporate Governance Report	106
A.1.7	One-third of the Directors can call for a resolution	Yes	Corporate Governance Report	107
A.1.8	Board induction and training	Yes	Corporate Governance Report	108
A.2	Division of responsibilities between Chairman and CEO	Yes	Corporate Governance Report	105 and 106
A.3	Chairman's role in preserving good Corporate Governance	Yes	Corporate Governance Report	105
A.4	Availability of financial acumen	Yes	Corporate Governance Report	92 to 93
A.5	Board balance	Yes*	Corporate Governance Report	104
A.6	Supply of timely information	Yes	Corporate Governance Report	108
A.7	Appointments to the Board	Yes	Corporate Governance Report	113
A.8	Re-election	Yes	Corporate Governance Report	107
A.9	Appraisal of Board performance	Yes	Corporate Governance Report	108
A.10	Disclosure of information in respect of Directors	Yes	Board of Directors	92 to 93
			Corporate Governance Report	106
A.11	Appraisal of the Chief Executive Officer (CEO)	Yes	Corporate Governance Report	109
B.				
B.1	Remuneration procedure	Yes	HRCC Report	115
B.2	The level and make up of remuneration	Yes	Corporate Governance Report	109
			Notes to the Financial Statements - Note 48	247
B.3	Disclosure of remuneration	Yes	Notes to the Financial Statements - Note 21	203
C.				
C.1	Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings	Yes	Notice of Meeting	286
			Corporate Governance Report	127
C.2	Communication with Shareholders	Yes	Corporate Governance Report	127
C.3	Major and material transactions	Yes	During the year, there were no major or material transactions, that required disclosure.	247
			Notes to the Financial Statements - Note 48	
D.				
D.1	Financial and Business Reporting	Yes		
	Management Discussion and Analysis			26 to 89
	Annual Report of the Board of Directors			147 to 151

*In compliance with most of the requirements.

CORPORATE GOVERNANCE

Code ref	Requirement	Complied	Reference	Pages
	Statement of Compliance			128 to 134
	Statement of Directors' Responsibility			154
	Statement of Going Concern of the Company is set out in the Statement of Directors' Responsibility			151 and 168
	Directors' Statement on Internal Control over Financial Reporting			116
	Independent Auditors' Report			155 to 158
	Managing Director's and Chief Financial Officer's Statement of Responsibility			152
	Related Party Transactions disclosure of the Statement of Compliance, Note 48 in the Financial Statements			247 to 251
	Process in place is described in the Report of the Related Party Transaction Review Committee			114
D.2	Risk Management and Internal Control	Yes	Enterprise Risk Management BACC Report Directors Report on Internal Controls	135 to 143 111 to 113 116
D.3	Audit Committee	Yes	BACC Report	111 to 113
D.4	Related Party Transaction Review Committee	Yes	RPTRC Report	114
D.5	Code of Business Conduct and Ethics	Yes	Corporate Governance Report	122
D.6	Corporate Governance Disclosure	Yes	Corporate Governance Report	92 to 134
E. INSTITUTIONAL INVESTORS				
E.1	Shareholder Voting	Yes	Corporate Governance Report	127
E.2	Evaluation of Governance Disclosure Institutional investors are kept apprised of the Company's governance practices through the Annual Report and new initiatives are highlighted at regular meetings to ensure that due weight-age is given to good Corporate Governance	Yes	Stakeholders Relationship	16 to 22
F.				
F.1	Investing/Divesting decisions	Yes	Stakeholder Engagement Communication	16 to 22
F.2	Shareholder voting	Yes	Corporate Governance Report	127
G.				
G	Internet of things and Cyber Security	Yes	Corporate Governance Report	112 and 126
H.				
H.1	Environment, Social and Governance (ESG) reporting	Yes	Management Discussion and Analysis Corporate Governance Report	26 to 89 124

ENTERPRISE RISK MANAGEMENT



Enterprise risk management (ERM), an integral part of the solution

Despite another year clouded by a global Pandemic, UA was able to leverage its approach to risk management and prove its resilience by remaining operationally robust and retaining a strong financial position.

Overview

Enterprise Risk Management (ERM) is fundamental to our strategy and how we do business. UA has a sound Risk Management Framework that ensures risks are managed in a consistent way across the Company with appropriate oversight and accountability. The Company promotes a strong risk management culture, encourages risk awareness and understanding of controls by way of clear communication and training.

Objectives of Risk Management

Taking and managing risks is an integral part of the insurance business. UA takes and manages risks in an informed and disciplined manner and within a pre-determined risk appetite and tolerance. UA's risk policy outlines the Company's risk tolerance, risk limits and authority limits, reporting requirements, procedures to approve any exceptions and procedures for referring risk issues to the Board Audit and Compliance Committee (BACC) and the Board of Directors.

The main risk management objectives at UA are to:

- Protect the capital base by continuous monitoring to ensure that risks are not taken beyond the Company's risk tolerance levels
- Transferring, minimizing and mitigating risks
- Enhance value creation, contribution to an optimal risk-return profile by providing the basis for efficient capital deployment
- Support decision making process by providing consistent, reliable and timely risk information

- Protect UA's reputation and brand by promoting a sound culture of risk awareness and informed risk taking
- Integrating risk management with strategy development

Risk Management and Internal Controls

The Board considers Risk Management and Internal Controls as integral to the Management of UA and its business processes. The Board has overall responsibility for the Company's risk management and internal control framework. The objectives of the Company's internal control system are to provide reasonable assurance that UA's financial statements and disclosures are materially correct, support reliable operations, and to ensure legal and regulatory compliance. The internal control system is designed to mitigate rather than eliminate risks, which could impact the achievement of business objectives. Key controls are assessed for their design and operating effectiveness. The Company promotes risk awareness and understanding of controls through communication and training. The management, as the first line of defense, is responsible for identifying, evaluating and managing risks, and designing, implementing and maintaining internal controls. Key processes and controls in the organization are subject to review by internal and external audit. Control issues of significance and associated mitigation actions are reported regularly to the Board Audit and Compliance Committee.

Enterprise Risk Management Framework

Our ERM framework is underpinned by a strong risk management culture and control environment. The risk

management framework sets out how UA organizes and applies its risk management practices to ensure that all activities are conducted in line with the principles and limits mandated by the Risk Policy.

The ERM framework comprises the following major elements:

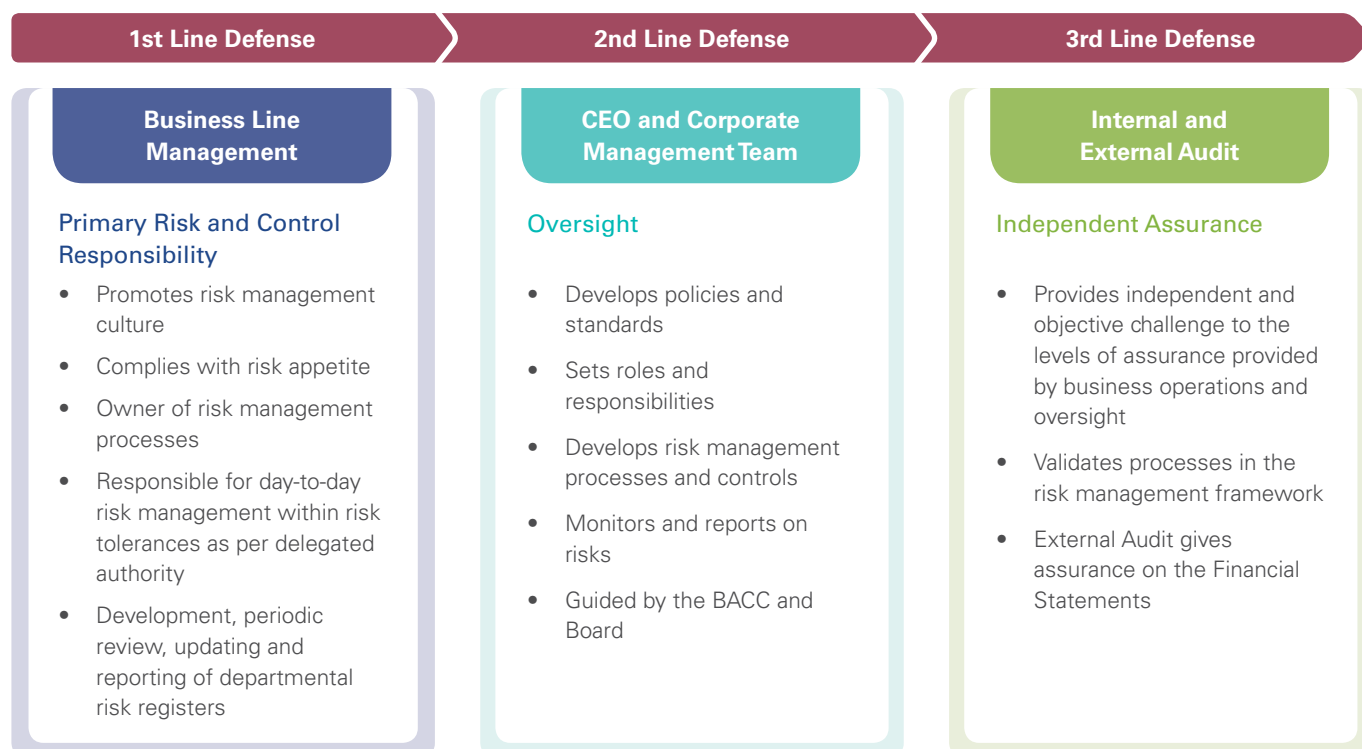
- Risk governance and Risk reporting
- Key risk management processes
- Risk appetite framework

Risk Governance and Risk Reporting

The Board has ultimate responsibility for the risk management framework, including approval of strategy and setting risk appetite. Responsibility to design, implement and monitor the risk management plan has been delegated to the CEO supported by Senior Management, and is annually evaluated. The Board oversees business and strategic risk through review and approval of the business and strategic plans, and regularly discusses key themes, issues and risks emerging in connection with the design or implementation of these plans. Furthermore, as a company within the John Keells Group, UA receives updates and feedback from Group Enterprise Risk Management on identification and rating of risks on a periodic basis.

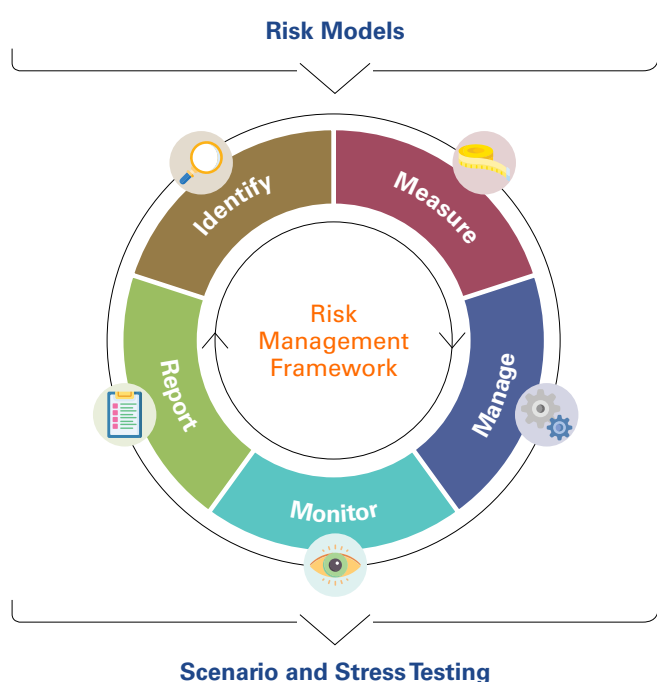
Risk Governance Structure

UA's risk management framework is represented across all levels of the organization. This ensures a coherent and integrated approach to risk management throughout the Company. The Company has adopted the Three Lines of Defense model to provide a consistent, transparent and clearly documented allocation of accountability.



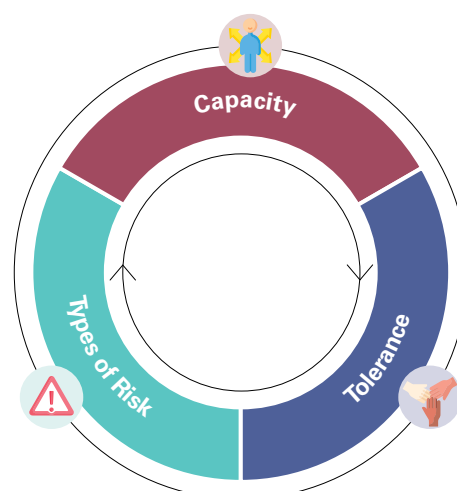
Risk Management Process

Our Risk Management process including risk models, stress and scenario testing enables UA to identify, measure, manage, monitor and report risks to ensure the Company remains within the approved risk appetite. These processes facilitate dynamic risk-based decision making and effective day-to-day risk management.



Risk Appetite Framework

This refers to the risks that we select in pursuit of return on capital deployed, the risks we accept but seek to minimize and the risks we seek to avoid or transfer to third parties.



Key Risk Indicators

Capital Adequacy Ratio (CAR)

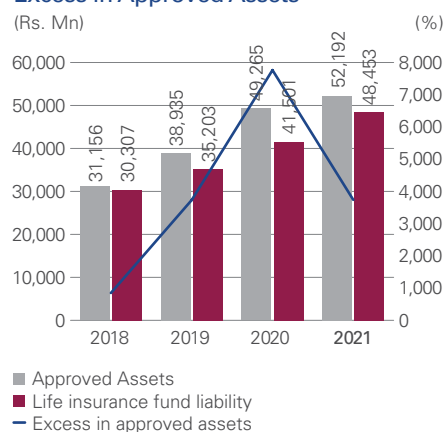
228%

The CAR under the Risk Based Capital Regime measures adequacy of the Total Available Capital (TAC) against the Risk Capital Required (RCR). As per regulations, the minimum CAR is

required to be consistently maintained in excess of 120%, with a significant margin above 160%, which is the level of regulatory interventions. In addition, the Insurance Regulatory Commission of Sri Lanka (IRCSL), stipulates a minimum Total Available Capital of Rs. 500 Mn. UA maintained a healthy CAR in excess of 120%, with a significant margin on a consistent basis over the years.

As indicated in the graphs below UA has maintained a significant excess in approved assets over the years.

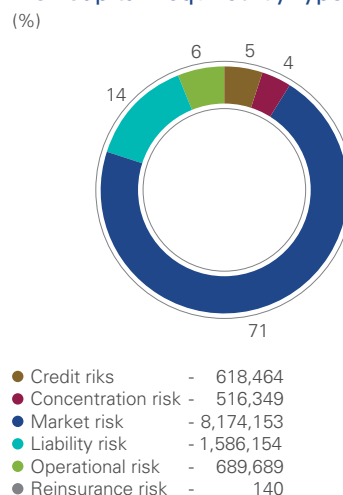
Excess in Approved Assets



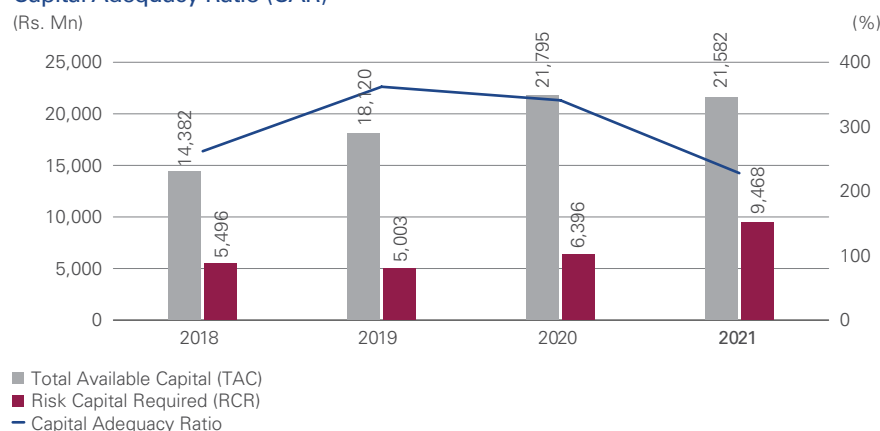
Risk Capital Required by Risk Type (Risk Based Capital)

The graph below shows UA's Risk Capital required by type of risk as of 31 December 2021. The largest proportion of UA Risk Capital requirement arose from market risk which comprised 71% of the total. Liability risk was the second largest, consisting of 14%.

Risk Capital Required by Type of Risk



Capital Adequacy Ratio (CAR)



The table below shows the estimated impact on the Company's CAR under two scenarios.

Objectives	Base case Rs. '000	One percentage point increase in the yield curve	Two percentage points increase in the yield curve
Total Available Capital (TAC)	21,582,364	20,877,644	20,144,890
Formula Risk-based Capital Required (FRCR)	9,468,422	10,000,527	10,527,341
Surrender Value Capital Charge (SVCC)	932,135	1,699,450	2,432,154
Risk-based Capital requirement (RCR)	9,468,422	10,000,527	10,527,341
Risk-based Capital Adequacy Ratio (CAR)	228%	209%	191%

In addition to the sensitivities shown above, the Company also evaluates certain stress scenarios on the CAR. The scenarios are defined as events that have a very low probability of occurring but that could, if realized, negatively affect the CAR.

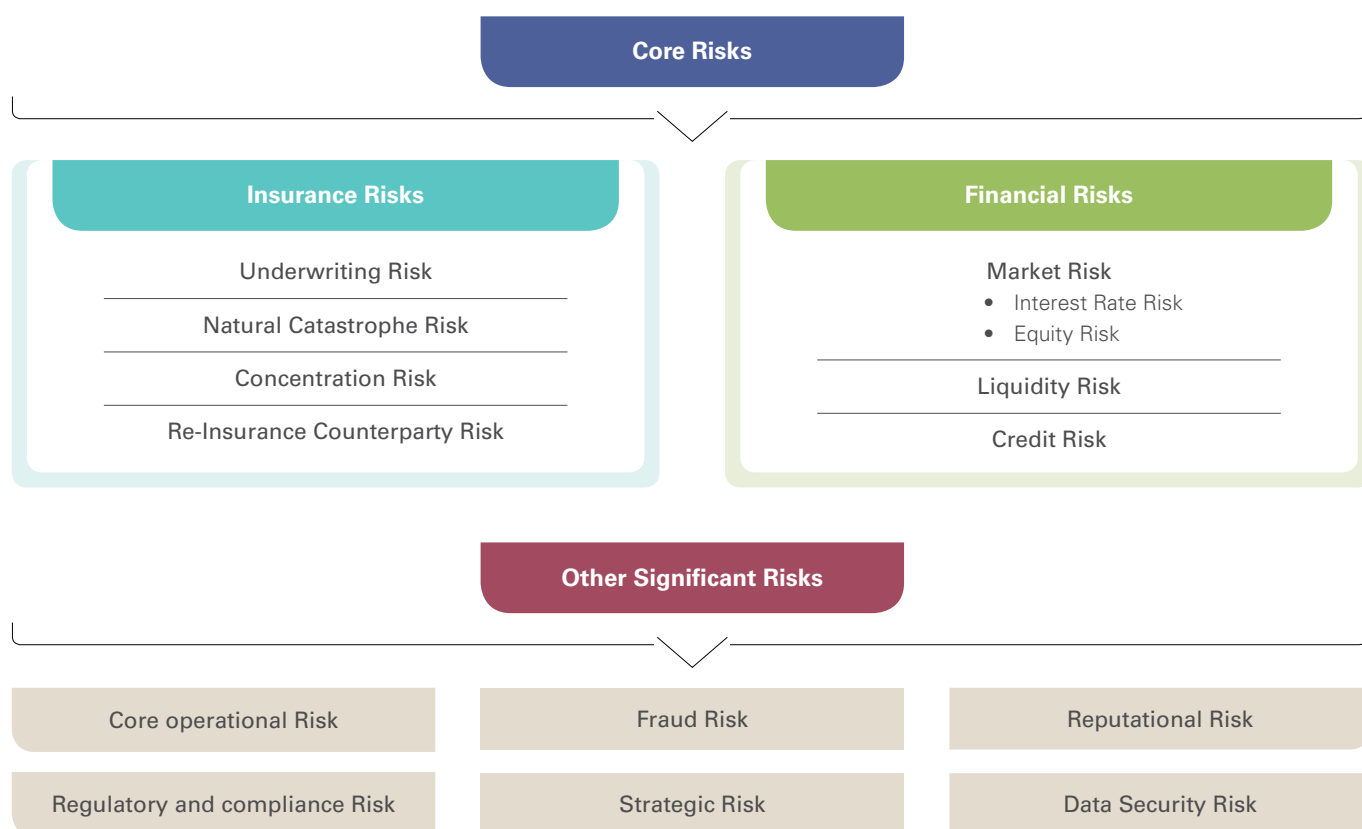
Excess in Admissible Assets

Every insurer carrying on a long-term insurance business shall invest the balance assets of the long-term Insurance fund (referred to in Section 38 of the Regulation of Insurance Industry Act, No 43 of 2000), in certain types of investments (Admissible assets), subject to limitations stipulated therein: the admissible assets have higher credit profiles which ensure that the Life Fund is secured.

ENTERPRISE RISK MANAGEMENT

Risk Landscape

We maintain a detailed risk catalogue to ensure all risks are identified and systematically managed. The risk categories shown in the table below are discussed on the following pages. Across these categories we identify and evaluate emerging threats and opportunities through a systematic framework.



Managing Risks Strategically

At UA, we have a stringent process in identifying, quantifying and mitigating risks that affects the business strategy, strategic objectives and strategy execution. We have a risk scoring mechanism where likelihood and impact are considered. Based on the score, the following ratings are derived.

Key Risk	Rating	Risk Response
Insurance Risks		
Underwriting Risk (R1) The risk of incurring losses when actual experience deviates from UA's best estimate assumptions on mortality, morbidity, policyholder behaviour, claims and expenses used to price products and establish technical provisions.	 Low	- Establishing limits for underwriting authority. - Requiring specific approvals for transactions above established limits or new products. - Using a variety of reserving and modelling methods. - Ceding insurance risk through external proportional or non-proportional re-insurance treaties and facultative single-risk placements. - Providing relevant training for underwriting staff. - Carrying out independent reviews on the underwriting process.
Natural Catastrophe Risk (R2) Impact from natural catastrophes and spread of contagious diseases.	 High	- Retention of sufficient excess of loss limits per annum and per event. - Free COVID-19 cover for both existing and new customers with a free death cover up to a maximum of Rs. 1 million per policyholder.

Key Risk	Rating	Risk Response
----------	--------	---------------

Concentration Risk (R3)

The risk of exposure to increased losses associated with inadequately diversified portfolios of assets or obligations.

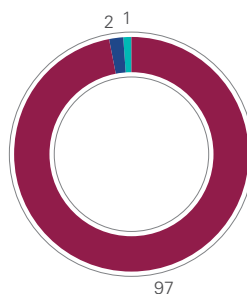


Low

- Focus on diversification of Insurance portfolio across regions.
- Maintaining a diversified portfolio of assets.

Corporate Debt Securities

(%)

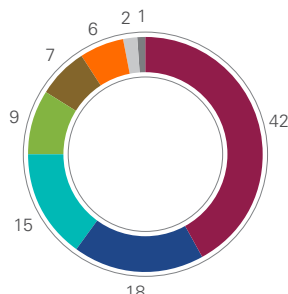


- Banking and Diversified financials
- Telecommunications
- Capital Goods

97% of UA corporate debt securities represent investments in the Banking and Diversified Financials. This is mainly due to credit quality and stability in the sector.

Quoted Equity

(%)



- Capital Goods
- Banks
- Consumer Durables & Apparel
- Telecommunication Services
- Materials
- Food, Beverage & Tobacco
- Consumer Services
- Application Software
- Food & Staples Retailing

42% of UA quoted equities in Capital Goods sector. UA predominantly invested in equities of this sector as large conglomerates are considered.

Reinsurance Counterparty Risk (R4)

The risk of a reinsurers failing to pay the reinsurance recovery. This is mainly measured using the credit rating of the Reinsurers.



Low

- We select reinsurers with a healthy credit rating from international rating agencies.

Re-insurer	Financial Strength Rating	Credit Rating	Rating Agency
MunichRe	AA-	AA-	Standard & Poor's
HannoverRe	AA-	AA-	
PartnerRe	A+	A-	
RGA	AA-	A	

- Company's reinsurance strategy is reviewed on a continuous basis.

Financial Risks**Market Risk****Interest Rate Risk (R5)**

Risk of loss resulting from changes in interest rates, including changes in the shape of yield curves of instruments such as debt securities, reserves for insurance contracts, employee benefit plans, loans and receivables



Medium

- Monitoring interest rate risk on a monthly basis by analysing the movement in the interest rate-sensitive asset duration, allocation to interest rate-sensitive assets, sensitivity of interest rate movements on the solvency margin, leverage derivatives such as forward interest rate bookings to mitigate interest rate risk.
- Treasury Middle office carries out sensitivity analysis on the interest rates movements and its possible impact on the financial asset portfolio.
- Entering into forward trade agreements to ensure the maximum returns are obtained from business cashflows to avoid any impact from possible reduction in interest rates.

Equity Risk (R6)

Risk of equity market price fluctuations affecting the bottom line of the Company



Medium

- Actively managing the equity portfolio to ensure realised gains are capitalised and to protect the equity base from any possible mark to market losses. Further, the Company has partnered with an external outsourced Equity Fund Manager to manage the equity portfolio of the Company.
- Continuous monitoring of the performance of external fund manager on the performance of the equity portfolio.

ENTERPRISE RISK MANAGEMENT

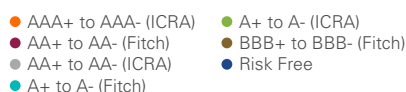
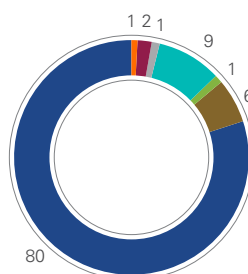
Key Risk	Rating	Risk Response
Liquidity Risk (R7) Risk that the Company, although solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.	 Medium	- Regular forecasting of detailed liquidity requirements based on business input. - Maintaining sufficient cash and cash equivalents and high-quality liquid investment portfolio as part of UA's liquidity management, to meet outflows under expected and stressed conditions. - Monitoring the investment portfolio to maintain an appropriate level of liquidity by placing limits on assets not readily realisable.
Credit Risk (R8) Loss or potential loss from counterparties failing to fulfill their financial obligations.	 Medium	- Sources of credit risks are assessed and monitored, and the Company has policies to manage the specific risks within the various sub categories of credit risks. - Use of ratings assigned by external rating agencies to assess counterparty credit worthiness. - Active use of collateral to support credit risk. - Prudent Credit Policy which limits investments to high grade corporate credit in line with the Investment policy and above regulatory minimum criteria. 80% of the investment portfolio of UA is on risk free securities.

Credit Risk Concentration

There is no unapproved material exposure in excess of the Company's limits for counterparty aggregation as of year-end.

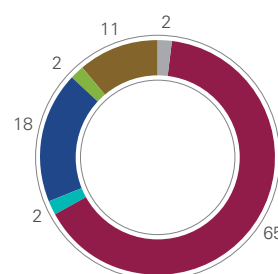
Investment Portfolio

(%)



Cash & Bank

(%)



Credit Risk Related to Policy Loans and Others

Analysis of maximum exposure to credit risk related to life policyholder loans. However, policy loans are collateralised by the surrender value of the policy.

Policyholder Loans

As at 31 December	2021 Rs. Mn	2020 Rs. Mn
Neither past due nor impaired		
Past due but not impaired	1,592,932	1,381,960
61- 90 days	96,792	104,978
91-180 days	50,468	128,908
181 days +	191,887	177,624
Total - Maximum exposure to credit risk	1,932,079	1,793,470

Premium Receivable

As at 31 December	2021 Rs. Mn	2020 Rs. Mn
Neither past due nor impaired		
0 - 30 days	532,975	376,723
Past due but not impaired	Nil	Nil
Total - Maximum exposure to credit risk	532,975	376,723

Key Risk	Rating	Risk Response
Other Significant Risks		
Core Operational Risk (R9) Risk of loss resulting from inadequate or failed internal processes, personnel related issues, systems or from external events such as outsourcing, natural catastrophes or legislation.	 Low	- Comprehensive framework in place with a common approach to identify, assess, quantify, mitigate, monitor and report operational risks. Within this framework, the Company: - Sets threshold limits determined by UA's Risk Policy. - Conducts risk assessments where operational risks above a certain threshold identified from internal control assessments, audit findings and loss events are documented and tracked. - Periodical review of internal controls. - Educate employees on internal controls. - Implementation of a bottom-up compliance sign off process. - Periodic review of the investment portfolio and related controls. - SOPs are available for critical areas of operations. - Test BCP on a regular basis and constantly evaluate test scenarios and attempt to test likely/emerging risk scenarios. - Maintain scanned copies of important documents and scanning cycle shortened. - All data available centrally to service customers with a bi-weekly back up process in place. - Call center active for customer connectivity (Call center back up is made available). - Encourage submission of digital insurance proposals (currently 100%). - Implemented work from home policy - evaluated telecommuting readiness and necessary steps were taken accordingly. - Developed and implemented a BCP for the Branch network. - BCP trainings & awareness for all departments.
Fraud Risk (R10) Risk of unexpected financial, material or reputational loss as a result of fraudulent action of persons internal or external to the organization.	 Low	- Preventing, detecting and responding to fraud is embedded in UA's business. Both claims and non-claims fraud are included in the common framework for assessing and managing operational risks. - Forestpin, an analytical and risk alert tool is used to identify outliers in a timely manner. - Strict Manual Of Financial Authority (MOFA) control. - Adequate segregation of duties (SOD). - Periodical asset/stock verification and reconciliation with ledger details. - Obtained sign off from staff on adherence to Company ethics and code of conduct. - Work with screened registered suppliers as far as possible. - A comprehensive Whistle Blowing Policy provides a formal procedure for employees to report instances of corruption, illegal activities, or other wrong doing. Also, platforms such as "CEO Direct" enables employees to report instances of corruption, illegal activities etc.
Reputational Risk (R11) Risk of negative publicity regarding Company's business practices will lead to a loss of confidence amongst stakeholders.	 Low	- Complying with applicable laws and regulations, and by following the core values, principles and code of conduct of the Company, which promotes integrity and good business practices. - Complying with established supplementary governance structures to manage Covid-19-related risks and matters effectively.

ENTERPRISE RISK MANAGEMENT

Key Risk	Rating	Risk Response
Regulatory and Compliance Risk (R12) Risk of being non-compliant to regulatory requirement	 Low	- Ensuring that our capital adequacy requirements are always maintained/preserved so we can support clients and withstand adverse impact from unexpected outcomes. - Monitoring of filing of returns to Insurance Regulatory Commission of Sri Lanka and other regulatory authorities such as the Colombo Stock Exchange and Financial Intelligent Unit of the CBSL. - Maintenance and monitoring of compliance by all departments. - Monitoring of on time gratuity payments and statutory payments. Ensure payments done as per set SLAs.
Strategic Risk (R13) Risk of UA being unable to achieve its strategic targets which arise from - Inadequate assessment of strategic plans - Ineffective implementation of strategic plans, and - Unexpected changes to assumptions underlying strategic plans	 Low	- UA defines strategy as the long term plan of action designed to allow the Company to achieve its goals and aspirations. The Company works to reduce unintended risks of strategic business decisions through its risk assessment processes and tools. - The management also carries out periodic reviews to ensure the effective implementation of strategic plans. - Making good progress in innovation and digital solutions to introduce efficiencies and to meet the challenge of evolving customer needs.
Data Security Risk (R14) Cyber risks and threats to data security.	 Medium	- Firewalls in place with high availability to protect network attacks. - Information Security Management System policies, procedures and controls are in place as per ISO27001:2013 standard. - Conduct frequent IT end user security awareness sessions. - Update Operating system patches regularly. - Multi factor authentication is enabled for O365 accounts. - Advanced threat protection available for emails for the executive and above category to safeguard email-based threats (O365). - Virus guard protection available for all computers. - Implemented Cisco Umbrella to safeguard from fraudulent internet activities/internet-based threats. - Implemented OneDrive & SharePoint mechanism to safeguard critical documents. - Data labelling and classification implemented in Microsoft Office documents. - With the implementation of WFH due to the ongoing Pandemic, the Company conducted extensive user awareness to address social engineering on an ongoing basis.

Our response to emerging trends and other factors

This table describes the emerging trends and other factors that could affect our future outlook and how we take action to manage them.

Emerging Trends/Other Factors	Our Response
Pandemic with new mutations Despite the vaccine drive, new or mutations of existing virus continue to emerge. This could be difficult for a stretched healthcare systems to contain, disrupting the national economy and affecting our operations and the health and mortality of our customers and employees.	While the Company continues to encourage all employees to obtain the necessary vaccine doses it has also taken a number of steps to safe guard the business operations, employees and customers as a whole. Some of the key initiatives taken include, - Conversion of normal office hours Call Center into a 24/7 Call Center, facilitating the customer requirements. - Enhancing digital capabilities, enabling employees to WFH. "Click life" a digital product was launched last year to enable customer's to access services Online. - BCP model which was re assessed to meet the WFH model. - Leveraging digital and virtual platforms to engage, develop and motivate our employees.
RiskType: Core operational risk	While we continue to be agile on new developments related to the external environment, we believe that the contingency planning efforts and initiatives taken so far will help us remain resilient.

Emerging Trends/Other Factors	Our Response
Changes in customer behaviour The way customers wish to interact with us and the product offering they expect continues to change. Risk Type: Strategic risk	We are sensitive to our customers' needs and we ensure we meet their savings, retirement and insurance requirements through a diverse product suite. We also seek to improve the way we serve our customers by simplifying our interactions with them by continuing to enhance our digital capabilities.
New technology and data analytics Failure to understand and react to the impact of new technology and its effect on customer behaviour and how we distribute products could potentially result in our business model becoming obsolete. Risk Type: Strategic risk	We continue to develop our data analytics capabilities to enable improvements in the customer journey, our understanding of how customers interact with us and our underwriting disciplines.
SLFRS-17 implementation readiness The adoption of SLFRS-17 will be a significant change to the accounting and reporting process of the Company. The magnitude of work required to be carried out to be SLFRS-17 ready by 01 Jan 2023 could be a challenging transformation exercise for a life insurer. Risk Type: Regulatory and compliance risk	Understanding the magnitude of the implementation project, the Board has appointed a SLFRS-17 Steering Committee to ensure institutional readiness for SLFRS-17 implementation, both tactically and strategically. An SLFRS-17 implementation project plan has been developed by the Company and the progress against the plans are monitored by the SLFRS-17 Steering Committee and regular updates are provided to the Board. Due to the complexity and the specialized nature of the Standard, the Company also has recognized the need of the involvement of specialized consultants to assist UA on the implementation and continue to work with them throughout the implementation project. The company has also set up a dedicated SLFRS-17 project team which comprises members from various functions of the organization and is looking to expand the resource requirements based on necessity. Based on the focused approach the Company is adopting, UA expects to be compliant and strategically ready to implement SLFRS-17 by the time the standard is effective.
Instability in macroeconomic environment Risk Type: Operational Risk, Financial Risk	We continue to identify, measure and manage all Investment and market specific risks on the Company's asset portfolio on a day to day basis. Investment Committee is met on a monthly basis to discuss on the current economic and market conditions and decisions are collectively taken based on the forecasted economic outlook. Treasury Middle office closely monitor the movements in investment values and counterparties on a regular basis to ensure that investment assets are safeguarded.

FINANCIAL STATEMENTS

THE POTENTIAL WITHIN

At Union Assurance we believe in our ability and potential to create a brighter tomorrow for all those we serve. Inspired by this confidence, our growth and performance are a testament of consistent effort and dedication.

147	Annual Report of the Board of Directors on the Affairs of the Company
152	Chief Executive Officer's and Chief Financial Officer's Responsibility Statement
153	Actuary's Report
154	Statement of Directors' Responsibility
155	Independent Auditor's Report
159	Table of Contents
160	Income Statement
161	Statement of Profit or Loss and Other Comprehensive Income
162	Statement of Financial Position
163	Statement of Changes in Equity
165	Statement of Cash Flows
167	Notes to the Financial Statements



FINANCIAL CALENDAR

	2021	2022
35 Annual General Meeting to be held on	N/A	31-Mar-22
34 Annual General Meeting held on	31-Mar-21	N/A
The first and final dividends for the year 2020 paid on	04-May-21	N/A
Audited financial statements of proceeding year authorized on	25-Feb-21	28-Feb-22
Interim financial statements will be published as per rule 7.4 of the Colombo Stock Exchange		
Interim results for the three months ended 31 March (Unaudited)	13-May-21	13-May-22
Interim results for the three months ended 30 June (Unaudited)	13-Aug-21	15-Aug-22
Interim results for the three months ended 30 September (Unaudited)	22-Oct-21	15-Nov-22
Interim results for the three months ended 31 December (Unaudited)	28-Feb-22	28-Feb-23

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Overview

The Directors have pleasure in presenting the Annual Report of your Company together with the audited financial statements for the year ended 31 December 2021.

Principal Activities

The principal activity of the Company, which is 'Life Insurance', remained unchanged during the financial year. The Company has not engaged in any activities, which contravene laws and relevant regulations.

Vision, Mission and Corporate Conduct

The corporate vision and mission are provided on page 23 of this report. In achieving its vision and mission, the Company has ensured that all Directors and employees conduct their activities in compliance with the highest level of ethical standards and integrity as set out in the Code of Conduct.

Review of Business and Future Developments

A review of the financial and operational performance and future business developments of the Company is contained in the Reflection from our Chairman, Reflection from our CEO and the Management Discussion and Analysis section of the Annual Report, as required under Section 168 (1) (a) of the Companies Act No. 07 of 2007 ('Companies Act'). 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.

Turnover

The total gross written premium generated by the Company for the year 2021 was Rs.15,406 million (2020 – Rs. 13,109 million).

Financial Results and Appropriations

The net profit after tax of the Company was Rs.2,054 million for the year (2020 - Rs.921 million).

A synopsis of the performance is presented below;

For the year ended 31 December Union Assurance PLC	2021 Rs. '000	2020 Rs. '000
Profit after tax	2,053,585	920,596
Balance brought forward from previous year	7,355,609	7,609,868
Profit available for appropriations	9,409,194	8,530,464
Appropriations		
Dividend paid for previous year	(825,000)	(1,178,571)
Transfer from revaluation reserve	3,716	3,716
Un-appropriated profit carried forward	8,587,910	7,355,609

Financial Statements and Auditors' Report

The financial statements for the year ended 31 December 2021 have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs / LKASs) issued by the Institute of Chartered Accountants of Sri Lanka. The financial statements duly signed by the Directors are provided on pages 160 to 253 and the Auditors' Report on the financial statements is provided on pages 155 to 158 of this Annual Report.

Accounting Policies

Details of accounting policies are presented on Pages 167 to 253 to the financial statements and comply with Section 168 (1) (d) of the Companies Act. There have been no changes in the accounting policies adopted by the Company during the year under review. For all periods up to and including the year ended 31 December 2021, the Company prepared its financial statements in accordance with the Sri Lanka Accounting Standards (SLFRSs / LKASs) which have materially converged with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

Dividends

The Board of Directors has declared a first and final dividend of Rs. 22 per share on the 28 February 2022 for the year ended 31 December 2021, out of retained earnings (2020 – Rs. 14). The dividend will be paid on or before 31 March 2022 to those shareholders on the register as of 9 March 2022. The Board of Directors has confirmed that the Company satisfies the

solvency test in accordance with Section 56 of the Companies Act and has obtained a certificate from the auditors prior to declaring the dividend. The dividend is paid out of retained earnings of the Company.

Provision for Taxation

The Company is liable to income tax at 24% (2020 - 28%) in terms of the Inland Revenue Act No. 24 of 2017 and amendments thereto. The tax position of the Company is disclosed in Note 22 to the financial statements on page 204.

The Government of Sri Lanka in its Budget for 2022 has proposed a one-time tax, referred to as a surcharge tax of 25% to be imposed on companies that have earned a taxable income in excess of Rs. 2,000 million for the year of assessment 2020/2021. The proposed tax should be deemed an expenditure in the financial statements relating to the year of assessment 2020/2021.

These financial statements have not been adjusted to reflect the consequences of this proposal as the bill has not been substantially enacted as of the reporting date.

Property, Plant and Equipment

During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 179 million. The carrying value of property, plant and equipment as at 31 December 2021 was Rs. 2,746 million (2020 - Rs. 2,469 million). The details of property, plant and equipment are shown in Note 27 to the financial statements on page 213.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Intangible Assets

During the financial year, the Company acquired intangible assets to the aggregate value of Rs. 1,048 million. The carrying value of intangible assets was Rs. 1,546 million as at the reporting date (2020 - Rs. 1,247 million). The details of intangible assets are shown in Note 26 to the financial statements on page 212.

Market Value of Freehold Properties

The land and building owned by the Company at No. 6, Rajapihilla Road, Kurunegala and at No. 20, St. Michael's Road Colombo 03 were revalued as at 31 December 2021 to reflect its market value as per Company policy.

The revaluation was performed by Mr. P B Kalugalagedera and Associates, Chartered Valuation Surveyor. The details of the revaluation and relevant accounting policies are provided in Note 27 to the financial statements on page 213.

Investments

Details of investments held by the Company are disclosed in Note 30 to the financial statements on page 223.

Stated Capital and Reserves

In compliance with the Companies Act, the financial statements reflect the stated capital of the Company. The stated capital is the total of all amounts received by the Company in respect of the issued share capital. The stated capital of the Company as at 31 December 2021 was Rs. 1,000 million (2020 - Rs. 1,000 million) and the total capital and reserves was Rs. 15,455 million (2020 - Rs. 15,108 million).

As explained in Note 39 on page 236, based on the directions issued by IRCSL dated 20 March 2018 and subsequent approval, the Company has transferred the one – off surplus of Rs. 3,382 million attributable to non-participating fund and non unit fund of unit linked business from life policyholder fund to life shareholder fund (SHF) through Income Statement as at 31 December 2017. The distribution of this one – off surplus to shareholders, held as part of the

Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon receiving approval from the IRCSL. The one - off surplus in the SHF is invested in government debt securities as per the directions of the IRCSL.

Share Information

Information relating to earnings, dividends, net assets and market value per share is given in the UA share performance on pages 48 to 63 of this report.

Share Holdings

There were 1,493 registered shareholders, holding ordinary voting shares as at 31 December 2021 (2020 - 1,512). The distribution of shareholding including the percentage held by the public is given on page 62 of this report.

Equitable Treatment to all Shareholders

The Company has made every endeavour to ensure the equitable treatment of all shareholders and adopted adequate measures to prevent information asymmetry.

Substantial Shareholdings

The list of top twenty shareholders as at 31 December 2021 is given on page 63 of this report, together with comparative shareholding as at 31 December 2020.

Information to Shareholders

The Board strives to be transparent and provide accurate information to shareholders in all published material. The quarterly financial information during the year has been sent to the Colombo Stock Exchange in a timely manner.

Corporate Governance

The Board of Directors is committed to maintaining an effective corporate governance structure and process. A more comprehensive report on corporate governance is found on pages 92 to 134.

Directors' Declaration

The Directors declare that;

- The Company has not engaged in any activity, which contravenes laws and regulations
- The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested
- The Company has made all endeavors to ensure the equitable treatment of shareholders
- The business is a going concern
- A review of the internal controls covering, financial, operational and compliance controls and risk management has been conducted, and the Directors have obtained reasonable assurance of their effectiveness and successful adherence therewith
- The Company, being listed on the Colombo Stock Exchange (CSE), is compliant with the rules on corporate governance under the listing rules of the CSE with regard to the composition of the Board and its sub committees
- The Company is in compliance with the Code of Best Practice on Corporate Governance (2017) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) to the extent of business exigency and as required by the John Keells Group.

Board Audit and Compliance Committee

The composition of the Board Audit and Compliance Committee comprising of Non Executive Directors is provided on page 111. The Chief Executive Officer (CEO), other Executive Committee members and internal and external auditors attend the meetings by invitation. The report of the Board Audit and Compliance Committee is provided on pages 111 to 113 of this report.

System of Internal Controls

The Board of Directors has put in place an effective and comprehensive system of internal controls covering financial,

operational and compliance controls and have obtained reasonable assurance of their effectiveness. An enterprise risk management initiative has been implemented. The Board is satisfied that the process is sufficiently robust to identify and manage risks which have an impact on the Company's performance.

SLFRS 17 steering committee was established during the year to ensure the institutional strategic readiness of implementation of SLFRS 17. Details of the committee are outlined in the Corporate Governance section on page 110.

Risk Management

The Board and the executive management of the Company have put in place a comprehensive risk identification, measurement and mitigation process. The risk management process is an integral part of the annual strategic planning cycle. A detailed overview of the process is outlined in the Enterprise Risk Management report in the Corporate Governance section on page 135.

The Board of Directors

As at 31 December 2021 the Board of Directors of Union Assurance PLC consisted of Directors with diverse knowledge and experience. Brief profiles of the Directors are given in the Corporate Governance section on page 92.

Resignation and Appointment of Directors

No new appointments / resignations were made to / from the Board during the year under review

Retirement and Re-Election / Re-Appointment of Directors

In terms of Article 84 of the Articles of Association of the Company, Mr. S. Rajendra and Mr. S.A Appleyard retire by rotation and are eligible for re - election. A brief profile of said Directors are given on pages 92 and 93.

Responsibility of the Board

Details of responsibilities of the Board and the manner in which those responsibilities were discharged during the year are disclosed in the Corporate Governance section on page 105.

Review of Performance of the Board

The performance of the Board has been appraised through a formalized process, where each individual Director anonymously comments on the dynamics of the Board.

Board Sub Committees

The Board while assuming the overall responsibility and accountability in the management of the Company has also appointed Board sub committees to ensure control over certain affairs of the Company.

Details of the sub committees, their mandates and composition are provided in the Corporate Governance section on pages 109 to 115.

Directors' Interests Register

The Company, in compliance with the requirements of the Companies Act maintains an Interests Register.

The particulars of the Company's interest register are given below.

a) Directors' Interests in Transactions

The Directors of the Company have made general declarations as provided for in Section 192 (2) of the Companies Act.

Arising from this, details of contracts in which they have an interest are provided in Note 48 on page 247 to the financial statements, under related party transactions.

b) Directors' Interests in Shares

The Directors' individual shareholdings in the Company is provided on page 62 of the Annual Report.

c) Share Dealings

There have been no share dealings by the Directors during the year. Mr. J P Gomes, Chief Executive Officer has purchased 500 shares during the year.

d) Indemnities and Remuneration to Directors

Directors' remuneration is established within a framework approved by the Remuneration Committee. The Directors are of the opinion that the framework assures appropriateness of remuneration and fairness for the Company. The remuneration of the Non – Executive Directors is determined according to scales of payment decided upon by the Board. Details of Directors' fees and emoluments paid during the year along with the corresponding amounts for the previous year are set out in Note 21 of the financial statements.

Directors' Meetings

Details of Board meetings and Board subcommittee meetings are presented on page 106 of the Annual Report.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the financial statements of the Company to reflect a true and fair view of the state of its affairs. The Directors are of the view that these financial statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards (SLFRSs / LKASs) issued by ICASL, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Regulation of Insurance Industry Act No. 43 of 2000, Statement of Recommended Practice (SORP) issued by the ICASL and the Listing Rules of the CSE.

Related Party Transactions

There are no related party transactions which exceed the lower of 10% of equity or 5% of the total assets of the Company. Directors have disclosed the transactions with related parties in terms of Sri Lanka Accounting Standard LKAS

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

24 – Related Party Disclosures, in Note 48 to the financial statements and have complied with CSE Listing Rule 9.3.2 and Code of Best Practice on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (C) of the Securities and Exchange Commission (SEC) Act.

Compliance with the Transfer Pricing Regulations

All transactions entered into with associated persons during the period are on an arm's length basis and are comparable with transactions carried out with non - associated persons.

Donations

There were no donations made during the year.

Corporate Social Responsibility

The Company manages a range of programmes towards its stakeholders in order to bring about sustainable development in all areas of business. The CSR initiatives are detailed in the Social and Relationship Capital section on pages 78 to 85.

Compliance with Laws and Regulations

The Company has complied with all applicable laws and regulations. A compliance checklist is signed off on a monthly basis by responsible officers and any violations are reported to the Board Audit and Compliance Committee. Refer pages 129 to 134 for the statement of compliances.

Risk Based Capital Requirement (RBC)

With effect from 1 January 2016, all insurance companies were required to maintain a capital amount as computed under the risk based capital framework introduced by the IRCSL or Rs. 500 million whichever is higher. From the first quarter of 2016 onwards, the Company reported RBC requirements on a quarterly and annual basis within the reporting time lines. Refer pages 136 to 137 for details on RBC of the Company.

Integrated Corporate Reporting

The integrated annual report has been prepared in accordance with the Integrated Reporting Framework of the International Integrated Reporting Council (IIRC). The Board Audit and Compliance Committee has reviewed the framework presented in this Annual Report and based on their recommendation, the Board has adopted the framework as a transparent basis to report the Company's activities and results to all stakeholder groups. The Company obtained external assurance from its auditors on integrated reporting first time during the year.

Sustainability

The Company is aware of the need to pursue its business goals from a stakeholder perspective of business governance. Hence, through the structured stakeholder engagement process, the Company has identified material issues in relation to each stakeholder group and endeavours to achieve its business goals with due respect to all stakeholder needs. This integrated Annual Report, combining financial information with sustainability information aims to provide its stakeholders a more holistic set of information.

Messrs. KPMG has issued an assurance of the financial performance data disclosed and the content of the report which represents the Company's sustainability policies, objectives, management approach and performance, and as prepared under the requirements of the GRI Standards.

Human Resources

The Company continued to implement appropriate human resource management policies to develop employees and optimize their contribution towards the achievement of corporate objectives. These policies and procedures ensure the equitable treatment of all employees. The Company also adopts equality of opportunity for all employees irrespective of ethnic origin, religion, political opinion, gender, marital status or physical ability/disability. Some of the processes and procedures adopted in this regard are

mentioned in the Human Capital Report on pages 72 to 77. The number of persons employed by the Company as at 31 December 2021 was 770 (2020 - 795).

There were no material issues pertaining to employees and industrial relations of the Company during the year under review.

Code of Conduct

The Company demands impeccable standards of conduct from its Directors and employees in the performance of their official duties and in situations that could affect the Company's image. The Company has also implemented a code of conduct for field staff covering their responsibility, commitment and level of service to the client. During the year no material violations of the code was noted.

Environment Protection

Initiatives taken by the Company to preserve the environment are presented in the Natural Capital Report on pages 68 to 71. The Company has not engaged in any activity that is harmful to the environment.

Supplier Policy

The Company applies an overall policy of agreeing and clearly communicating terms of payments as part of the commercial agreements negotiated with suppliers, and endeavours to pay for all items properly charged in accordance with those agreed terms. As at 31 December 2021, the payments of the Company amounted to Rs. 1,785 million (2020 - Rs. 1,809 million).

Statutory Payments

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments due to the government, other regulatory institutions and in relation to employees as at the reporting date have been paid or, where relevant provided for, except as detailed in Note 51 to the financial statements, relating to contingent liabilities.

Capital Commitments

No significant capital commitments exist as at 31 December 2021.

Contingencies and Outstanding Litigation

In the opinion of the Directors and in consultation with the Company lawyers, litigation currently pending against the Company will not have a material impact on the reported financial results or future operations of the Company.

Events After the Reporting Date

There have been no events subsequent to the reporting date, which would have any material effect on the Company, other than those disclosed in Note 50 to the financial statements.

Going Concern

After considering the financial position, operating conditions, regulatory and other factors including macro environmental factors arising due to COVID-19 pandemic and such matters required to be addressed in the Code of Best Practice on Corporate Governance, issued jointly by the CA Sri Lanka and the SEC of Sri Lanka, the Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, the going concern basis is adopted in preparing the financial statements.

Auditors

The Company's external auditors during the period under review were Messrs. KPMG. The fee amount paid / payable for the services provided to the Company during the year 2021 and 2020 is presented below.

	2021 Rs. '000	2020 Rs. '000
Audit and audit related fees	5,311	7,873
Non audit fees	3,122	2,423

Independence of Auditors

Based on the declaration from Messrs. KPMG, and as far as the Directors are aware, the Auditors do not have any relationship or interest other than that of an Auditor of the Company.

Re-Appointment of Auditors

The retiring auditor Messrs. KPMG have intimated their willingness to continue in office and a resolution to re - appoint them as Auditors and authorizing the Directors to fix their remuneration will be proposed at the next Annual General Meeting.

Auditors' Report

Auditors' Report on the financial statements is given on pages 155 to 158 of this annual report.

Approval of Financial Statements

The audited financial statements were approved by the Board of Directors on 28 February 2022. The appropriate number of copies of this report will be submitted to the CSE and to the Sri Lanka Accounting and Auditing Standards Monitoring Board.

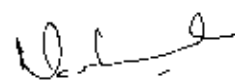
Annual General Meeting

The Annual General Meeting of the Company will be held as a virtual meeting, on 31 March 2022 at 2.00 p.m. The notice of the meeting relating to the 35th Annual General Meeting is given on page 286.

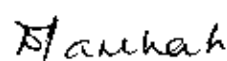
This Annual Report is signed for and on behalf of the Board of Directors by:



K.N.J Balendra
Chairman



W. M. De F. Arsakularatne
Director



Keells Consultants (Private) Limited
Secretaries

28 February 2022

CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

The financial statements of Union Assurance PLC as at 31 December 2021 are prepared and presented in compliance with the following;

- Sri Lanka Accounting Standards (SLFRSs / LKASs) issued by the Institute of Chartered Accountants of Sri Lanka (ICASL)
- Requirements of the Companies Act No. 07 of 2007
- Sri Lanka Accounting and Auditing Standards Act No 15 of 1995
- Statement of Recommended Practice (SORP) issued by the ICASL
- Listing rules of the Colombo Stock Exchange (CSE)
- The Regulation of Insurance Industry (RII) Act No. 43 of 2000 and subsequent amendments thereto
- Code of best practice on corporate governance issued by the ICASL and Securities and Exchange Commission (SEC)

Accordingly, the Company has prepared the financial statements which comply with SLFRSs / LKASs and related interpretations applicable for the year ended 31 December 2021, together with the comparative data as at and for the year ended 31 December 2020, where required, as described in the accounting policies.

The accounting policies used in the preparation of the financial statements are appropriate and are consistently applied, unless otherwise stated in the notes accompanying the financial statements. There have been no changes in the accounting policies adopted by the Company during the year under review.

Significant accounting policies and estimates that involve a high degree of judgement and complexity were discussed with our external auditors and the Board Audit and Compliance Committee (BACC).

We confirm that to the best of our knowledge, the financial statements and other financial information included in this

annual report, fairly present in all material respects the financial position, results of operations and cash flows of the Company as of, and for, the periods presented in this Annual Report. We are responsible for establishing and maintaining internal controls and procedures to be designed under our supervision. We have designed such controls and procedures, or caused such controls and procedures to be designed under our supervision, to ensure that material information relating to the Company is made known to us and for safeguarding the Company's assets and preventing and detecting fraud and error. We have evaluated the effectiveness of the Company's internal controls and procedures and are satisfied that the controls and procedures were effective as of the end of the period covered by this annual report and on an ongoing basis.

We confirm, based on our evaluations that there were no significant deficiencies and material weaknesses in the design or operation of internal controls and any significant fraud that involves management or other employees.

Whilst the Internal audit function of the Company continuously conducts internal audit checks, our external Internal Auditors (PricewaterhouseCoopers) conduct periodic reviews to ensure that the internal controls and procedures are consistently followed. The financial statements were audited by Messrs. KPMG, Chartered Accountants, Independent Auditors.

The BACC pre - approves the audit and non - audit services provided by Messrs. KPMG, in order to ensure that the provision of such services does not impair KPMG's independence. The BACC also reviews the external audit plan, the internal audit plan, all internal audit reviews and management letters and follows up on any issues raised during the statutory audit as well as the internal audits. The BACC also meets with the external and internal auditors at a close door meeting without the presence of the management to review the effectiveness of the audits.

We confirm that the company has complied with all applicable laws and regulations and guidelines and that there are no material litigations that are pending against the Company other than those arising in the normal course of conducting insurance business. We also confirm that the Company has complied with the following Insurance Regulatory Commission of Sri Lanka (IRCSL) requirements;

- All provisions in the RII Act No. 43 of 2000, and subsequent amendments there to, and all rules, regulations, determinations, directions issued by IRCSL; complied with all orders made by the Ministry of Finance and Planning under the RII Act, No. 43 of 2000
- Terms and conditions pertaining to reinsurance placements issued by IRCSL in terms of section 31(1) of the RII Act, No. 43 of 2000
- All applicable circulars issued by IRCSL
- All provisions in the Financial Transactions Reporting Act, No. 06 of 2006
- Rules on Know Your Customer (KYC) and Customer Due Diligence (CDD) for the Insurance Industry issued by the Financial Intelligence Unit established under the Financial Transactions Reporting Act, No. 06 of 2006
- Guidelines on Anti Money Laundering Programme for Insurers issued by IRCSL



Jude Gomes
Chief Executive Officer



Asha Perera
Chief Financial Officer

28 February 2022

ACTUARY'S REPORT



28 February 2022

The Board of Directors
Union Assurance PLC
No 20, St. Michael's Road,
Colombo 03,
Sri Lanka

Actuarial Valuation of the Long-Term Insurance Business as at 31 December 2021

In accordance with the engagement letter dated 2 April 2019, Willis Towers Watson India Private Limited ("WTW", "we", "our" or "us"), has carried out an actuarial review of the valuation of long-term insurance liabilities of Union Assurance PLC's Long-Term Insurance Business as at 31 December 2021.

We hereby certify that:

1. Reasonable steps have been taken by the Company to ensure that data used for the actuarial valuation of the liabilities of the Long-Term Insurance Fund is complete and accurate;
2. Adequate and proper reserves have been provided as at 31 December 2021, for all liabilities in respect of the Long-Term Insurance Fund, taking into account all current and contingent liabilities as at that date.
3. The total long-term insurance provisions maintained within the life fund for conventional business is LKR43,734 million. The value of assets held in respect of conventional life business is LKR48,362 million. The surplus in respect of the conventional life business after making an allowance for a shareholder transfer of LKR1,600 million is LKR4,629 million. The cost of bonus for the participating business as at 31 December 2021 is LKR113 million and the shareholder transfer has been calculated as one-ninth of the cost of bonus. The remainder of the shareholder transfer for the conventional business has been made from the non-participating and universal life funds. The surplus in respect of the conventional business before shareholder transfer is LKR6,229 million.
4. The total long-term insurance provisions within the life fund for the non-unit liabilities in respect of unit-linked business is LKR1.4 million. The value of assets (other than assets backing unit-linked liabilities) held in respect of this business is LKR91 million. The surplus in respect of the unit-linked business before shareholder transfer is LKR89 million. Shareholder transfer in respect of Unit Linked business is nil as at 31 December 2021.
5. The risk-based capital required under the Regulation of Insurance Industry Act No. 43 of 2000 is LKR9,468 million, and the Company's CAR (after allowing for the LKR1,600 million shareholder transfer) is 228%, compared to the regulatory minimum requirement of 120%.
6. We have undertaken a liability adequacy test for long term insurance provisions maintained within the life fund of Union Assurance PLC as contemplated by SLFRS 4. In carrying out the liability adequacy test, we have compared the provisions held as per the audited accounts with the actuarial liability. For this purpose, the value of the actuarial liability is determined following the principles laid out within the risk-based capital framework as prescribed by the IRCSL [the Solvency Margin (Risk Based Capital) Rules 2015]. Based on this test, we conclude that the long-term insurance provisions maintained within the life fund of Union Assurance PLC as per the audited accounts of the Company for the year ended 31 December 2021 is in excess of the liabilities computed in the above-mentioned manner.

Vivek Jalan, FIA, FIAI
Head of Insurance Consulting & Technology, India
WTW

Willis Towers Watson India Private Limited
Registered Office:
2nd Floor, Tower B
Unitech Business Park
South City - I, Sector 41
Gurgaon - 122001
Haryana, India

T: +91 124 4322800
F: +91 124 4322801
E: TW.Fin.India@willistowerswatson.com
W: willistowerswatson.com
CIN: U67190HR1996PTC051330

STATEMENT OF DIRECTORS' RESPONSIBILITY

The responsibility of the Directors in relation to the financial statements is set out in the following statement. The responsibility of the Auditors in relation to the financial statements prepared in accordance with the provision of the Companies Act No. 07 of 2007 is set out in the Report of the Auditors on pages 155 to 158. As per the provisions of the Companies Act No. 07 of 2007 the Directors are required to prepare, for each financial year and place before a general meeting, financial statements which comprise of;

- income statement and statement of profit or loss and other comprehensive income of the Company which present a true and fair view of the profit or loss of the Company for the financial year; and
- a statement of financial position, which presents a true and fair view of the state of affairs of the Company as at the end of the financial year; and
- a statement of changes in equity; and
- a statement of cash flows for the year ended and notes to the financial statements.

The Directors have ensured that, in preparing these financial statements;

- the appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained; and
- all applicable accounting standards in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs) as relevant have been applied; and

- reasonable and prudent judgements and estimates have been made so that the form and substance of transactions are properly reflected; and
- it provides the information required by and otherwise complies with the Companies Act No. 07 of 2007, Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto and the Listing Rules of the Colombo Stock Exchange and requirements of any other regulatory authority as applicable to the Company.

The Directors have also ensured that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these financial statements.

Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the Company.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

The Directors are required to prepare the financial statements and to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their audit opinion.

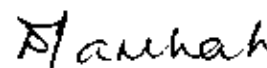
Further, as required by Section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors have confirmed that the Company, based on the information available, satisfies the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act No. 07 of 2007, and have obtained a certificate from the Auditors, prior to declaring a final dividend of Rs. 22 per share for the year ended 31 December 2021, payable on or before 31 March 2022.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions levies and taxes payable on behalf of and in respect of the employees of the Company, and all other known statutory dues, as were due and payable by the Company, as at the reporting date have been paid or, where relevant provided for, except as detailed in Note 51 to the financial statements, relating to contingent liabilities.

By order of the Board



Keells Consultants (Private) Limited
Secretaries

28 February 2022



Tel +94 - 11 542 6426
Fax +94 - 11 244 5872
+94 - 11 244 6058
Internet www.kpmg.com/lk

Opinion

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at December 31, 2021, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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 Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code

of Ethics), 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.

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's financial statements of the current period. These matters were addressed in the context of our audit of the Company's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Refer to Note 42 (page 238) and Note 43 (page 244) to these financial statements.

Risk Description	Our Response
Union Assurance PLC has recognized insurance contract liabilities and Insurance contract liabilities – unit linked amounting to Rs. 48, 918 Mn and Rs. 916 Mn respectively as at 31st December 2021.	We used an actuarial specialist to assist us in performing our procedures in this area.
The Company's insurance contract liabilities in total including unit linked fund represents 90 per cent of the Company's total liabilities. This is an area that involves significant judgement over uncertain future outcomes, mainly the ultimate total settlement value of long term policyholder liabilities. Economic assumptions, including risk free rate, inflation, and operating assumptions including mortality, morbidity, expenses, fund yield, bonus rate, dividend rates and lapse ratio (including consideration of policyholder behavior) are the key inputs used to estimate these long term liabilities.	Our audit procedures among others included; - Assessing the competence, capabilities and objectivity of management's external actuarial expert and company's staff involved in the policy holders liability valuation process. - Assessing the controls adopted (including IT related controls) by the Company in providing accurate and complete information to the independent appointed actuary for the purpose of the policy holders liability valuation. - Assessing the Company's methodology for calculating the policyholder liabilities to be in line with guidelines of Insurance Regulatory Commission of Sri Lanka (Risk Based Capital Rules 2015). - Reconciling the movements in policyholder liabilities during the year with the movements in the financial results reported in separate funds.
Further these liabilities are measured on a market consistent basis in accordance with the Solvency Margin (Risk Based Capital) Rules 2015 with effect from 01st January 2016, issued under Sections 105 and 26 (1) of the Regulation of Insurance Industry Act, No. 43 of 2000.	

M. R. Mubarek FCA
I. J. S. Rajakumar FCA
M. S. M. B. Jayasekara ACA
G. A. J. Karunaratne FCA
R. A. Rajar FCA
A. M. M. P. Anandkoon ACA

P. Y. S. Perera FCA
A. W. J. C. Perera FCA
H. K. D. C. Asenathure FCA
R. V. D. B. Rajadasa FCA
M. M. M. Shamee FCA
Ms. P. M. K. Sumanasekera FCA

C. H. Lapinski FCA
Mrs. S. Joseph FCA
S. T. D. Pereira FCA
Mrs. B. K. D. N. Rango FCA
Mrs. C. T. K. N. Pereira ACA

Principale SRI Patern FCMA/UK; LLB, Attorney-at-Law, H.S. Goonesekere ACA & A. A. Wickramaratne CFA, ACMA MR CS

INDEPENDENT AUDITOR'S REPORT



Risk Description	Our Response
Accordingly, due to the value of the liability balance relative to total liabilities and subjectivity of the significant judgments involved and estimation uncertainty associated with the valuation, we considered Insurance contract liabilities as a Key Audit Matter.	- Assessing and challenging the key assumptions and reserving methodologies driving the value of the insurance liabilities by, - comparing the assumptions to expectations based on, current trends and our own industry knowledge; - evaluating the level of prudence applied and comparing this to prior periods; - applying our industry knowledge to benchmark the Company's reserving methodologies assumptions, and estimates of losses. - Independently re-calculating the Universal Life fund balances as at the reporting date for selected products of the Company. - Verifying the existence, market valuation of the financial investments and the related investment income in relation to the financial instruments attributed to the unit-linked fund. - Assessing adequacy of the disclosures in the financial statements.

IT Systems and Controls

Risk Description	Our Response
The financial reporting of the Company depends on the correct functioning of operational and financial IT systems. For example, interfaces between policy administration and financial reporting systems, or automated controls that prevent or detect inaccurate or incomplete transfers of financial information etc. If these systems or controls fail, a significant risk of error in reported financial information can arise from the failure to transfer data appropriately between systems and/or inappropriate changes being made to financial data or systems. This is an area of significant risk in our audit due to the dependency and complexity of the IT infrastructure and accordingly identified as a Key Audit Matter.	We used our own IT Audit specific team members to assist us in performing procedures in this area. Our audit procedures among others included; - Assessing the governance and higher-level controls in place across the IT Environment, including the approach to policy design, review and awareness, and IT Risk Management practices. - Testing general IT controls involving restrictions on system access, permissions and responsibilities of the authorized users, process for approving changes to the systems. - Obtaining an understanding and testing controls over specific application controls which are required to be operating effectively to mitigate the risk of misstatement in the financial statements. - Testing manual compensating controls, such as reconciliations between systems and other information sources and performed additional substantive testing such as using extended sample sizes and performing data analysis routines over the full population of transactions.



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 statement and our auditor's report there on.

Our opinion on the financial statements does not cover the other information and we will 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. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless

management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company 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.

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

INDEPENDENT AUDITOR'S REPORT



We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 and amendments thereto, 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 Regulatory Commission of Sri Lanka, so as to clearly indicate the true and fair view of the financial position of the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is FCA 3272.

A handwritten signature in black ink, appearing to be 'AWJ', written over a horizontal line.

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka
February 28, 2022

TABLE OF CONTENTS

	Page
Primary Financial Statements	
Statement of Profit or Loss and Other Comprehensive Income	160
Statement of Financial Position	162
Statement of Changes in Equity	163
Statement of Cash Flows	165
Notes to the Financial Statements	
1 Corporate Information	167
2 Basis of Accounting	168
3 Significant Accounting Judgments, Estimates and Assumptions	168
4 Standards Issued but Not Yet Effective	169
5 Summary of Significant Accounting Policies	173
6 Operating Segments	174
7 Financial Risk Management	176
8 Fair Value Measurement and Related Fair Value Disclosures	192
Income Statement	
9 Gross Written Premium (GWP)	197
10 Premium Ceded to Reinsurers	198
11 Net Investment Income	198
12 Net realised gains / (losses)	199
13 Net fair value gains	200
14 Other income	200
15 Net insurance benefits and claims paid	201
16 Net change in insurance claims outstanding	201
17 Change in contract liabilities - Life Fund	202
18 Underwriting and net acquisition costs (net of reinsurance)	202
19 Other operating, administrative and selling expenses	203
20 Finance Costs	203
21 Profit Before Tax	203
22 Income Tax Expense	204
23 Earnings per Share	207
24 Dividends per Share	207

	Page
Statement of Financial Position	
Assets	
25 Financial Assets and Liabilities	207
26 Intangible Assets	212
27 Property, Plant and Equipment	213
28 Right of Use Assets (Leases)	218
29 Investment in Equity Accounted Investee	220
30 Financial Investments	223
31 Loans to Life Policyholders	230
32 Reinsurance Receivable	231
33 Premiums Receivable	232
34 Receivables and Other Assets	232
35 Cash and Cash Equivalents	234
Equity	
36 Stated Capital	234
37 Available for Sale Reserve	235
38 Revaluation Reserve	235
39 Restricted Regulatory Reserve	236
40 Other Reserves	236
41 Retained Earnings	238
Liability	
42 Insurance Contract Liabilities	238
43 Insurance Contract Liabilities - Unit Linked	244
44 Lease Liability	244
45 Employee Benefits Liabilities	244
46 Reinsurance Payables	247
47 Other Liabilities	247
Other Disclosures	
48 Related Party Disclosures	247
49 Commitments	252
50 Events After the Reporting Period	252
51 Provisions and Contingencies	252
52 Comparative Information	253
53 Directors' Responsibility	253

INCOME STATEMENT

For the year ended 31 December

	Note	Page	2021 Rs. '000	2020 Rs. '000	Change %
Gross written premium	9	197	15,406,161	13,108,605	18
Premium ceded to reinsurers	10	198	(725,809)	(589,877)	23
Net written premium			14,680,352	12,518,728	17
Other revenue					
Net investment income	11	198	5,276,130	5,032,432	5
Net realised gains / (losses)	12	199	431,225	(402,181)	207
Net fair value gains	13	200	235,848	277,179	(15)
Other income	14	200	27,528	43,584	(37)
Total other revenue			5,970,731	4,951,014	21
Total net revenue			20,651,083	17,469,742	18
Benefits, claims and expenses					
Net insurance benefits and claims paid	15	201	(5,001,938)	(3,688,507)	36
Net change in insurance claims outstanding	16	201	392,391	(105,072)	(473)
Change in contract liabilities - Life Fund	17	202	(7,076,481)	(6,207,253)	14
Underwriting and net acquisition costs (net of reinsurance)	18	202	(2,844,018)	(2,145,130)	33
Other operating, administrative and selling expenses	19	203	(3,209,731)	(3,256,106)	(1)
Depreciation and amortisation	26/27/28	212/213/218	(435,556)	(390,271)	12
Total benefits, claims and expenses			(18,175,333)	(15,792,339)	15
Profit from operations			2,475,750	1,677,403	48
Share of results of equity accounted investee, net of tax	29	220	151,557	116,438	30
Profit before tax	21	203	2,627,307	1,793,841	46
Income tax expenses	22	204	(573,722)	(873,245)	(34)
Profit for the year			2,053,585	920,596	123
Earnings per share					
Basic (Rs.)	23	207	34.85	15.62	123
Diluted (Rs.)	23	207	34.85	15.62	123

The notes to the financial statements as set out on pages 167 to 253 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	Note	Page	2021 Rs. '000	2020 Rs. '000	Change %
Profit for the year			2,053,585	920,596	123
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Net gains on revaluation of land and buildings	27.1	215	190,254	-	
Share of net change in actuarial gain / (loss) on defined benefit plan of equity accounted investee, net of tax	29.1(a)	223	7,138	(2,314)	
Actuarial gain / (loss) on defined benefit plan	40.2	236	(3,588)	7,730	
Related tax			-	-	
			193,804	5,416	3,478
Items that are or may be reclassified to profit or loss					
Fair value reserve (available for sale financial assets)					
Net change in fair value of available for sale financial assets	37	235	(566,990)	372,629	
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	29.1(a)	223	(32,656)	26,915	
Net change in fair value of available for sale financial assets transferred to the income statement	37.1	235	74	-	
Related tax			-	-	
			(599,572)	399,544	(250)
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	37	235	(400,388)	314,921	
Net change in fair value of available for sale financial assets of insurance liabilities transferred to the income statement	37.1	235	(82,116)	(24,081)	
Related tax			-	-	
			(482,504)	290,840	(266)
			(1,082,076)	690,384	(257)
Other comprehensive income, net of tax			(888,272)	695,800	(228)
Total comprehensive income for the year, net of tax			1,165,313	1,616,396	(28)

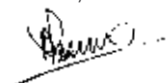
The notes to the financial statements as set out on pages 167 to 253 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December

	Note	Page	2021 Rs. '000	2020 Rs. '000
Assets				
Intangible assets	26	212	1,545,529	1,247,057
Property, plant and equipment	27	213	2,746,114	2,468,821
Right of use assets	28	218	421,885	218,312
Investment in equity accounted investee	29	220	1,513,031	1,386,991
Financial investments	30	223	59,329,071	52,356,208
Loans to life policyholders	31	230	1,932,079	1,793,470
Reinsurance receivable	32	231	969,446	492,011
Premiums receivable	33	232	532,975	487,959
Receivables and other assets	34	232	801,758	1,189,309
Cash in hand and at bank	35	234	969,748	960,270
Total assets			70,761,636	62,600,408
Equity and liabilities				
Equity				
Stated capital	36	234	1,000,000	1,000,000
Available for sale reserve	37	235	137,776	1,219,852
Revaluation reserve	38	235	2,272,226	2,085,688
Restricted regulatory reserve	39	236	3,381,934	3,381,934
Other reserves	40	236	75,247	65,406
Retained earnings	41	238	8,587,910	7,355,609
Total equity			15,455,093	15,108,489
Liabilities				
Insurance contract liabilities	42	238	48,918,147	41,881,657
Insurance contract liabilities - Unit Linked	43	244	916,192	1,061,701
Lease liabilities	44	244	421,300	232,259
Employee benefit liabilities	45	244	239,915	194,753
Reinsurance payables	46	247	1,038,267	533,023
Other liabilities	47	247	3,523,390	3,427,721
Bank overdraft	35	234	249,332	160,805
Total liabilities			55,306,543	47,491,919
Total equity and liabilities			70,761,636	62,600,408

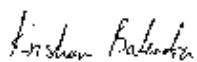
The notes to the financial statements as set out on pages 167 to 253 form an integral part of these financial statements.
I certify that the above financial statements comply with the requirements of the Companies Act No. 07 of 2007.



Asha Perera

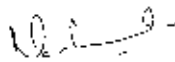
Chief Financial Officer

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



K. N. J. Balendra

Chairman



W. M. De F. Arakularatne

Director

Colombo
28 February 2022

STATEMENT OF CHANGES IN EQUITY

Rs. '000	Note	Stated capital	Restricted regulatory reserve	Revaluation reserve	Reserves		Retained earnings	Total
					Reserve on merger	Other reserves Available for sale reserve Other capital reserves		
Balance as at 1 January 2020		1,000,000	3,381,934	2,089,404	16,752	529,468	35,476	14,662,902
Profit for the year		-	-	-	-	-	920,596	920,596
Other comprehensive income for the year, net of tax								
Net change in fair value of available for sale financial assets	37	-	-	-	-	372,629	-	372,629
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	37	-	-	-	-	290,840	-	290,840
Revaluation gain on land and buildings	27.1	-	-	-	-	-	-	-
Actuarial gain on defined benefit plan	40.2	-	-	-	-	-	7,730	7,730
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	37	-	-	-	-	26,915	-	26,915
Share of net change in actuarial loss on defined benefit plan of equity accounted investee, net of tax	40.2	-	-	-	-	-	(2,314)	(2,314)
Total other comprehensive income		-	-	-	-	690,384	5,416	695,800
Total comprehensive income for the year		-	-	-	-	690,384	5,416	1,616,396
Transactions with owners, transfers, recorded directly in equity								
Contributions and distributions								
First and final dividend 2019	24.2	-	-	-	-	-	(1,178,571)	(1,178,571)
Share based payments	40.3 (a)	-	-	-	-	-	7,762	7,762
Transfer from revaluation reserve to retained earnings	27.11	-	-	(3,716)	-	-	3,716	-
Total contributions and distributions		-	-	(3,716)	-	-	7,762	(1,170,809)
Balance as at 31 December 2020		1,000,000	3,381,934	2,085,688	16,752	1,219,852	48,654	15,108,489

The notes to the financial statements as set out on pages 167 to 253 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Rs. '000	Note	Stated capital	Restricted regulatory reserve	Revaluation reserve	Reserves		Retained earnings	Total	
					Reserve on merger	Other reserves Available for sale reserve Other capital reserves			
Balance as at 1 January 2021									
Profit for the year		1,000,000	3,381,934	2,085,688	16,752	1,219,852	48,654	7,355,609	15,108,489
		-	-	-	-	-	-	2,053,585	2,053,585
Other comprehensive income for the year, net of tax									
Net change in fair value of available for sale financial assets	37	-	-	-	-	(566,916)	-	-	(566,916)
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	37	-	-	-	-	(482,504)	-	-	(482,504)
Revaluation gain on land and buildings	27.1	-	-	190,254	-	-	-	-	190,254
Actuarial loss on defined benefit plan	40.2	-	-	-	-	-	(3,588)	-	(3,588)
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	37	-	-	-	-	(32,656)	-	-	(32,656)
Share of net change in actuarial gain on defined benefit plan of equity accounted investee, net of tax	40.2	-	-	-	-	-	7,138	-	7,138
Total other comprehensive income		-	-	190,254	-	(1,082,076)	3,550	-	(888,272)
Total comprehensive income for the year		-	-	190,254	-	(1,082,076)	3,550	2,053,585	1,165,313
Transactions with owners, transfers, recorded directly in equity									
Contributions and distributions									
First and final dividend 2020	24.2	-	-	-	-	-	-	(825,000)	(825,000)
Share based payments	40.3 (a)	-	-	-	-	-	6,291	-	6,291
Transfer from revaluation reserve to retained earnings	27.11	-	-	(3,716)	-	-	-	3,716	-
Total contributions and distributions		-	-	(3,716)	-	-	6,291	(821,284)	(818,709)
Balance as at 31 December 2021		1,000,000	3,381,934	2,272,226	16,752	137,776	58,495	8,587,910	15,455,093

The notes to the financial statements as set out on pages 167 to 253 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December

	Note	Page	2021 Rs. '000	2020 Rs. '000
Cash flows from operations				
Insurance premiums received			15,361,145	12,965,627
Reinsurance premiums paid			(22,730)	(417,820)
Insurance benefits and claims paid	15	201	(5,014,304)	(4,001,539)
Reinsurance claim received	15	201	12,366	313,032
Payments to intermediaries to acquire insurance contracts			(2,836,536)	(2,074,820)
Cash paid to and on behalf of employees			(1,547,262)	(1,256,593)
Interest received			5,012,043	4,436,756
Dividends received			159,636	89,862
Other operating cash flows			(1,612,116)	(1,768,890)
Cash generated from operating activities	Note A	166	9,512,242	8,285,615
Income tax paid			(237,310)	-
Employee benefits paid	45.4 (a)	245	(19,141)	(21,887)
Net cash flow from operating activities			9,255,791	8,263,728
Cash flows used in investing activities				
Purchase of investments			(19,958,137)	(15,922,271)
Maturity proceeds of investments			5,174,448	5,130,089
Proceeds from sale of investments			7,509,773	4,310,036
Purchase of property, plant and equipment			(178,732)	(51,587)
Purchase of intangible assets			(923,693)	(120,125)
Proceeds from sale of property, plant and equipment			443	821
Net cash used in investing activities			(8,375,898)	(6,653,037)
Net cash inflow before financing activities			879,893	1,610,691
Cash flows used in financing activities				
Dividends paid to equity holders of the company			(825,000)	(1,178,571)
Settlement of lease liabilities			(133,942)	(97,189)
Obligation to repurchase securities			-	2,029,856
Settlement of obligation to repurchase securities			-	(2,029,856)
Net cash used in financing activities			(958,942)	(1,275,760)
Net increase / (decrease) in cash and cash equivalents			(79,049)	334,931
Cash and cash equivalents at the beginning of the year			799,465	464,534
Cash and cash equivalents at the end of the year	Note B	166	720,416	799,465

The notes to the financial statements as set out on pages 167 to 253 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December

	Note	Page	2021 Rs. '000	2020 Rs. '000
NOTE A.				
Reconciliation of profit before taxation with cash from operating activities				
Profit before tax			2,627,307	1,793,841
Non - cash items included in profit before tax				
Depreciation and amortisation	26.1/27.1/28.1	213/215/219	435,556	390,271
Provision for employee benefits			57,664	60,635
Provision for doubtful debtors	34.1(a)/34.2(a)	233	(11,093)	8,326
Net realised (gains) / losses	12	199	(431,225)	402,181
Net fair value gains	13	200	(235,848)	(277,179)
Gain on sale of property, plant and equipment	14	200	(385)	(651)
Amortisation of financial investments			(23,100)	(83,308)
Amortisation of lease liabilities			61,485	33,922
Scrip dividend income			(33,439)	(34,162)
Share of results of equity accounted investee	29	220	(151,557)	(116,438)
Interest expense on obligation to repurchase securities			-	2,088
Share based payment expenses	40.3 (a)	238	6,291	7,762
Profit before working capital changes			2,301,656	2,187,288
Net change in operational assets				
Net change in reinsurance assets			(477,435)	10,964
Net change in premiums receivable			(45,016)	(142,978)
Net change in receivables and other assets			294,056	(658,325)
Net change in operational liabilities				
Net change in life insurance contract liabilities			6,890,981	6,207,533
Net change in reinsurance liabilities			505,244	(279,907)
Net change in other liabilities			42,756	961,040
Cash generated from operating activities			9,512,242	8,285,615
NOTE B.				
Cash and cash equivalents at the end of the year				
Cash in hand and at bank			969,748	960,270
Bank overdraft			(249,332)	(160,805)
Cash and cash equivalents			720,416	799,465

For the purpose of the cash flow statement, cash and cash equivalent consist of cash in hand and at bank, net of outstanding bank overdraft.

The notes to the financial statements as set out on pages 167 to 253 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

Reporting Entity

Union Assurance PLC (the 'Company') is a public limited liability Company incorporated and domiciled in Sri Lanka and the ordinary shares of the Company are listed on the Colombo Stock Exchange. The registered office and principal place of business of the Company is located at No. 20, St. Michael's Road, Colombo 03.

Parent Entity and Ultimate Parent Entity

The Company's controlling entity and ultimate parent undertaking is John Keells Holdings PLC which is incorporated in Sri Lanka.

Principal Activities and Nature of Operations

The Company

Union Assurance PLC is in the Life insurance business providing Life insurance solutions for both Individual and corporate customers. There were no significant changes in the nature of the principal activities of the Company during the financial year under review.

Associate Company

Fairfirst Insurance Limited is in the Non - Life insurance business and there were no significant changes in the nature of the principal activity of the associate Company during the year. Union Assurance PLC owns 22% stake of the Fairfirst Insurance Limited (2020 - 22%). The registered office and principal place of business of the Company is located at Access Towers 11 (14th floor), 278/4, Union Place Colombo 02, Sri Lanka.

Number of Employees

The staff strength of the Company as at 31 December 2021 is 770 (2020 – 795).

Financial Statements

The financial statements for the year ended 31 December 2021, comprise of the Company and the results of the equity accounted investee. The results of equity accounted investee of the Company, Fairfirst Insurance Limited has been presented in the financial statements in accordance with Sri Lanka Accounting Standard LKAS 28 - Investments in Associates and Joint Ventures.

Approval of Financial Statements

The financial statements for the year ended 31 December 2021 were authorised for issue by the Directors on 28 February 2022.

Responsibility for Financial Statements

The responsibility of the Board of Directors in relation to the financial statements is set out in the Statement of Directors' Responsibility in the annual report.

Statement of Compliance

The financial statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs / LKASs) as issued by the Institute of Chartered Accountants of Sri Lanka (ICASL), the requirements of the Companies Act No. 07 of 2007, Regulation of Insurance Industry (RII) Act No. 43 of 2000, Statement of Recommended Practice (SORP) issued by the ICASL and the listing rules of the Colombo Stock Exchange.

These financial statements include the following components:

- an Income Statement and Statement of Profit or Loss and Other Comprehensive Income providing information on the financial performance of the Company for the year under review; (Refer pages 160 and 161)
- a Statement of Financial Position providing information on the financial position of the Company as at the year end; (Refer page 162)
- a Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Company; (Refer pages 163 and 164)
- a Statement of Cash Flows providing information to the users, on the ability of the Company to generate cash and cash equivalents and utilisation of those cash flows in the business; (Refer pages 165 and 166)
- Notes to the financial statements comprising accounting policies and other explanatory information. (Refer pages 167 to 253)

The Company has opted to defer full application of SLFRS 9 - Financial Instruments, until adopting of SLFRS 17 - Insurance Contracts, exercising the temporary exemption provided to an insurance company. (Refer Note 4.2).

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF ACCOUNTING

Basis of Measurement

These financial statements have been prepared on an accruals basis and under the historical cost convention except for the following material items, which are measured on an alternative basis on each reporting date:

Items	Measurement basis	Note	Page
Financial assets			
Non - derivative financial assets at fair value through profit or loss	Fair value	8	192
Available for sale financial assets	Fair value	8	192
Financial assets - Unit linked	Fair value	8	192
Non-Financial assets / liabilities			
Freehold land and buildings	Fair value	27.7	216
Insurance contract liabilities	Actuarially valued in line with the guidelines issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL)	42	238
Net defined benefit liabilities	Actuarially valued and recognised at present value	45	244

No adjustments have been made for inflationary factors affecting the financial statements.

Functional and Presentation Currency

The Financial Statements of the Company are presented in Sri Lankan Rupees (LKR), which is the primary economic environment in which the Company operates and is also the Functional Currency.

There was no change in the Company's Presentation and Functional Currency during the year under review.

The amounts in the Financial Statements have been rounded to the nearest rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard LKAS 1 - Presentation of Financial Statements.

Materiality and Aggregation

Each item which is similar in nature is presented together if material. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard LKAS 1 - Presentation of financial statements.

Going Concern

Notwithstanding the Company concluding the reporting year on a positive note the Directors have made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. The management has also assessed the existing and anticipated effects of COVID-19 on the Company and the appropriateness of the use of the going concern basis. Furthermore, management is not aware of any material

uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

Supplementary Statements - Statement of Financial Position of the Life Insurance Fund

Supplementary statement of the financial position of the Life insurance fund together with the notes are disclosed in pages 272 to 279, continuing the past practice which is a requirement of the Statement of Recommended Practice (SORP) for insurance contracts, adopted by the ICASL.

Comparative Information

The presentation and classification of assets and liabilities in the financial statements of the previous year have been amended, where relevant for better presentation and to be comparable with those of the current year.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's 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 estimates are recognised prospectively.

3.1 Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Critical Judgements	Note	Page
Classification of financial assets	25	207
Classification of insurance, reinsurance and investment contracts: assessing whether the contract transfers significant insurance risk and whether an insurance contract contains direct participation features	42	238
Equity accounted investee : whether the Company has significant influence over an investee	29	220
Measurement of insurance and reinsurance contracts : determining the techniques for estimating risk adjustments for non-financial risk and the quantity of benefits provided under a contract	42	238

3.2 Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities is included in the following notes:

Critical Accounting Estimates	Note	Page
Impairment of financial assets	25	207
Impairment of intangible assets	26	212
Determination of the fair value of financial instruments and investments and owner occupied properties with significant unobservable inputs	27	213
Measurement of defined benefit obligations: key actuarial assumptions	45	244
Recognition and measurement of provisions and contingencies: key assumptions on the likelihood and magnitude of an outflow of resources	51	252
Impairment of non financial assets: key assumptions underlying recoverable amounts	5	173
Measuring insurance and reinsurance contracts: key assumptions	42	238
Liability Adequacy Test	42	238
Measurement of GWP accrual adjustment	9	197
Revaluation of land and buildings	27	213

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following standards have been issued and are effective for annual periods beginning after 1 January 2021, early application was permitted with transitional rules.

These standards have not been applied to these financial statements as explained below.

4.1 SLFRS 9 - Financial Instruments

The standard became mandatorily effective for the annual periods beginning on or after 1 January 2018.

The Company met the eligibility criteria for the temporary exemption under the Amendments to SLFRS 4 from applying SLFRS 9 in 2018 and has accordingly deferred the adoption of SLFRS 9 until SLFRS 17 - Insurance Contracts is adopted upon its mandatory effective date. The Company is eligible as its activities are predominantly to issue insurance contracts based on the criteria as set out in the amendments to SLFRS 4.

Disclosures on Qualifying for the Temporary Exemptions

Based on the proposed SLFRS 17 - Insurance Contracts, the Company is permitted to apply the temporary exemption as the Company meets the following eligibility criteria:

- 1 The Company has not applied SLFRS 9 before; and
- 2 Company's activities are predominantly connected with insurance as the ratio of its liabilities connected with insurance, including investment contracts measured at fair value through profit or loss, compared with total liabilities which is greater than 90%. Accordingly, the Company qualifies as a pure insurance company.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	2021 Rs. '000	2020 Rs. '000
Insurance contract liabilities	48,918,147	41,881,657
Insurance contract liabilities - Unit Link	916,192	1,061,701
Reinsurance payables	1,038,267	533,023
Liabilities connected with insurance	50,872,606	43,476,381
Total liabilities	55,306,543	47,491,919
Predominance ratio	92%	92%

Disclosures to Provide Comparability

Business Model Assessment

The Company will make an assessment of the objective of the business model when a financial asset is held at a portfolio level since this best reflects the way the business is managed and information flow to the management.

i. Classification - Financial assets

SLFRS 9 contains a new classification and measurement approach for financial assets that reflects characteristics of cashflows of assets and the business model in which assets are managed.

SLFRS 9 includes three principal classification categories for financial assets; measured at amortised cost, Fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). It replaces the existing four categories under LKAS 39 of held to maturity (HTM), loans and receivables (L&R), fair value through profit or loss (FVTPL) and available for sale (AFS).

The table below provides an initial assessment made by the Company on its financial assets portfolio;

Financial assets that meet the solely payment of principal and interest (SPPI) test (excluding the financial assets that meet the definition of held for trading or managed and evaluated on a fair value basis).

Instrument	Current classification	Credit risk grading	Carrying value under LKAS 39 Rs. '000	Fair value Rs. '000	Classification under SLFRS 9
Treasury bond	HTM	N/A	25,716,804	24,910,206	Amortised cost
Treasury bills	HTM	N/A	3,008,379	3,007,769	Amortised cost
Bank deposit	L&R	A/A+/A-	3,032,289	3,032,289	Amortised cost
Reverse repurchase agreements	L&R	N/A	2,273,306	2,273,306	Amortised cost
Debenture	HTM/L&R	Please refer Note 30.3 (a) & 30.4 (a)	10,884,491	10,730,075	Amortised cost
Commercial paper	L&R	N/A	797,835	798,252	Amortised cost
Asset backed security	L&R	N/A	306,908	307,175	Amortised cost

All other financial assets (that meet the definition of held for trading or managed and evaluated on a fair value basis)

Instrument	Current classification	Carrying value under LKAS 39 Rs. '000	Fair value Rs. '000	Classification under SLFRS 9
Equity shares	FVTPL	3,768,020	3,768,020	FVTPL
Debentures	FVTPL	138,771	138,771	FVTPL
Bank deposit	FVTPL	10,744	10,744	FVTPL
Reverse repurchase agreements	FVTPL	172,497	172,497	FVTPL
Treasury bonds	FVTPL	12,117	12,117	FVTPL
Treasury bonds	AFS	6,622,007	6,622,007	FVTOCI
Treasury bills	FVTPL	9,901	9,901	FVTPL
Treasury bills	AFS	433,745	433,745	FVTOCI
Unit trusts	FVTPL	2,141,257	2,141,257	FVTPL

Impact Assessment

The standard will affect the classification and measurement of financial assets held, as follows;

- Trading assets and derivative assets held for risk management, which are classified as held for trading and measured at fair value under LKAS 39, will also be measured at fair value under SLFRS 9.
- Loans and receivables measured at amortised cost under LKAS 39 will also be measured at amortised cost under SLFRS 9.
- Held to maturity investment securities measured at amortised cost under LKAS 39 will be measured at amortised cost under SLFRS 9.
- Debt investment securities that are classified as available for sale under LKAS 39 may, under SLFRS 9, be classified under FVTOCI or amortised cost and measured at fair value / amortised cost depending on the particular circumstance.
- The equity investment securities that are classified as fair value through profit or loss under LKAS 39 will be remained under FVTPL and measured at fair value under SLFRS 9.

ii. Impairment - Financial Assets, Loan Commitments and Financial Guarantee Contracts

SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with a forward looking 'expected credit loss' model. This will be required considerable judgement over how changes in economic factors affect Expected Credit Loss (ECL), which will be determined on a probability weighted basis.

The new impairment model applies to financial assets that are debt instruments, that are not measured at FVTPL.

SLFRS 9 requires a loss allowance to be recognised at an amount equal to either 12 month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12 month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

iii. Hedge Accounting

Hedge accounting requirements which are more closely aligned with the risk management activities of the Company. No significant change is currently anticipated from hedge accounting.

4.2 SLFRS 17 - Insurance Contracts

As recommended by the Accounting Standards Committee, the Institute of Chartered Accountants of Sri Lanka has decided to adopt SLFRS 17 - Insurance Contracts with effective from annual reporting periods beginning on or after 1 January 2023. However based on available information effective date is expected to extend from annual reporting period beginning on or after 1 January 2023.

Early adoption along with the adoption of SLFRS 9 Financial Instruments and SLFRS 15 - Revenue from Contracts with Customers is permitted if the regulator permits. SLFRS 17 supersedes SLFRS 4 - Insurance Contracts.

SLFRS 4 permitted insurers to continue to use the statutory basis of accounting for insurance assets and liabilities that existed in their jurisdictions prior to January 2005. SLFRS 17 replaces this with a new measurement model for all insurance contracts.

SLFRS 17 requires liabilities for insurance contracts to be recognised as the present value of future cash flows, incorporating an explicit risk adjustment, which is updated at each reporting date to reflect current conditions, and a contractual service margin (CSM) that is equal and opposite to any day-one gain arising on initial recognition. Losses are recognised directly into the income statement. For measurement purposes, contracts are grouped together into contracts of similar risk, profitability profile and issue year, with further divisions for contracts that are managed separately.

Profit for insurance contracts under SLFRS 17 is represented by the recognition of the services provided to policyholders in the period (release of the CSM), release from non-economic risk (release of risk adjustment) and investment profit.

The CSM is released as profit over the coverage period of the insurance contract, reflecting the delivery of services to the policyholder. For certain contracts with participating features (where a substantial share of the fair value of the related investments and other underlying items is paid to policyholders) the CSM reflects the variable fee to shareholders. For these contracts, the CSM is adjusted to reflect the changes in economic experience and assumptions. For all other contracts the CSM is only adjusted for non-economic assumptions.

SLFRS 17 introduces a new measure of insurance revenue, based on the delivery of services to policyholders and excluding any premiums related to the investment elements of policies, which will be significantly different from existing premium revenue measures, currently reported in the income statement. In order to transition to SLFRS 17, the amount of deferred profit, being the CSM at transition date, needs to be determined.

NOTES TO THE FINANCIAL STATEMENTS

SLFRS 17 requires, this CSM to be calculated as if the standard had applied retrospectively. If this is not practical, an entity is required to choose either a simplified retrospective approach or determine the CSM by reference to the fair value of the liabilities at the transition date. The approach for determining the CSM will have a significant impact on both shareholders' equity and on the amount of profits on in-force business in future reporting periods.

SLFRS 17 Implementation Programme

SLFRS 17 is expected to have a significant impact, as the requirements of the new standard are complex and requires a fundamental change to accounting for insurance contracts as well as the application of significant judgement and new estimation techniques. The effect of changes required to the Company's accounting policies as a result of implementing these standards are currently uncertain, but these changes can be expected to, among other things, alter the timing of profit recognition. Given the implementation of this standard is likely to involve significant enhancements to IT, actuarial and finance systems of the Company, it will also have an impact on the Company's expenses.

The Company has an implementation programme underway to implement SLFRS 17 and SLFRS 9. The scope of the programme consists of setting accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing appropriate data and implementing actuarial and finance system changes.

The Board established the SLFRS 17 Steering Committee to ensure strategic, tactical and operational readiness for the implementation of SLFRS 17. A SLFRS 17 implementation road map that goes well beyond regulatory compliance was launched. The Company has made significant progress in the SLFRS 17 implementation Journey.

The Company is on track to providing SLFRS 17 financial statements in line with the requirements when it becomes effective.

4.3 Amendment to LKAS 37 - Provisions, Contingent Liabilities and Contingent Assets - Onerous contracts - Cost of fulfilling a contract

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparative are not restated. The Company has determined that all contracts existing at 31 December 2021 will not have significant impact in this regards.

4.4 Deferred tax related to assets and liabilities arising from a single transaction (Amendments to LKAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences. -Eg. Leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities associated deferred tax assets and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions the amendments apply to transactions that occur after the beginning of the earliest period presented. The Company does not recognize any deferred tax asset or liability on such single transactions.

4.5 Other Standards

- Annual improvements to SLFRS standards 2018-2020.
- Property plant and equipment proceeds before intended use (amendments to LKAS 16)
- Classification of liabilities as current or non-current (amendments to LKAS 1)
- Disclosure of accounting policies (amendments to LKAS 1 and SLFRS practice statement 2)
- Definition of accounting estimates (amendments to LKAS 18)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these financial statements. The accounting policies are presented along with the respective notes.

Set out below is an index of the significant policies;

Note	Significant Accounting Policies	Page
5.1	Impairment of non financial assets	173
5.2	Foreign currency	174
6	Operating segments	174
7	Financial risk management	176
8	Fair value measurement and related fair value disclosures	192
9	Gross written premium	197
10	Premium ceded to reinsurers	198
11	Net investment income	198
12	Net realised gains / (losses)	199
13	Net fair value gains	200
14	Other income	200
15	Net insurance benefits and claims paid	201
16	Net change in insurance claims outstanding	201
17	Change in contract liabilities - Life Fund	202
18	Underwriting and net acquisition costs - (Net of reinsurance)	202
19	Other operating, administrative and selling expenses	203
22	Income tax expenses	204
23	Earnings per share	207
24	Dividends per share	207
25	Financial assets and liabilities	207
26	Intangible assets	212
27	Property, plant and equipment	213
28	Right of use assets (Leases)	218
29	Investment in equity accounted investee	220
30	Financial investments	223
31	Loans to life policyholders	230
32	Reinsurance receivable	231
33	Premiums receivable	232
34	Receivables and other assets	232
35	Cash in hand and at bank	234
36	Stated capital	234

Note	Significant Accounting Policies	Page
42	Insurance contract liabilities	238
43	Insurance contract liabilities - unit linked	244
44	Lease liabilities	244
45	Employee benefits liabilities	244
46	Reinsurance payables	247
47	Other liabilities	247
48	Related party disclosures	247
49	Commitments	252
50	Events after the reporting date	252
51	Provisions and contingencies	252

Other Significant Accounting Policies Not Covered With Individual Notes

Following accounting policies which have been applied consistently by the Company, are considered to be significant but are not covered in any other section.

5.1 Impairment of Non Financial Assets

The carrying amounts of the Company's non financial assets (other than insurance and reinsurance contract asset) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated annually. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets.

Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

5.2 Foreign currency

5.2 (a) Foreign currency transactions

Transactions in foreign currencies are converted into the functional currency of the Company at the exchange rates prevailing at the time the transactions are effected.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest, impairment and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

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 is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. The gain or loss arising on transactions of non-monetary items is treated in line with the recognition of gain or loss on fair value of the item.

5.2 (b) Foreign operations

The Company does not have any foreign operations that is a subsidiary, associate, joint venture or a branch. Therefore, there is no exchange differences recognised in other comprehensive income.

6 OPERATING SEGMENTS

Accounting policy

Operating segments are components of the Company that engages in business activities from which it may earn revenues and incur expenses whose operating results are regularly reviewed by the Company's chief operating decision maker (CODM) to make decisions about resources to be allocated to segments and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Company's Chief Executive Officer (being the CODM) include items that are directly attributable to segments as well as those that can be allocated on a reasonable basis.

6.1 Basis for segmentation

Company is one legal entity however for management purposes and to comply with the regulatory framework, the Company is organised into business units based on their products and services and has two reportable operating segments. These segments are managed separately because they require different operational, risk management and marketing strategies. All operating results are reviewed regularly by the Chief Executive Officer (CEO) and corporate management to make decisions regarding resource allocation and assess its performance, and for which financial information is available.

The Company has the following two strategic segments, which are its reportable segments.

The following summary describes the operations of each reportable segment.

Reportable Segment	Description
Policyholder Fund	UA maintains five separate policy holder funds according to the following product types: Participating, Non-participating, Universal life, Unit linked, and Non-unit linked. The combination of above five funds is collectively known as the "life insurance fund". Transactions of each product type are entered in the account maintained for that business. Assets belonging to each fund, are maintained separately and the policyholder liabilities in each category are matched with suitable assets (by amount and duration). The investments in each fund complies with the regulatory requirements specified under Determination 1.
Shareholder Fund	Assets belonging to the shareholders are maintained separately in the "shareholder fund". Income and expenses arising from shareholders account are accounted under the shareholders fund. Every year, the surplus arising from policyholder funds are transferred to the shareholder fund based on the actuary's recommendation. Currently, the Company holds the one-off surplus that arose from changing the policy liability valuation as a restricted reserve within the shareholders fund.

6.2 Reportable Segments

Information related to each reportable segment is set out below. Segment profit / loss before tax is used to measure performance as this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industry.

Summary of Segment Performance

For the Year ended 31 December Rs. '000	2021			2020		
	Policyholder Fund	Shareholder Fund	Total	Policyholder Fund	Shareholder Fund	Total
Segment revenue						
Gross Written Premium	15,406,161	-	15,406,161	13,108,605	-	13,108,605
Net Written Premium	14,680,352	-	14,680,352	12,518,728	-	12,518,728
Total Investment Income and Other Revenue	5,033,187	937,544	5,970,731	4,041,160	909,854	4,951,014
Total Net Revenue	19,713,539	937,544	20,651,083	16,559,888	909,854	17,469,742
Total Claims and Expenses	(11,037,058)	(61,794)	(11,098,852)	(9,456,331)	(128,755)	(9,585,086)
Change in Contract Liabilities	(7,076,481)	-	(7,076,481)	(6,207,253)	-	(6,207,253)
Share of results of equity accounted investee, net of tax	-	151,557	151,557	-	116,438	116,438
Segment Profit Before Tax	1,600,000	1,027,307	2,627,307	896,304	897,537	1,793,841
Income Tax Expenses	-	(573,722)	(573,722)	(71,304)	(801,941)	(873,245)
Segment Profit After Tax	1,600,000	453,585	2,053,585	825,000	95,596	920,596

All revenues are from external customers. There is no revenue from transactions between operating segments.

As at 31 December Rs. '000	2021			2020		
	Policyholder Fund	Shareholder Fund	Total	Policyholder Fund	Shareholder Fund	Total
Segment Assets	58,292,322	12,469,314	70,761,636	50,124,790	12,475,618	62,600,408
Segment Equity	1,869,650	13,585,443	15,455,093	2,169,203	12,939,286	15,108,489
Segment Liabilities	54,802,201	504,342	55,306,543	46,994,957	496,962	47,491,919

Segmental cash flows have not been presented since the cash flows are managed at company level.

6.3 Major Customer

The Company does not have any major single customer.

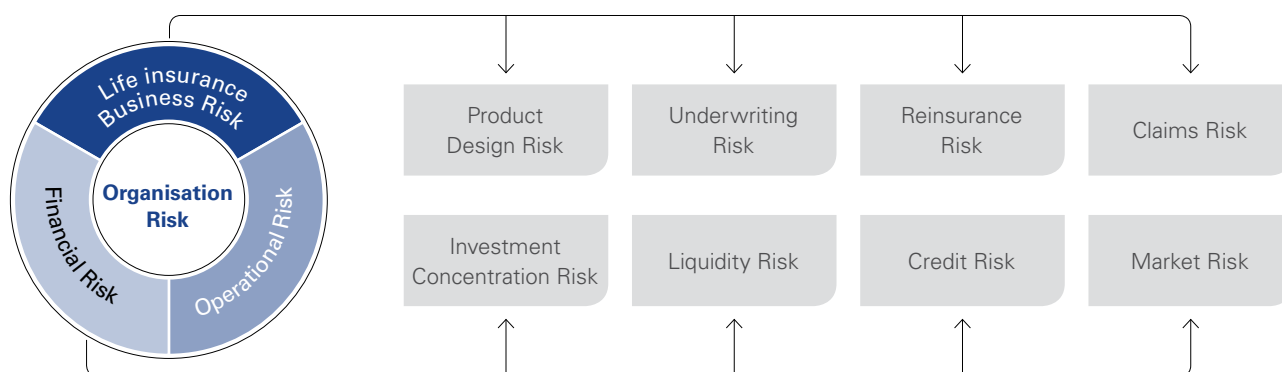
6.4 Geographic Information

The Company functions in one geographic location (only in Sri Lanka). Accordingly, geographic information is not presented in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

7 FINANCIAL RISK MANAGEMENT

The following presents the risks that the Company considers in Risk Management. This note presents information about the Company's exposure to each of the stated risks, the Company's objectives, policies and processes for measuring and managing such risks.



Risk Management Framework

Primary objective of the Company's business and financial risk management framework is to protect the Company's shareholders from events that could hinder the sustainable delivery of financial objectives. The risk management process comprises the identification and evaluation of existing and potential risks associated with the Company's operations and strategy, followed by appropriate management responses such as tolerance, mitigation, transfer, avoidance, termination or a combination of such responses.

The Company's Board of Directors (the Board) has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risk faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to the limits.

The Board has delegated the responsibility to design, implement and monitor the risk management plan to the corporate management team. The management ensures effective management of risk through continuous and regular measurement and reports the Company's risk management performance to the Board Audit and Compliance Committee (BACC) which in turn updates the Board.

The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Financial risk management can be qualitative and quantitative. As a specialisation of risk management, financial risk management focuses on when and how to use financial instruments to manage costly exposures.

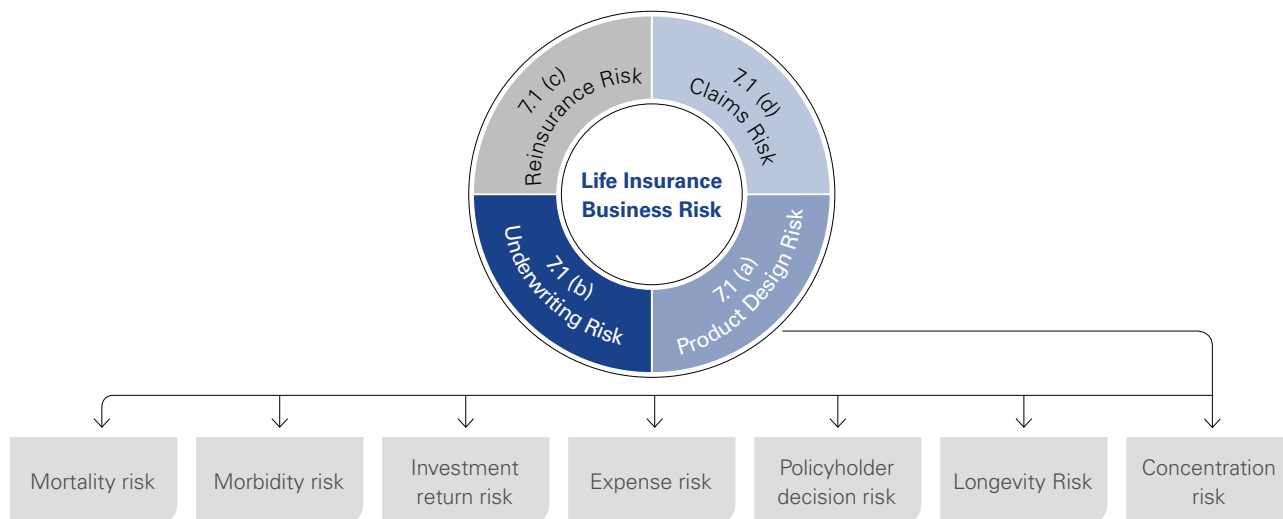
Details of our risk management framework, objectives and regulatory framework is provided under Corporate Governance and Enterprise Risk Management section.

Regulatory Framework

The Insurance Regulatory Commission of Sri Lanka (IRCSL) safeguards policyholders through supervisory control of insurance companies in line with the Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments. The Company needs to comply with rules with respect to the solvency position and the determination requirements to ensure the Company maintains appropriate level of admissible and approved investments in excess of liabilities to meet risks arising from unforeseen events. Further the Company is in compliance with the Risk Based Capital (RBC) requirement as per IRCSL. The Company has adequate Total Available Capital (TAC) in policyholder's and shareholder's funds collectively, to support the Risk based Capital Required (RBC).

The operations of the Company are also subject to oversight by various other regulators such as the Securities and Exchange Commission of Sri Lanka (SEC), the Colombo Stock Exchange (CSE), the Central Bank of Sri Lanka (CBSL), the Department of Inland Revenue, etc. The Company is also regulated by the Companies Act No. 07 of 2007.

7.1 Business Risk



Business Risk - Life Insurance Risk

The Company being in the insurance industry, life insurance business risk is the risk that the Company is exposed to as a result of the insurance contracts undertaken. Insurance risk is the inherent uncertainty regarding the occurrence, amount or timing of insurance liabilities.

Risk Response

The objective of the Company is to ensure that sufficient reserves are available to cover these liabilities. The risk exposure is mitigated by;

- Diversification across a large portfolio of insurance contracts and geographical spread.
- Careful selection and implementation of underwriting guidelines.
- The use of reinsurance arrangements.
- Ensure compliance (determination) requirements imposed by the regulator (IRCSL)

Risk management procedures adopted by the Company to manage insurance risk is given on pages 135 to 143.

Traditional Life Insurance

Life insurance is a contractual agreement between a policyholder and a life insurance Company. Policyholders agree to make premium payments to the Company, and the Company agrees to pay beneficiaries a sum of money if the policyholder dies or an insured event occurred.

Traditional life insurance products include protection and annuity covers. Protection products carry product designing, underwriting, claims and reinsurance risk.

NOTES TO THE FINANCIAL STATEMENTS

7.1 (a) Product Design Risk

Life insurance product design largely depends on futuristic hypothetical assumptions. Accordingly there is a risk of introducing unprofitable products to the market due to inappropriate use of assumptions or judgements. The fundamental assumptions used in product development are explained below.

Risk	Description	Assumptions Used / Risk Response
Mortality risk	Risk of loss arising due to policyholders death experience being different from expected	Use of standard mortality tables with adjustments to reflect the Company's mortality experience after allowing for adverse deviation having conducted stress analysis.
Morbidity risk	Risk of loss arising due to policyholders health experience being different from expected	Assumptions are based on reinsurance tables, adjustments made when appropriate to reflect the Company's own risk experience after allowing for adverse deviation having conducted stress analysis.
Investment return risk	Risk of loss arising from actual returns being different from expected	The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long term asset allocation strategy. Stress analysis is carried out to check the sensitivity and allow for adverse deviation.
Expense risk	Risk of loss arising from the expense experience being different from expected	Operating expense assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. Expense assumptions have been set based on the latest expense investigation carried out on the expenses incurred.
Policyholder decision risk	Risk of loss arising due to policyholders experiences (lapses and surrenders) being different from expected	Lapse and surrender rates are projected according to the Company's past experience. Stress analysis is carried out to check the sensitivity and allow for adverse deviation.
Longevity Risk	Risk of loss arising due to the annuitant living longer than expected	Terms and conditions included in insurance applications have been designed to address non standard and unpredictable risks.
Concentration risk	Risk of losses due to not maintaining a balanced product portfolio	Developing a proper product mix in line with Company strategy. Stress analysis is carried out to check the sensitivity of the business mix within the products.

Overall Risk Mitigation Approach in Traditional Life Insurance

Product	Key risks	Risk mitigation
Traditional participating	- Market risk: Investment return on underlying items falling below guaranteed minimum rates - Policyholder behaviour risk	- Management discretion to determine amount and timing of policyholder bonuses (within limits) - Surrender penalties
Non Participating	- Market risk: Insufficient fees to cover cost of guarantees and expenses - Policyholder behaviour risk	- Derivative hedging programme - Surrender penalties
Universal life	- Interest rate risk: Differences in duration and yield of assets and liabilities - Investment credit risk	- Matching of asset and liability cash flows - Investing in investment grade assets
Unit linked product	- Market risk: Insufficient fees to cover expenses - Policyholder behaviour risk	Surrender penalties

Unit Linked Products

Unit linked products have been designed in order to reduce much of the market and credit risks associated with traditional products. It is a type of insurance vehicle in which the policyholder purchases units at their net asset values and also makes contributions toward another investment vehicle. Unit linked insurance plans allow for the coverage of an insurance policy.

Under unit linked contracts, risks are largely passed on to the policyholder, although a portion of the Company's management fees are linked to the value of funds under management and hence are at risk if the fund values decrease.

Unit linked products carry mortality risk and market risk to the extent that there are guarantees built into the product design. Contracts may have minimum guaranteed death benefits where the sum at risk depends on the fair value of the underlying investments. For certain contracts these risks are minimised by explicit mortality and morbidity charges.

Participating Fund vs Non-Participating Fund

The following table shows the concentration of the Participating and Non Participating funds position of the Company.

As at 31 December Type of contract	2021		2020	
	Rs. '000	%	Rs. '000	%
Participating	8,579,121	18	8,898,635	21
Non Participating	40,169,850	82	32,928,312	79
Total traditional	48,748,971	100	41,826,947	100
Non unit fund of linked insurance	169,176		54,710	
Total value of insurance liabilities	48,918,147		41,881,657	

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. 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 2021 or 2020, based on the results of the liability adequacy test.

As at 31 December Assumption	Change %	Impact on liabilities %		Impact on liabilities Rs. '000	
		2021	2020	2021	2020
Mortality	+10	0.27	0.19	95,541	66,700
	-10	(0.27)	(0.19)	(95,829)	(67,230)
Discount rate	+1	(2.20)	(2.30)	(784,923)	(817,918)
	-1	2.35	2.43	838,824	863,785

NOTES TO THE FINANCIAL STATEMENTS

7.1 (b) Underwriting Risk

Underwriting risk arise from an inaccurate assessment of the risks entailed in writing an insurance policy. As a result, the policy may cost the insurer much more than it has earned in premiums.

Underwriting risk can be identified through following 3 main risk categories.

- Insurance risk: the risk transferred from the policyholder to the Company, other than financial risk. Insurance risk arises from the inherent uncertainty about the occurrence, amount or timing of claims.
- Policyholder behaviour risk: the risk that a policyholder will cancel a contract (i.e. lapse or persistency risk), increase or reduce premiums, withdraw deposits, or annuitise a contract earlier or later than expected.
- Expense risk: the risk of unexpected increases in the administrative costs associated with the servicing of a contract (rather than in the costs associated with insured events).

Risk Response

- Validation of policyholder data before underwriting. Accordingly, policyholder undergoes a medical test at Company's expense.
- Appropriate training is provided to insurance advisors.
- Use of common pricing policy.
- Interventions via advance data analytics to reduce lapse rates.

7.1 (c) Reinsurance Risk

Notwithstanding the advantages reinsurance provide, 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 may arise from discrepancies between reinsurance needs and the actual coverage provided for in the contract, resulting in the insurer retaining greater risk than anticipated.
- Legal risk may arise when the terms of the contract do not accurately reflect the intent of the insurer or when the contract cannot be legally enforced.
- Counterparty risk may result from the inability or potential refusal of the reinsurer, or a stakeholder in the case of an alternative risk transfer mechanism, to honour its obligations towards the ceding insurer.
- Liquidity risk may arise from the possible lag time between the payment of a claim by the insurer to its insured and receipt of the reinsurance recoverable.

- Operational risk may result from inadequate contractual arrangements or from insufficient technological or administrative capacity to manage and collect sums owed by reinsurers.

Risk Response

- Reinsurance is placed in line with policy guidelines approved by the Board of Directors on an annual basis based on the guidelines issued by the IRCSL.
- Management assesses the credit worthiness of reinsurers on a regular basis to update the reinsurance strategy and ascertain the suitable allowance for impairment of reinsurance assets.

The Company reinsures approximately 4% - 5% of gross written premium.

For the year ended 31 December	2021		2020	
	Rs. '000	%	Rs. '000	%
Gross Written premium	15,406,161		13,108,605	
Reinsurance	(725,809)	5	(589,877)	4
Net Written Premium	14,680,352		12,518,728	

The Company has recovered approximately 0.2% of gross claims from reinsurers during the period under review.

For the year ended 31 December	2021		2020	
	Rs. '000	%	Rs. '000	%
Gross claims paid	5,014,304		4,001,539	
Claims recovered from reinsurers	(12,366)	-	(313,032)	8
Net claims	5,001,938		3,688,507	

7.1 (d) Claim Risk

The possibility of adverse variance in claim pattern of the product which is not expected at the product development stage.

Risk Response

- Obtaining adequate reinsurance cover.
- Adequate information is gathered to confirm the event occurred prior to processing the claim.
- In-house actuarial department closely monitors claim reserves.

7.2 Financial Risk

Financial risk is the probability of loss inherent in financing methods which may impair the ability to provide adequate returns. The Company is exposed to a range of financial risks through financial assets and financial liabilities.

Financial risks can be categorised as follows;



7.2 (a) Investment Concentration Risk

Investment concentration risk is the risk that an investor will suffer from lack of diversification, investing too heavily in one industry, one geographic area or one type of security. It may also be defined as the risk of loss due to over exposure to one investment, asset class, risk factor, etc.

Risk Response

- The Investment Committee (IC) sets an overall asset allocation target at the start of the year. The decision is based on a number of factors including an analysis of the macroeconomic environment, regulatory requirements, liquidity position and return expectations during the plan period.
- The IC sets sectorial asset allocation limits for equity investments as well as related party exposure limits.
- The Company limits the maximum cash amount that can be deposited with a single counterparty.
- Outsourced management of the equity portfolio to a third party fund management company to leverage expert knowledge in investment decisions and optimise portfolio return and risk.

The above is based on the approved investment policy of the Company. Investment concentration related to financial investments is given below;

As at 31 December

	2021		2020	
	Rs. '000	%	Rs. '000	%
Government securities and related institutions	38,054,241	65	31,924,424	62
Corporate debt securities	10,884,491	19	10,344,875	20
Commercial Papers	797,835	1	413,504	1
Fixed deposits	3,032,289	5	4,516,157	9
Unit Trusts	2,141,257	4	1,219,168	2
Investment in quoted equity securities	3,192,497	5	2,884,723	6
Asset backed securities	306,908	1	-	-
Total	58,409,518	100	51,302,851	100

Government Securities and Related Institutions

This includes investments made in treasury bills, treasury bonds, and reverse repurchase agreements.

Corporate Debt Securities

The Company has predominantly invested in Banking and diversified financials sectors for which the Company believes, the credit risk and market risk is low.

As at 31 December

	2021		2020	
	Rs. '000	%	Rs. '000	%
Banking and Diversified financials	10,574,892	97	9,674,765	94
Capital Goods	104,538	1	465,058	4
Telecommunication	205,061	2	205,052	2
Total	10,884,491	100	10,344,875	100

NOTES TO THE FINANCIAL STATEMENTS

Fixed Deposits

This includes investments made in fixed deposits issued by licensed commercial banks and licensed finance companies.

Investment in Quoted Equity Securities

Considering the market return and risk, the Company has predominantly invested in Banking and Capital goods sectors and regularly reviews market risk of the portfolio to assess adequacy of diversification.

As at 31 December

	2021		2020	
	Rs. '000	%	Rs. '000	%
Industry Group				
Application Software	45,788	1	-	-
Banks	565,118	18	1,121,871	39
Capital Goods	1,330,317	42	696,368	24
Consumer Durables & Apparel	472,722	15	253,799	9
Consumer Services	54,869	2	27,606	1
Food and Staples Retailing	-	-	148,256	5
Food Beverage & Tobacco	202,606	6	478,612	17
Household & Personal Products	3,191	-	-	-
Materials	235,875	7	-	-
Telecommunication Services	282,011	9	158,211	5
Total	3,192,497	100	2,884,723	100

7.2 (b) Liquidity Risk

Liquidity risk is the risk, that the Company 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.

Company implemented a mixed approach that combines elements of the cash flow matching approach and the liquid assets approach. The Company attempts to match cash outflows in each time bucket against the combination of contractual cash inflows plus other inflows that can be generated through investment cashflows.

The Company considered that Cash flow scrutiny is paramount at uncertain times and adopted a disciplined approach across the Company including setting up of Spend Control Steering Committee for preserving and increasing liquidity, particularly to respond to possible future liquidity constraints arising from COVID-19 pandemic.

Risk Response

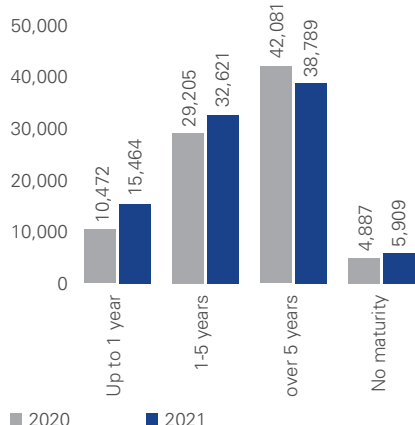
- The Investment Committee manages this risk by diversifying investment durations and reviewing cash flow projections regularly.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure availability of sufficient funding to meet insurance and investment contract obligations.
- Reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments when claim events exceed a certain size.
- Reviewing the maturity mix of the investment portfolio by the management and the Investment Committee on a regular basis.
- Maintaining sufficient cash balances, overnight investments and other short tenure investments to accommodate expected obligations and commitments of the Company.

Excess liquidity position of the Company excluding insurance contract liabilities is given below; (based on undiscounted cashflows)

As at 31 December	2021		2020	
	Rs. '000	%	Rs. '000	%
Up to one year	15,464,418	17	10,472,270	12
1 - 5 Years	32,621,214	35	29,204,710	34
Over 5 years	38,789,044	42	42,081,087	49
No maturity	5,909,277	6	4,887,114	5
	92,783,953	100	86,645,181	100

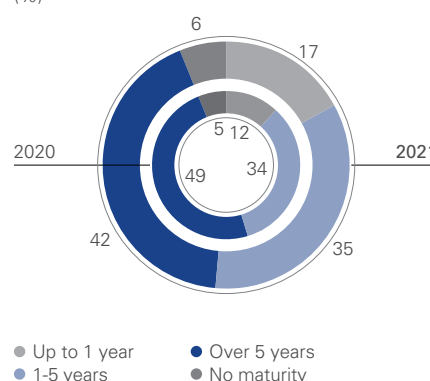
Excess Liquidity Position

(Rs. Mn)



Composition of Excess Liquidity Position

(%)



For reinsurance receivables, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

Unit linked liabilities are repayable or transferable on demand and are included as 'current' repayments.

The table below summarises the maturity profiles of non derivative financial assets and financial liabilities based on remaining undiscounted contractual obligations, including interest payable and receivable.

As at 31 December	Carrying amount	No fixed tenure	Up to one year	1 - 5 years	Over 5 years	Total
2021						
Financial assets						
Held to maturity	28,941,570	-	6,038,016	14,119,121	34,089,318	54,246,455
Loans and receivables	17,078,442	-	7,767,237	11,337,643	2,419,572	21,524,452
Available for sale	7,055,752	-	1,931,904	5,902,015	1,916,416	9,750,335
Fair value through profit or loss	5,333,754	5,909,277	68,717	124,640	18,355	6,120,989
Other financial assets	393,305	-	146,413	312,579	125,513	584,505
Loans to life policyholders	1,932,079	-	339,147	1,370,826	222,106	1,932,079
Reinsurance receivable	969,446	-	525,888	443,558	-	969,446
Premiums receivable	532,975	-	531,716	1,259	-	532,975
Cash and cash equivalents	969,748	-	969,748	-	-	969,748
Total undiscounted assets	63,207,071	5,909,277	18,318,786	33,611,641	38,791,280	96,630,984
Financial liabilities						
Reinsurance payables	1,038,267	-	597,440	440,827	-	1,038,267
Lease liabilities	421,300	-	128,940	380,600	2,236	511,776
Other financial liabilities	1,985,077	-	1,878,656	169,000	-	2,047,656
Bank overdraft	249,332	-	249,332	-	-	249,332
Total undiscounted liabilities	3,693,976	-	2,854,368	990,427	2,236	3,847,031
Total excess liquidity	59,513,095	5,909,277	15,464,418	32,621,214	38,789,044	92,783,953

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2020	Carrying amount	No fixed tenure	Up to one year	1 - 5 years	Over 5 years	Total
Financial assets						
Held to maturity	22,160,419	-	2,405,229	10,840,235	34,702,144	47,947,608
Loans and receivables	17,084,128	-	7,417,187	11,394,583	3,088,575	21,900,345
Available for sale	7,954,413	-	1,076,529	5,324,315	3,986,021	10,386,865
Fair value through profit or loss	4,103,891	4,887,114	154,544	154,266	-	5,195,924
Other financial assets	525,997	-	225,197	434,712	120,503	780,412
Loans to life policyholders	1,793,470	-	411,510	1,198,116	183,844	1,793,470
Reinsurance receivable	492,011	-	290,344	201,667	-	492,011
Premiums receivable	487,959	-	487,959	-	-	487,959
Cash and cash equivalents	960,270	-	960,270	-	-	960,270
Total undiscounted assets	55,562,558	4,887,114	13,428,769	29,547,894	42,081,087	89,944,864
Financial liabilities						
Reinsurance payables	533,023	-	393,472	139,551	-	533,023
Lease liabilities	232,259	-	114,995	203,633	-	318,628
Other financial liabilities	2,205,338	-	2,287,227	-	-	2,287,227
Bank overdraft	160,805	-	160,805	-	-	160,805
Total undiscounted liabilities	3,131,425	-	2,956,499	343,184	-	3,299,683
Total excess liquidity	52,431,133	4,887,114	10,472,270	29,204,710	42,081,087	86,645,181

The table below sets out the availability of the company's financial assets to support future funding.

As at 31 December Unencumbered Rs.'000	2021			2020		
	Restricted as collateral	Available as collateral	Total	Restricted as collateral	Available as collateral	Total
Held to maturity	24,753,852	4,187,718	28,941,570	18,710,892	3,449,527	22,160,419
Loans and receivables	15,806,389	1,272,053	17,078,442	15,513,028	1,571,100	17,084,128
Available for sale	3,172,089	3,883,663	7,055,752	3,524,525	4,429,888	7,954,413
Fair value through profit or loss	5,972,601	280,706	6,253,307	4,605,706	551,542	5,157,248
Loans to life policyholders	1,932,079	-	1,932,079	1,793,470	-	1,793,470
Reinsurance receivable	969,446	-	969,446	492,011	-	492,011
Premiums receivable	532,975	-	532,975	487,959	-	487,959
Other financial assets	74,943	318,362	393,305	202,680	323,317	525,997
Cash in hand and at bank	954,827	14,921	969,748	951,139	9,131	960,270
Total	54,169,201	9,957,423	64,126,624	46,281,410	10,334,505	56,615,915

Assets restricted as collateral represents the assets owned by the policyholders of the Company.

Financial assets available as collateral represents the assets owned by the shareholders of the Company. There were no financial assets pledged as collateral during the year ended 31 December 2021.

7.2 (c) Credit Risk

Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfil their financial obligations.

The Company's exposure to credit risk is derived from the following main categories of assets and the analysis of maximum credit exposure is given below.

As at 31 December Risk element	2021		2020	
	Rs. '000	%	Rs. '000	%
Financial investments	53,075,764	91	47,198,961	92
Loans to life policyholders and others	2,413,587	4	2,274,978	4
Reinsurance receivable	969,446	2	492,011	1
Premiums receivable	532,975	1	376,723	1
Cash in hand and at bank	969,748	2	960,270	2
Total	57,961,520	100	51,302,943	100

Credit risk related to financial investments

The Company is exposed to credit risk from counterparties where the Company holds securities issued by those entities.

Risk Response

- The Company's investment policy prohibits non-graded investments, unless specifically authorised.
- Appropriate actions are implemented when the Company identifies investments that are expected to be downgraded.
- The Company identifies and selectively reduces unsecured and subordinated credit exposure issued by third parties with weak credit profiles.
- Structured finance exposures are assessed on a look through basis prior to acquisition and not merely on the strength of prevailing credit ratings or credit profiles.

Company implemented several initiatives such as periodic review of the creditworthiness of its counterparties using external ratings, financial statements reviews, credit agency information and industry information. Further, economic environment was scrutinized in response to COVID-19 pandemic limiting exposure to counterparties who were severely affected.

The Company actively manages its investment portfolio to ensure that there is no significant concentration of credit risk. The Company monitors concentration of credit risk by sector and instrument. An analysis of concentration of credit risk and credit quality of financial investments are shown below.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2021
Rs.'000

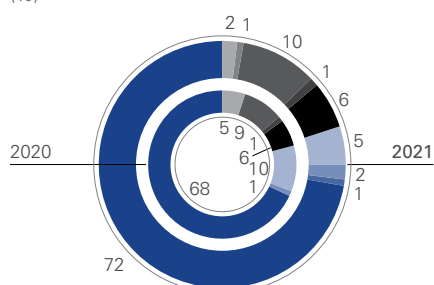
	Held to maturity financial assets	Loans and receivables	Available for sale financial assets	Financial assets at fair value through profit or loss	Total	%
Maximum exposure to credit risk, carrying amount	28,941,570	17,078,442	7,055,752	-	53,075,764	
Government securities and related institutions						
Treasury Bonds	25,716,804	-	6,622,007	-	32,338,810	62
Treasury Bills	3,008,379	-	433,745	-	3,442,124	6
Reverse Repo	-	2,273,306	-	-	2,273,307	4
Corporate debt securities						
AAA+ to AAA- ICRA	-	154,904	-	-	154,904	-
AA+ to AA- Fitch	-	1,285,452	-	-	1,285,452	2
AA+ to AA- ICRA	-	534,815	-	-	534,815	1
A+ to A- Fitch	216,387	4,728,868	-	-	4,945,255	10
A+ to A- ICRA	-	574,894	-	-	574,894	1
BBB+ to BBB- Fitch	-	3,179,271	-	-	3,179,271	6
Unrated	-	209,900	-	-	209,900	-
Fixed deposits						
Deposit with Licensed Commercial Banks	-	1,285,100	-	-	1,285,100	2
Deposit with Licensed Finance Companies	-	1,747,189	-	-	1,747,189	3
Asset Backed Securities	-	306,908	-	-	306,908	1
Commercial Papers	-	797,835	-	-	797,835	2
Total	28,941,570	17,078,442	7,055,752	-	53,075,764	100
Past due but not impaired	Nil	Nil	Nil	Nil	Nil	
Impaired	Nil	Nil	Nil	Nil	Nil	

As at 31 December 2020
Rs.'000

	Held to maturity financial assets	Loans and receivables	Available for sale financial assets	Financial assets at fair value through profit or loss	Total	%
Maximum exposure to credit risk, carrying amount	22,160,419	17,084,128	7,954,413	-	47,198,960	
Government securities and related institutions						
Treasury Bonds	21,943,969	-	7,954,413	-	29,898,382	64
Reverse Repo	-	2,026,042	-	-	2,026,042	4
Corporate debt securities						
AAA+ to AAA- ICRA	-	154,934	-	-	154,934	-
AA+ to AA- Fitch	216,450	2,270,602	-	-	2,487,052	5
A+ to A- Fitch	-	4,295,506	-	-	4,295,506	9
A+ to A- ICRA	-	367,377	-	-	367,377	1
BBB+ to BBB- Fitch	-	2,830,112	-	-	2,830,112	6
Unrated	-	209,894	-	-	209,894	-
Fixed deposits						
Deposit with Licensed Commercial Banks	-	1,807,478	-	-	1,807,478	4
Deposit with Licensed Finance Companies	-	2,708,679	-	-	2,708,679	6
Commercial Papers	-	413,504	-	-	413,504	1
Total	22,160,419	17,084,128	7,954,413	-	47,198,960	100
Past due but not impaired	Nil	Nil	Nil	Nil	Nil	
Impaired	Nil	Nil	Nil	Nil	Nil	

Exposure To Credit Risk Rating Class Wise

(%)



- AAA+ to AAA - (ICRA)
- AA+ to AA - (Fitch)
- AA+ to AA - (ICRA)
- A+ to A- (Fitch)
- A+ to A- (ICRA)
- BBB+ to BBB- (Fitch)
- Unrated
- Fixed deposits
- Commercial Papers
- Asset Backed Securities
- Government guaranteed

Collateral of Debt Securities

Reverse repo investments which fall under government securities is backed 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. Company held collateral for reverse repo investments above its investment value at all times during the year. As at the reporting date, the Company held Treasury bonds and Treasury bills worth Rs 2,551 million as collateral for reverse repo investments amounting to Rs. 2,273 million.

Credit Risk Related to Policy Loans and Others

Financial losses could arise due to non-settlement of loans obtained by policyholders.

Risk Response

- Policy loans are collateralised by the surrender value of the policy.
- System controls are in place to automatically convert a policy to surrender stage when the policy loan amount together with the interest reaches the surrender value of the policy.

Analysis of maximum exposure to credit risk related to life policyholder loans can be summarised as follows;

As at 31 December	2021 Rs. '000	2020 Rs. '000
Neither past due nor impaired		
Past due but not impaired	1,592,932	1,381,960
61- 90 days	96,792	104,978
91-180 days	50,468	128,908
181 days +	194,740	177,624
	1,934,932	1,793,470
Provision for impairment	(2,853)	-
Total - Maximum exposure to credit risk	1,932,079	1,793,470

The Company considers the surrender value of the life policy as collateral for loans issued. As at the reporting date, the value of policy loans granted amounted to Rs. 1,932 million (2020 - Rs. 1,793 million) and its related surrender value is Rs. 3,112 million (2020 - Rs. 2,888 million).

Credit Risk Related to Amounts Due From Related Parties

Financial losses could arise due to non settlement of amounts due from related parties.

Risk Response

- Related party transaction are settled within pre agreed specific duration according to the Company policy.

Credit Risk Related to Reinsurance Assets

- This is the risk of reinsurers failing to fulfil their financial obligations towards the Company.

Risk Response

- The Company operates a policy to manage its reinsurance counterparty exposures, by limiting the reinsurers that may be used, and applying strict limits to each reinsurer.
- Regular review of creditworthiness of reinsurers.

As at 31 December

	2021		2020	
	Rs. '000	%	Rs. '000	%
Reinsurance receivables on outstanding claims	129,623	13	107,845	22
Reinsurance receivables on settled claims	839,823	87	384,166	78
Total reinsurance receivables / Maximum exposure to credit risk	969,446	100	492,011	100

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2021, 100% (2020 - 100%) of our reinsurance receivables was due from reinsurers with a rating of AA- or above. There were no collateral against reinsurance receivables as at reporting date.

As at 31 December Reinsurers	Rating Agency	Rating	2021		2020	
			Reinsurance receivables	%	Reinsurance receivables	%
Munich	Fitch	AA	939,825	96	464,705	94
Hannover	Standard & Poor's	AA-	25,465	3	23,827	5
RGA	Standard & Poor's	AA-	4,156	1	3,479	1
Total			969,446	100	492,011	100

Credit Risk Related to Premiums Receivable

Premiums receivable consist of premiums receivable from intermediaries that create the risk of financial losses due to non settlement of dues or taking substantial time to settle dues.

Risk Response

- Only designated institutions are employed as intermediary parties
- Agreements have been signed with the intermediaries committing them to settle dues within a specified time period.

Maximum exposure to credit risk related to premium receivables as at 31 December 2021 is Rs. 533 million (2020 - Rs. 488 million).

As at 31 December	2021 Rs. '000	2020 Rs. '000
Neither past due nor impaired		
0 - 30 days	532,975	487,959
Pass due but not impaired	Nil	Nil
Total - Maximum exposure to credit risk	532,975	487,959

Credit Risk Related to Cash at Bank

Risk Response

The Company maintains an authorised list of acceptable bank counterparties based on current ratings and economic outlook, taking into account analysis of fundamentals and market indicators.

The Company manages credit risk by maintaining its deposits with various banking institutions with quality credit ratings. A list of such banking partners is provided below. Majority i.e 43% of funds are deposited in banking institutions backed by government of Sri Lanka.

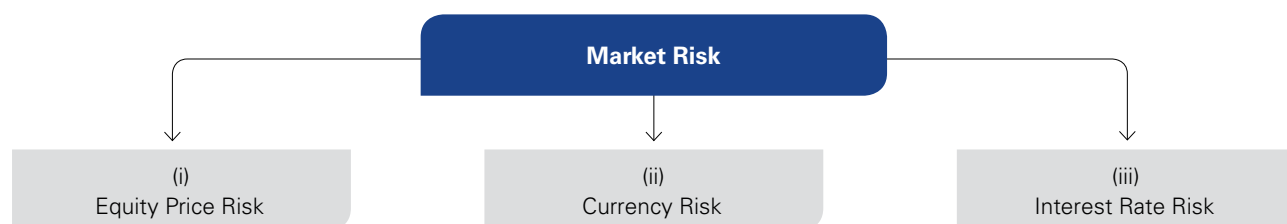
As at 31 December Bank	2021		2020	
	Amount Rs. '000	%	Amount Rs. '000	%
Bank of Ceylon	372,912	39	324,985	34
Commercial Bank of Ceylon PLC	96,412	10	58,480	6
Deutsche Bank AG	21,387	2	34,052	4
DFCC Bank PLC	31	-	838	-
HDFC Bank of Sri Lanka	7	-	7	-
Hatton National Bank PLC	74,648	7	92,211	10
National Development Bank PLC	19,392	2	44,563	5
National Savings Bank	13,351	1	13,601	1
Nations Trust Bank PLC	161,617	17	66,322	7
People's Bank	25,599	3	83,772	9
Sampath Bank PLC	65,151	7	51,290	5
Standard Chartered Bank	10,351	1	4,250	-
Seylan Bank PLC	8,030	1	14,538	1
Union Bank of Colombo PLC	96,777	10	168,435	18
Total cash at banks	965,665	100	957,344	100
Cash in hand	4,083		2,926	
Total cash in hand	4,083		2,926	
Total cash in hand and at bank	969,748		960,270	

The Company held cash in hand and at bank of Rs. 970 million as at 31 December 2021 (2020 - Rs. 960 million). The cash at bank are held with banks and financial institutional counterparties, which are rated BB+ or better as at 31 December 2021.

As at 31 December Rating	2021		2020	
	Amount Rs. '000	%	Amount Rs. '000	%
AAA	23,703	2	4,250	-
AA-	634,721	65	610,736	64
A+	19,424	2	45,401	5
A	169,646	18	94,463	10
A-	21,387	2	-	-
BBB+	-	-	34,052	3
BBB-	96,777	11	168,435	18
BB+	7	-	7	-
Cash in hand	4,083	-	2,926	-
Total	969,748	100	960,270	100

7.2 (d) Market Risk

This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market prices. The Company has assessed the market risk under three main categories;



i Equity Price Risk

Listed equity securities are susceptible to market price risk arising from uncertainties of future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity portfolio investments.

Risk Response

- 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 company performance.

- A model to review the market price fluctuation of equity portfolio has been developed and significant deviations are identified and discussed with external asset manager.
- Outsourced management of the equity portfolio to a third party to leverage on expert knowledge and optimise return and risk.
- Reviews were carried out on a continuous basis by investment committee with the help of industry specialists to identify red flags due to COVID-19 pandemics early.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2021, the Company has invested 4% (2020 - 6%) in equity as shown in the table below.

As at 31 December Rs.'000	2021		2020	
	Value	% of allocation	Value	% of allocation
Application Software	45,788	-	-	-
Banks	565,118	1	1,121,871	2
Capital Goods	1,330,317	2	696,368	2
Consumer Durables & Apparel	472,722	1	253,799	1
Consumer Services	54,869	-	27,606	-
Food and Staples Retailing	-	-	148,256	-
Food Beverage & Tobacco	202,606	-	478,612	1
Household & Personal Products	3,191	-	-	-
Materials	235,875	-	-	-
Telecommunication Services	282,011	-	158,211	-
Total value of equity	3,192,497	4	2,884,723	6
Total value of investments	58,409,518		51,302,852	

The following shows the estimated impact from a 10% change in the stock market prices on the portfolio with indicative comparatives.

Sensitivity of Fund Inflow to Change in Equity Prices

Rs.'000	2021		2020	
	Impact on fund inflow	Impact on equity	Impact on fund inflow	Impact on equity
10% increase in equity prices	319,250	319,250	288,472	288,472
10% decrease in equity prices	(319,250)	(319,250)	(288,472)	(288,472)

ii Currency Risk

Currency risk is the risk that the fair value / present value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried out in Sri Lankan Rupees and its exposure to foreign exchange risk primarily arises when transacting with reinsurers, professional services providers and software vendors who operates outside the country.

The Sri Lankan Rupee witnessed depreciation against the US Dollar from March 2021 on the back of economic turmoil in global, regional and local markets resulting from the COVID-19 pandemic. Sri Lanka faced a shortage of dollar reserves which put pressure on the exchange rate and this resulted in corporates having limited access to US dollars to fulfill foreign currency payments.

Risk Response

- Company does not carry foreign currency dominated assets or liabilities and any foreign payment is promptly processed.
- Collaborating with relevant stakeholders to acquire required foreign currency.

iii 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. Floating rate instruments expose the Company to cash flow fluctuations, whereas fixed interest rate instruments expose the Company to changes in fair values.

Market interest rates increased from the second half of 2021 as the CBSL tightened monetary policy with rising inflation and other challenges faced due to the pandemic. Government security yields which has a direct bearing on the company's investment portfolio, increased correspondingly.

Risk Response

- The Investment Committee keeps a regular track of macroeconomic scenarios and their likely impact on interest rates and corresponding impact on the investment portfolio.
- Monthly review of upcoming cash flows and established suitable investment strategies to take advantages of the increasing interest rate
- Initial recognition of investments is closely monitored.
- Re-design of investment portfolio to keep in par with the interest rate movements.

The following provides details of the quantum of investment exposed to fluctuations in fair values and cash flows.

As at 31 December	2021			2020		
	Fixed Interest Rate	Variable Interest Rate	Non-Interest bearing	Fixed Interest Rate	Variable Interest Rate	Non-Interest bearing
Rs.'000						
Instruments						
Government securities	38,054,241	-	-	31,924,424	-	-
Corporate debts	10,265,481	619,010	-	10,344,875	-	-
Fixed deposits	3,032,289	-	-	4,516,157	-	-
Asset Backed Securities	306,908	-	-	-	-	-
Commercial Paper	797,835	-	-	413,504	-	-
Unit Trust	-	-	2,141,257	-	-	1,219,168
Equity instruments	-	-	3,192,497	-	-	2,884,723
Total	52,456,754	619,010	5,333,754	47,198,960	-	4,103,891

Sensitivity analysis

The following table shows the estimated impact on profitability and equity by fluctuation of interest rates on fixed rate available for sale.

Rs.'000	2021		2020	
	Impact on fund inflow	Impact on equity	Impact on fund inflow	Impact on equity
+ 100 basis points	(185,835)	(2,745)	(278,484)	(2,764)
- 100 basis points	194,826	2,857	294,360	2,849

7.3 Operational Risk

Risk is stemming from inadequate or failed internal processes, people and systems, or from external events. The Board of Directors has delegated responsibility for operational risk to risk owners and managers who are responsible for the development and implementation of controls to address operational risks. This responsibility is supported by the development of overall company standards for the management of operational risks in the following areas:

- Segregation of duties, including the independent authorisation of transactions.
- Reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- Reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation, including insurance, where it is cost effective.
- Compliance with Company standards, policies and procedures is supported by a programme of periodic reviews undertaken by internal audit.
- The results of internal audit reviews are discussed with the Executive Committee, with summaries submitted to the BACC and the Board. The results of internal audit reviews are discussed with the Management and representative from Group risk, with summaries submitted to the BACC and the Board.

NOTES TO THE FINANCIAL STATEMENTS

7.4 Capital Management

Objectives, Policies and Processes for Capital Management

For the purpose of the Company's capital management, capital includes stated capital, reserves and retained earnings. The primary objectives of the Company's capital management are to maximise shareholder returns, share price appreciation, sustain financial stability and financial strength.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and regulatory requirements. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using the Risk Based Capital method.

In terms of using capital, the Company engages in following value adding processes in order to provide the desired output to its varied stakeholders, while maintaining the right balance of risk base capital required.

- Providing financial security to citizens (Underwriting process)
- Management of overall business operations
- Prudent investments and risk management
- Delivering benefits and claims assured
- Closely follow up RBC guidelines issued by IRCSL

The Company has adequate Total Available Capital (TAC) to support the Risk-Based Capital Required (RCR).

Summary Quantitative Data

As at 31 December	2021 Rs. '000	2020 Rs. '000
Total Available Capital (TAC)	21,582,364	21,795,969
Formula Risk Based Capital Required (RCR)	9,468,422	6,396,436
Surrender Value Capital Charge (SVCC)	932,135	20,587
Risk based Capital requirement (RCR)	9,468,422	6,396,436
Risk based Capital Adequacy Ratio (CAR)	228%	341%

8 FAIR VALUE MEASUREMENT AND RELATED FAIR VALUE DISCLOSURES

Financial instruments and non financial assets disclosed at fair value or that are measured at fair value are given in this note. Aside from this note, additional fair value related disclosures, including the valuation methods, significant estimates and assumptions are also provided in;

Property, plant and equipment under revaluation model	Note 27
Financial instruments (Including those carried at amortised cost)	Note 30

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either;

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. External professional valuers are involved for valuation of significant assets such as land and buildings.

Fair value hierarchy

The Company measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

Level 1**Inputs that are unadjusted quoted market prices in an active market for identical instruments**

When available, the Company measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2**Inputs other than quoted prices included within level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)**

This category includes instruments valued using;

- quoted market prices in active markets for similar instruments,
- quoted prices for identical or similar instruments in markets that are considered to be less active, or
- other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3**Inputs that are unobservable**

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments value.

Valuation techniques include net present value and discounted cash flow models comparisons with similar instruments for which observable market prices exist, option pricing models and other valuation models.

Assumptions and inputs used in valuation techniques include risk free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and government securities such as treasury bills and bonds. Availability of observable prices and model inputs reduces the need for management judgement and estimation while reducing uncertainty associated in determining the fair values.

Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss), is deferred and recognised only when the inputs become observable or on recognition of the instrument.

Following note explains the methodology for valuing our financial assets and provides an analysis of these according to the 'fair value hierarchy'.

Instrument Category	Fair value basis	Fair value hierarchy
Government Securities		
Treasury Bonds	Valued using the market yield	Level 1
Treasury Bills	Valued using the market yield	Level 1
Investment in Shares		
Investment in Listed Shares	Closing Market prices	Level 1
Unit Trusts	Closing Unit prices	Level 1

NOTES TO THE FINANCIAL STATEMENTS

Instrument Category	Fair value basis	Fair value hierarchy
Corporate Debt		
Listed	Published Market Prices	Level 1 / Level 2*
Fixed and Term Deposits		
Deposit over one year	Discounted Cash Flow (DCF) Method	
	Using Treasury Bond rates for similar maturity plus a risk premium. The risk premium is determined based on the upgrade / downgrade of the credit rating of the institution.	Level 2
Land and Building	Market Comparable Method	Level 3

*Listed corporate debts which have been traded during the period have been classified under Level 1 and others under level 2.

Use of Judgments and Estimates

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible.

Where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

- Quarterly calibration and back-testing of models against observed market transactions.
- Review of significant unobservable inputs, valuation, adjustments and significant changes of the fair value measurement of level 3 instruments compared with the previous

When third party information, such as broker quotes or pricing services are used to measure fair value, documentary evidence is obtained from third parties to support the conclusion that such valuations meet the requirements of SLFRSs / LKASs.

8.1 Valuation framework

The Company has established a control framework with respect to the measurement of fair values of investments. The investment committee has overall responsibility for the results of trading and investment operations and all significant fair value measurements carried out by the investment division, which include;

- Verification of observable pricing.
- Re-performance of model valuations.

8.2 Assets measured at fair value

The following table analyses financial assets measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. Whenever available, quoted prices in active markets are obtained for identical assets at the reporting date to measure fixed maturity securities at fair value in trading and AFS portfolios. Market price data is generally obtained from dealer markets.

As at 31 December Rs.'000	Note	Fair value hierarchy							
		2021				2020			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Non-Financial Assets									
Property, Plant & Equipment									
Land and Building	27.1	-	-	2,448,162	2,448,162	-	-	2,265,819	2,265,819
Total Non-Financial Assets at Fair Value		-	-	2,448,162	2,448,162	-	-	2,265,819	2,265,819
Financial Assets									
Financial assets at FVTPL									
Financial assets held for trading:									
Equity securities	30.6	3,192,497	-	-	3,192,497	2,884,723	-	-	2,884,723
Unit Trusts	30.6	2,141,257	-	-	2,141,257	1,219,168	-	-	1,219,168
Designated at FVTPL									
Investments for the benefit of Life insurance policyholders who bear the investment risk									
Equity securities	30.6	575,523	-	-	575,523	783,223	-	-	783,223
Commercial Paper	30.6	-	-	-	-	-	10,259	-	10,259
Debt securities	30.6	-	138,771	-	138,771	-	148,433	-	148,433
Government securities	30.6	22,018	172,497	-	194,515	-	82,998	-	82,998
Fixed deposits	30.6	-	10,744	-	10,744	-	28,444	-	28,444
		5,931,295	322,012	-	6,253,307	4,887,114	270,134	-	5,157,248
AFS financial assets:									
Treasury bills	30.5	433,745	-	-	433,745	-	-	-	-
Treasury bonds	30.5	6,622,007	-	-	6,622,007	7,954,413	-	-	7,954,413
		7,055,752	-	-	7,055,752	7,954,413	-	-	7,954,413
Total of financial assets carried at fair value		12,987,047	322,012	-	13,309,059	12,841,527	270,134	-	13,111,661
Total of assets carried at fair value		12,987,047	322,012	2,448,162	15,757,221	12,841,527	270,134	2,265,819	15,377,480

8.3 Transfer between levels

There were no transfers in 2021.

NOTES TO THE FINANCIAL STATEMENTS

8.4 Financial assets and liabilities not measured at fair value

It is assumed that the following financial assets and liabilities have a short term maturity and the carrying amounts approximate their fair values.

As at 31 December	2021 Rs. '000	2020 Rs. '000
Financial Assets		
Reinsurance receivable	969,446	492,011
Premiums receivable	532,975	487,959
Receivables and other assets	393,305	525,997
Loans to life policyholders*	1,932,079	1,793,470
Cash in hand and at bank	969,748	960,270
Financial Liabilities		
Reinsurance payables	1,038,267	533,023
Lease liabilities	421,300	232,259
Other financial liabilities	1,985,077	2,205,338
Bank overdraft	249,332	160,805

*The fair value of policyholder loans are equal to its carrying value as those are given at competitive market rates.

8.5 Fixed rate financial instruments

The fair value of fixed rate financial investments carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are determined based on observable market inputs.

Table below analyses the fair value of financial investments carried at amortised cost in to their levels in fair value hierarchy.

As at 31 December Rs.'000		Fair value hierarchy									
		Note	2021					2020			
		Amortised cost	Level 1	Level 2	Level 3	Total	Amortised cost	Level 1	Level 2	Level 3	Total
HTM financial assets											
Debentures	30.3	216,387	-	223,819	-	223,819	216,450	-	245,328	-	245,328
Treasury bonds	30.3	25,716,804	24,910,206	-	-	24,910,206	21,943,969	26,810,670	-	-	26,810,670
Treasury bills	30.3	3,008,379	3,007,769	-	-	3,007,769	-	-	-	-	-
		28,941,570	27,917,975	223,819	-	28,141,794	22,160,419	26,810,670	245,328	-	27,055,998
L & R financial assets											
Asset backed securities	30.4	306,908	-	307,175	-	307,175	-	-	-	-	-
Commercial Paper	30.4	797,835	-	798,252	-	798,252	413,504	-	413,594	-	413,594
Bank deposits	30.4	3,032,289	-	3,032,289	-	3,032,289	4,516,157	-	4,516,157	-	4,516,157
Debentures	30.4	10,668,104	2,206,980	8,299,276	-	10,506,256	10,128,425	5,514,888	5,718,219	-	11,233,107
Reverse repurchase agreements	30.4	2,273,306	-	2,273,306	-	2,273,306	2,026,042	-	2,026,042	-	2,026,042
		17,078,442	2,206,980	14,710,298	-	16,917,278	17,084,128	5,514,888	12,674,012	-	18,188,900
Total of fair values of financial investments not measured at fair value											
		46,020,012	30,124,955	14,934,117	-	45,059,072	39,244,547	32,325,558	12,919,340	-	45,244,898

9 GROSS WRITTEN PREMIUM (GWP)

Accounting Policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Gross written premiums on life and investment contracts with discretionary participating features (DPF) are recognised as revenue when receivable from the policyholder (policies within the 30 day grace period are considered as due). For single premium business, revenue is recognised on the date on which the policy is effective.

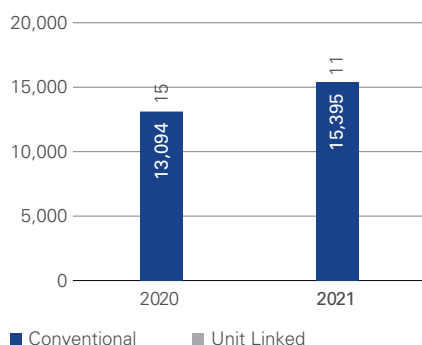
Premiums received in advance are not recorded as revenue and recorded as liability until the premium is due unless otherwise the relevant policy conditions require such premiums to be recognised as income. Benefits and expenses are provided against such revenue to recognise profits over the estimated life of the policies.

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Conventional	15,394,921	13,093,838
Unit linked	11,240	14,767
Total gross written premium	15,406,161	13,108,605

For the year ended 31 December Rs.'000	2021			2020		
	Conventional	Unit linked	Total	Conventional	Unit linked	Total
Individual policies						
First year premium	4,436,334	-	4,436,334	3,132,316	-	3,132,316
Renewal premium	9,928,480	11,240	9,939,720	8,726,426	14,767	8,741,193
Single premium	738,497	-	738,497	880,047	-	880,047
	15,103,311	11,240	15,114,551	12,738,789	14,767	12,753,556
Corporate policies						
New business premium	206,421	-	206,421	268,092	-	268,092
Renewal premium	85,189	-	85,189	86,957	-	86,957
	291,610	-	291,610	355,049	-	355,049
Total gross written premium	15,394,921	11,240	15,406,161	13,093,838	14,767	13,108,605

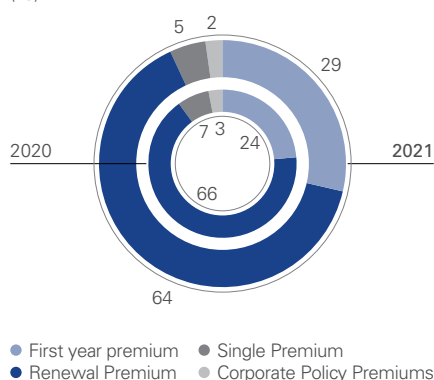
Gross Written Premium

(Rs. mn)



Composition of GWP

(%)



NOTES TO THE FINANCIAL STATEMENTS

10 PREMIUM CEDED TO REINSURERS

Accounting Policy

Reinsurance premiums on life and investment contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective. Value of the premiums are decided on the rates agreed with reinsurers and accounted on an accrual basis.

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Conventional	724,983	588,877
Unit linked	826	1,000
Total premium ceded to reinsurers	725,809	589,877

The calculation of the EIR includes all transaction costs and fees that are an integral part of the EIR. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the EIR of the instrument.

Investment related expenses consist of costs relating to investment such as custodial fee, bank guarantee fee and brokerage fee, etc. These expenses are recognised on an accrual basis.

Dividends on equity investments are recognised in the income statement when the right to receive payment is established which is on the date at which the investment is priced 'ex dividend'.

11 NET INVESTMENT INCOME

Accounting Policy

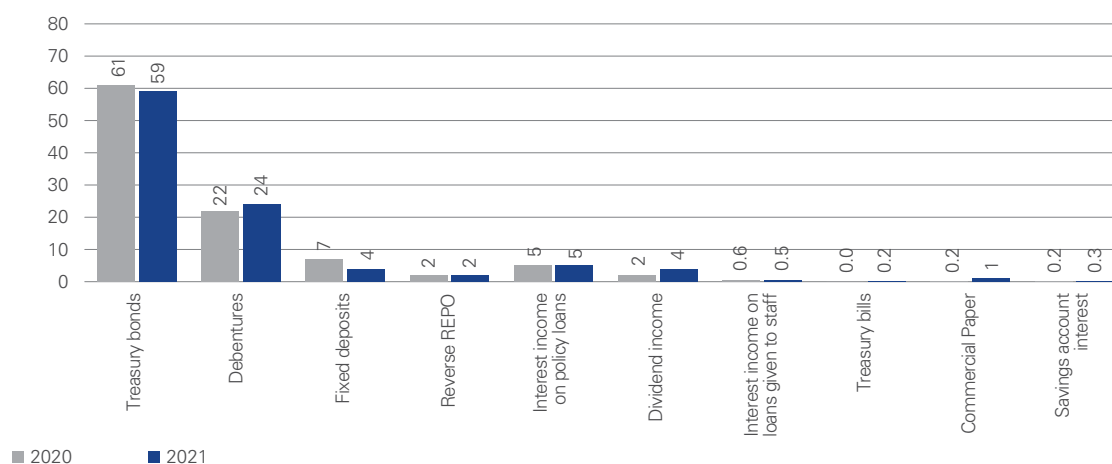
Investment income comprises interest income on funds invested (including AFS financial assets) and dividend income.

Interest income is recognised in the income statement as it accrues and is calculated by using the Effective Interest Rate method (EIR). The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial asset or liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liabilities. When calculating the EIR, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

For the year ended 31 December	Note	2021 Rs. '000	2020 Rs. '000
Investment income from;			
Held to maturity financial assets	11.1	2,498,096	2,372,281
Loans and receivables	11.2	1,924,684	1,809,801
Available for sale financial assets	11.3	713,255	779,198
Financial assets at fair value through profit or loss	11.4	218,307	149,906
Investment related expenses		(78,212)	(78,754)
Total net investment income		5,276,130	5,032,432

Composition of Investment Income

(%)



11.1 Investment Income from Held to Maturity Financial Assets

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Interest income		
Debentures	33,437	33,446
Treasury bills	24,092	-
Treasury bonds	2,440,567	2,338,835
	2,498,096	2,372,281

11.2 Investment Income from Loans and Receivables

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Interest income		
Interest income on policy loans	262,145	235,820
Reverse repurchase agreements	99,105	77,755
Fixed deposits	234,355	342,096
Interest income on loans given to staff	22,935	42,523
Debentures	1,246,643	1,089,936
Commercial Paper	48,911	13,503
Assets Backed Securities	6,908	-
Savings account interest	3,682	8,168
	1,924,684	1,809,801

11.3 Investment Income from Available for Sale Financial Assets

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Interest income		
Treasury bonds	710,999	779,198
Treasury bills	2,256	-
	713,255	779,198

11.4 Investment Income from Fair Value Through Profit or Loss

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Interest income		
Treasury bills	1,071	471
Treasury bonds	176	-
Debentures	16,939	17,601
Reverse repurchase agreements	6,501	7,284
Commercial Papers	530	1,019
Fixed deposits	1,171	2,806
	26,388	29,181

Dividend income

Held for trading - Conventional	152,897	89,461
Held for trading - Unit linked	39,022	31,264
	191,919	120,725
	218,307	149,906

12 NET REALISED GAINS / (LOSSES)**Accounting Policy**

Realised gains and losses recorded in the income statement on investments include gains and losses on sale of financial assets.

Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the carrying value, and are recorded on occurrence of the sale transaction.

On derecognition of an investment classified as AFS, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement.

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Realised gains	497,508	86,697
Realised losses	(66,283)	(488,878)
Total net realised gains/ (losses)	431,225	(402,181)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December Rs.'000	2021			2020		
	Realised gains	Realised losses	Net realised gains / (losses)	Realised gains	Realised losses	Net realised gains / (losses)
Available for sale financial assets						
Treasury bills	-	(364)	(364)	-	-	-
Treasury bonds	80,129	-	80,129	29,275	-	29,275
	80,129	(364)	79,765	29,275	-	29,275
Fair value through profit or loss financial assets						
Treasury bonds	-	(575)	(575)	-	-	-
Unit trusts	120,764	-	120,764	17,940	-	17,940
Quoted equity securities	296,615	(65,344)	231,271	39,480	(488,876)	(449,396)
	417,379	(65,919)	351,460	57,420	(488,876)	(431,456)
	497,508	(66,283)	431,225	86,695	(488,876)	(402,181)

13 NET FAIR VALUE GAINS

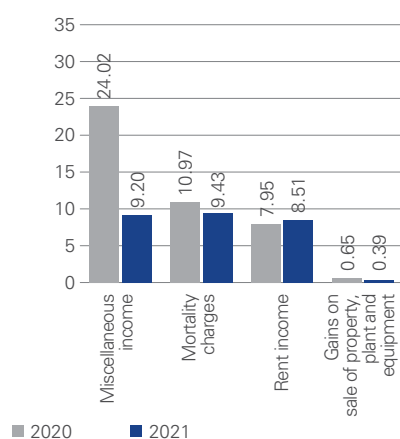
Accounting Policy

Fair value gains and losses recorded in the income statement on investments include fair value gains / losses on financial assets at FVTPL.

For the year ended 31 December	2021	2020
	Rs. '000	Rs. '000
Fair value through profit or loss financial assets		
Quoted equity securities	128,941	257,889
Unit Trusts	107,391	16,503
Treasury bonds	(37)	-
Treasury bills	5	(43)
Debentures	(452)	2,830
Total net fair value gains	235,848	277,179

Other Income

(Rs. Mn)



14 OTHER INCOME

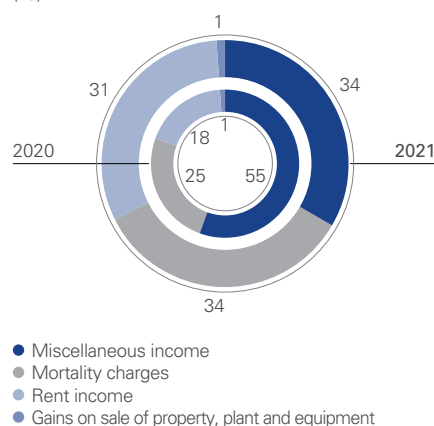
Accounting Policy

Other income comprises disposal gains / losses on property, plant and equipment, mortality charges, surrender charges, rent income and miscellaneous income.

For the year ended 31 December	2021	2020
	Rs. '000	Rs. '000
Mortality charges	9,434	10,971
Miscellaneous income	9,198	24,016
Rent income	8,511	7,946
Gains on sale of property, plant and equipment	385	651
Total other income	27,528	43,584

Composition of Other Income

(%)



15 NET INSURANCE BENEFITS AND CLAIMS PAID

Accounting Policy

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

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

For the year ended 31 December Rs.'000	2021			2020		
	Gross claims paid	Claims recovered from reinsurers	Net claims paid	Gross claims paid	Claims recovered from reinsurers	Net claims paid
Death, disability and hospitalisation	1,029,211	(12,366)	1,016,845	452,022	(313,032)	138,990
Surrenders	1,372,982	-	1,372,982	1,115,416	-	1,115,416
Annuity payments	232,684	-	232,684	344,889	-	344,889
Policy maturities	2,379,427	-	2,379,427	2,089,212	-	2,089,212
Total net life insurance claims and benefits	5,014,304	(12,366)	5,001,938	4,001,539	(313,032)	3,688,507

16 NET CHANGE IN INSURANCE CLAIMS OUTSTANDING

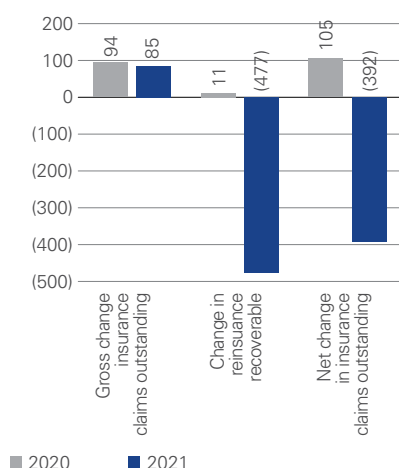
Differences between the estimated cost and subsequent settlement of claims or re-estimated costs are recognised in the income statement in the year in which they are settled or in which the insurance contract liabilities are re-estimated. Net change in insurance claims outstanding is recognised in the income statement.

For the year ended 31 December Rs.'000	2021			2020		
	Gross change in insurance claims outstanding	Change in reinsurance recoverable	Net change in insurance claims outstanding	Gross change in insurance claims outstanding	Change in reinsurance recoverable	Net change in insurance claims outstanding
Death, disability and hospitalisation	63,169	(477,435)	(414,266)	135,812	10,964	146,776
Annuity payments	22,265	-	22,265	-	-	-
Policy maturities	(390)	-	(390)	(41,704)	-	(41,704)
Total net change in insurance claims outstanding	85,044	(477,435)	(392,391)	94,108	10,964	105,072

NOTES TO THE FINANCIAL STATEMENTS

Changes in Insurance Claims Outstanding

(Rs. Mn)



16.1 Net Insurance Benefits and Claims Expense

For the year ended 31 December	Note	2021 Rs. '000	2020 Rs. '000
Net insurance benefits and claims paid	15	5,001,938	3,688,507
Net change in insurance claims outstanding	16	(392,391)	105,072
Total net insurance benefits and claims expense		4,609,547	3,793,579

17 CHANGE IN CONTRACT LIABILITIES - LIFE FUND

Accounting Policy

Changes in the valuation of insurance contract liabilities are recognised in the income statement under change in contract liabilities.

Actuarial valuation of life insurance fund

The Directors are satisfied with the provision relating to long term insurances contract liabilities of the company as at the year end as certified by the appointed actuary following his annual valuation conducted on the life insurance fund. The actuarial valuation takes into account all liabilities and is based on assumptions recommended by the appointed actuary.

The appointed actuary's report is provided on page 153.

For the year ended 31 December Rs.'000	Note	2021			2020		
		Gross	Reinsurance	Net	Gross	Reinsurance	Net
Premiums written	9/10	15,406,161	(725,809)	14,680,352	13,108,605	(589,877)	12,518,728
Insurance benefits and claims incurred	16.1	(5,099,347)	489,800	(4,609,547)	(4,095,647)	302,068	(3,793,579)
Underwriting and net acquisition costs (including reinsurance)	18	(3,036,783)	192,765	(2,844,018)	(2,284,063)	138,933	(2,145,130)
Other operating, selling and administrative expenses attributable to policyholders		(3,583,493)	-	(3,583,493)	(3,517,622)	-	(3,517,622)
Investment and other income attributable to policyholders		5,033,187	-	5,033,187	4,041,160	-	4,041,160
Income tax reversal		-	-	-	(71,304)	-	(71,304)
Surplus from life insurance fund transferred to Life shareholder's fund		(1,600,000)	-	(1,600,000)	(825,000)	-	(825,000)
Change in contract liabilities - Life Fund		7,119,725	(43,244)	7,076,481	6,356,129	(148,876)	6,207,253

18 UNDERWRITING AND NET ACQUISITION COSTS (NET OF REINSURANCE)

Accounting Policy

All acquisition costs are recognised as an expense when incurred. Reinsurance commission income on outward reinsurance contracts is recognised when receivable.

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Acquisition cost	3,036,783	2,284,063
Reinsurance commission (including profit commission)	(192,765)	(138,933)
Total underwriting and net acquisition costs	2,844,018	2,145,130

19 OTHER OPERATING, ADMINISTRATIVE AND SELLING EXPENSES

Accounting Policy

Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the income statement.

For the year ended 31 December	Note	2021 Rs. '000	2020 Rs. '000
Employee benefits expenses	19.1	1,161,242	1,213,321
Administration and establishment expenses		1,183,202	1,070,742
Finance cost	20.1	54,224	56,417
Selling expenses		811,063	915,626
Total other operating, administrative and selling expenses		3,209,731	3,256,106

19.1 Employee Benefits Expenses

Refer Note 45 for the Accounting Policy.

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short - term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

For the year ended 31 December	Note	2021 Rs. '000	2020 Rs. '000
Short Term Employee Benefits			
Staff remuneration		917,738	981,390
Defined contribution plan cost - EPF	45.1	83,609	74,886
Defined contribution plan cost - ETF	45.1	20,902	18,721
Staff welfare		20,023	17,561
Training expenses		28,203	24,601
Other costs		26,812	27,765
		1,097,287	1,144,924
Long Term Employee Benefits			
Defined benefit plan cost	45.4(a)	25,977	28,994
Share based payment expense	40.3(a)	6,291	7,762
Other long term employee benefit cost	45.4(b)	31,687	31,641
		63,955	68,397
Total employee benefits expenses		1,161,242	1,213,321

20 FINANCE COSTS

Interest cost is recognised using the effective interest rate method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

20.1 Finance Cost

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Interest expenses	29,207	33,922
Bank Charges	25,017	22,495
	54,224	56,417

21 PROFIT BEFORE TAX

Accounting policy

Operating profit is the result generated from the continuing principal revenue-producing activities of the Company as well as other income and expenses related to operating activities. Operating profit excludes share of profit of equity-accounted investees and income taxes.

Profit before tax is stated after charging all expenses including the following;

For the year ended 31 December	Note	2021 Rs. '000	2020 Rs. '000
Directors fee and emoluments		124,129	85,497
Auditors remuneration			
– Statutory audit and audit related services		5,311	7,873
– Non audit related services		3,122	2,423
Legal fees		4,060	2,794
Depreciation of property plant and equipment	27.1	91,635	82,899
Amortisation of intangible assets	26.1	252,251	179,990
Depreciation of Right of use assets	28.1	91,670	127,382
Amortisation of Lease rentals paid in advance		5,905	4,567

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December	Note	2021 Rs. '000	2020 Rs. '000
Defined contribution plan			
- EPF	45.1	83,609	74,886
- ETF	45.1	20,902	18,721
Defined benefit plan cost	45.4(a)	25,977	28,994
Other long term			
employee benefits	45.4(b)	31,687	31,641
Staff expenses		999,067	1,059,079
CSR expenses		8,650	12,979
Gain on sale of			
property, plant and			
equipment	14	(385)	(651)
Provision / (reversals) for impairment of			
- Staff loans	34.1(a)	(5,885)	10,030
- Agent loans	34.2(a)	(5,208)	(1,704)

22 INCOME TAX EXPENSE

Accounting Policy

Income tax expense comprises current and deferred tax. Current tax and deferred tax relating to items recognized directly in equity or OCI is recognised in equity or OCI and not in the income statement. Current tax assets and liabilities are offset only if certain criteria are met.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. The company applies significant judgement in identifying uncertainties over income tax treatments. Since the company operates in a complex environment, it assessed whether the Interpretation had an impact on its financial statements. Company determined that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the company.

The Company reviewed its income tax treatments and concluded that no additional provisions required and required disclosures have been made under contingent liabilities (Note 51.1).

22.1 Current Tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

From 1st April 2018 onwards the gains and profits from the Life Insurance Business are ascertained in terms of Section 67 of the Inland Revenue Act No. 24 of 2017. As per this section, the gains and profits on which tax is payable is the aggregate of;

- Surplus distributed to shareholders from the Life insurance policyholders fund as certified by the actuary at a rate of 24%;
- Investment income of the shareholder fund less any expenses incurred in the production of such income at a rate of 24%; and
- Surplus distributed to a Life insurance policyholder who shares the profits of a person engaged in the business of life insurance at a rate of 14% (up to 3 years from 2018 and thereafter at 24%)

22.2 Tax Exposures

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement 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.

22.3 Crop Insurance Levy

The Crop Insurance Levy was introduced under the provisions of Section 14 of the Finance Act No. 12 of 2013, and came into effect from 1 April 2013. It is payable to the National Insurance Trust Fund and liable at 1% of the Profit after Tax.

22.4 Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax except;

- Where the sales tax incurred on a purchase of asset or service is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, to the taxation authority is included as a part of receivables or payables in the statement of financial position.

22.5 Deferred Tax

Accounting Policy

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

- Temporary differences 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 differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary difference to the extent that it is probable that future taxable profits will be available against which they can be used. The reversal of relevant taxable temporary differences are determined based on future taxable profits. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversal of existing temporary differences, are considered, based on the business plans. 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Use of Judgements and Estimates

Deferred Tax Assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available against which such tax losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

Company utilised total amount of the brought forward tax losses against taxable income during 2020 and therefore, there are no tax losses or deferred tax assets recorded as at the reporting date.

22.5(a) Movement in Deferred Tax Balances

For the year ended 31 December Rs.'000	2020						
	Net balance as at 1 January	Unrecognised tax loss from previous year	Recognised in profit or loss	Recognised in OCI	Net	Deferred tax assets	Deferred tax liabilities
Deferred tax liabilities	-	-	-	-	-	-	-
Deferred tax assets							
Carry forward tax losses	(528,614)	-	528,614	-	-	-	-
Unrecognised losses from previous years	-	(5,611)	5,611	-	-	-	-
	(528,614)	(5,611)	534,225	-	-	-	-
Net tax liabilities/(assets)	(528,614)	(5,611)	534,225	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

22.5(b) Tax Loss Analysis

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Balance as at 1 January	-	1,887,907
Over adjustment from previous year	-	-
Unrecognised taxable income from previous year	-	-
Utilised during the year	-	(1,907,945)
Unrecognised tax losses from previous year	-	20,038
Balance as at 31 December	-	-

22.6 Amount Recognised in the Profit or Loss

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Current tax expense		
Current tax expense for the year	(607,535)	(73,731)
Over/(under) provision of current tax of previous years	33,813	-
	(573,722)	(73,731)

Deferred tax expense

Reversal of deferred tax assets	-	(534,225)
Origination of deferred tax assets	-	5,611
Reversal of deferred tax liabilities	-	-

Taxes Written-off

Notional tax and ESC written-off	-	(270,900)
----------------------------------	---	-----------

Income tax expenses

recognised in the profit or loss	(573,722)	(873,245)
---	------------------	------------------

Income tax expenses excludes the Company's share of income tax expenses of equity accounted investee of Rs. 48 million (2020 - Rs. 45 million), which has been included in the share of profit of equity accounted investee, net of tax.

22.7 Notional tax income

Notional Tax Credit for Withholding Tax on Treasury Bills and Bonds.

The Inland Revenue Act No.10 of 2006 as amended by subsequent legislation provides that a Company which derives interest income from secondary market transactions in government securities on or after 1 April

2002 would be entitled to a notional tax credit being one ninth of the net interest income, provided such interest income forms part of the statutory income of the Company.

As per the Inland Revenue Act No. 24 of 2017, which became effective from 1 April 2018, the notional taxes (withholding tax) on the interest of government securities have been withdrawn. Based on the transition provisions issued, the Company was allowed to carry forward the notional tax credits (the Company was entitled to, up to 31 March 2021) for a period of 3 years from 1 April 2018.

The Company had not recognised notional tax credit in the financial statements up to 31 December 2017 (disclosures were made), due to the uncertainty of availability of taxable profits against which such notional tax credits could be realised. Based on the amendments to the tax base by the IRD Act No. 24 of 2017, the Company has become liable for income tax from the year ended 31 December 2018. Accordingly, Company recognized Rs. 608 million notional tax credits as at 31 December 2018 based on internal taxable profit projection. Impairment loss of Rs.467 million was recognized during the years ended 31 December 2019 and 2020.

The unrecognised notional tax credit in financials of the Company is as follows;

For the year ended 31 December	Note	2021 Rs. '000	2020 Rs. '000
Unutilised Notional tax credits as at 1 January		1,538,706	1,271,133
Notional tax credits during the year		-	-
Notional tax recognized as expense during the year	22.8	-	267,573
Unutilised Notional tax credits as at 31 December		1,538,706	1,538,706

22.8 Notional Tax Recognized as Expense During the Year

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Participating fund	-	(71,304)
Non participating fund	-	-
Shareholder fund	-	(196,269)
	-	(267,573)

22.9 Reconciliation of Effective Tax Rate

A reconciliation between tax expense and the product of accounting profit.

For the year ended 31 December	2021		2020	
	%	Rs. '000	%	Rs. '000
Profit before tax		2,627,307		1,793,841
Tax using the company's domestic tax rate	24%	630,554	28%	502,275
Share of profit of equity accounted investee reported net of tax	-2%	(47,860)	-3%	(45,281)
Net aggregate disallowable expenses and tax exempt income	1%	24,841	8%	145,351
Tax expense on previous year (over)/under provision	-1%	(33,813)	-	-
Irrecoverable taxes written off	-	-	15%	270,900
Total income tax expense / (reversal)	22%	573,722	49%	873,245

23 EARNINGS PER SHARE

Accounting Policy

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit after tax of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit after tax and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

23.1 Basic Earnings per Share

For the year ended 31 December	2021	2020
Profit after tax (Rs. '000)	2,053,585	920,596
Weighted average number of ordinary shares ('000)	58,929	58,929
Basic Earnings Per Share (Rs.)	34.85	15.62

23.2 Diluted Earnings per Share

There was no dilution of ordinary shares outstanding. Therefore, diluted earnings per share is the same as basic earnings per share as shown in Note 23.1.

24 DIVIDENDS PER SHARE

Accounting Policy

In the event of Dividend being declared by the Board of Directors after the reporting date it will not be recognised as a liability but as a note to the financial statements.

24.1 Dividends Declared During the Year

The Board of Directors of the Company has approved a first and final dividend of Rs. 22 per share (2020 - Rs.14 per share) for the financial year ended 31 December 2021 out of retained earnings.

For the year ended 31 December	2021	2020
Dividend declared (Rs. '000)	1,296,429	825,000
Number of ordinary shares ('000)	58,929	58,929
Dividend per share (Rs.)	22	14

24.1(a) Compliance with Section 56 and 57 of Companies Act No. 07 of 2007

As required by Section 56 of the Companies Act No. 07 of 2007 the Board of Directors of the Company satisfied the solvency test in accordance with Section 57, subject to relevant regulatory adherence, prior to declaring the final dividend. A statement of solvency duly completed and signed by the Directors have been audited by Messrs. KPMG.

24.2 Dividend Paid During the Year

For the year ended 31 December	2021	2020
First and final dividend for 2020		
Rs.14 per share		
(2019 - Rs. 20 per share)	825,000	1,178,571

25 FINANCIAL ASSETS AND LIABILITIES

25.1 Non Derivative Financial Assets

Accounting Policy

Initial Recognition and Measurement

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

In the case of financial assets not measured at fair value through profit or loss, it is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

Income and expenses are presented on a net basis only when permitted under SLFRSs / LKASs, or for gains and losses arising from a group of similar transactions such as the Company's trading activity.

Depending on the intention and ability to hold the invested assets, the financial assets categories and their classification criteria are shown in the table below;

NOTES TO THE FINANCIAL STATEMENTS

Classification	Classification criteria
Held-To-Maturity (HTM)	Financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the positive intention and ability to hold it to maturity.
Loans and Receivables (L&R)	Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.
Fair Value Through Profit or Loss (FVTPL)	Financial assets held for trading and those designated upon initial recognition at FVTPL and investments typically bought with the intention to sell in the near future. For investments designated at FVTPL, the following criteria must be met; The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, Or The assets and liabilities are part of a Company's financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with the Company's investment strategy.
Available for Sale (AFS)	Financial assets that are designated as AFS and that are not classified in any of the previous categories. AFS financial investments includes debt securities. Securities in this category are those that are intended to be held till maturity and which maybe sold in response to the need for liquidity or in response to changes in the market conditions.

Subsequent Measurement

Held-to Maturity Financial Assets (HTM)

Subsequent to initial recognition held to maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate (EIR). The EIR amortisation is included in net investment income in the income statement.

Loans and Receivables (L&R)

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Fair Value Through Profit or Loss (FVTPL)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement.

Available for Sale Financial Assets (AFS)

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses on available for sale equity instruments, are recognised in the statement of profit or loss and other comprehensive income and presented within equity in the available for sale reserve.

Company's non derivative financial assets and their classifications are summarised as follows;

Financial Asset	Category			
	HTM	AFS	L & R	FVTPL
Treasury bonds	✓	✓	-	✓*
Treasury bills	✓	✓	-	✓*
Reverse repurchase agreements	-	-	✓	✓*
Quoted shares	-	-	-	✓*
Unit Trusts	-	-	-	✓
Corporate debts	✓	-	✓	✓*
Term deposits	-	-	✓	✓*
Commercial Papers	-	-	✓	✓*
Asset backed securities	-	-	✓	-
Policy loans	-	-	✓	-
Staff and advisor loans	-	-	✓	-
Reinsurance receivable	-	-	✓	-
Premiums receivable	-	-	✓	-
Other receivables	-	-	✓	-
Cash in hand and at bank	-	-	✓	-

* Financial assets are designated as FVTPL relating to Unit Linked fund

Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and the loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Objective evidence that financial assets (including equity securities) are impaired may include;

- Significant financial difficulty of the borrower or user,
- Default or delinquency by debtor,
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization,
- Adverse change in the payment status of issuers or debtors in the Company, or
- In the case of equity a significant or prolonged decline in its fair value below its cost.

Impairment Losses on Financial Assets Carried at Amortised Cost

The Company considers evidence of impairment for financial assets measured at amortised cost (L&R and HTM financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed or any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in income statement under other cost and reflected in an allowance account against L&R or HTM investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

Impairment Losses on AFS Financial Assets

Impairment losses on AFS financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to the income statement. The cumulative loss that is reclassified from equity to profit or loss is

the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. In the case of equity investments impairment, the cumulative loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

If, in a subsequent period, the fair value of an impaired AFS debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, impairment losses on equity investments are not reversed through the income statement and increases in their fair value after impairment is recognised directly in the statement of profit or loss and other comprehensive income.

Derecognition

The Company derecognises a financial asset when;

The rights to receive cash flows from the asset have expired, or

The rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either;

- (a) the Company has transferred substantially all the risks and rewards of the asset, or
- (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of;

- (a) the consideration received (including any new asset obtained less any new liability assumed) and
- (b) In case of AFS financial investments, any cumulative gain or loss that had been recognised in the statement of profit or loss and other comprehensive income is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

25.2 Non Derivative Financial Liabilities

Accounting Policy

Initial Recognition and Measurement

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies non derivative financial liabilities into other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise, reinsurance payables, Lease Liabilities, other liabilities and bank overdraft.

Derecognition

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

25.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are presented on a net basis only when it is required or permitted by a standard.

25.4 Amortised Cost Measurement

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

25.5 Reclassification of Financial Assets and Liabilities

The Company reclassifies non derivative financial assets out of the held for trading category and into the AFS, L&R, or HTM categories as permitted by the Sri Lanka Accounting Standard LKAS 39 - Financial Instruments: Recognition and Measurement. Further, in certain

25.7 Financial Assets and Liabilities by Category

As at 31 December Rs'000	Note	L&R		FVTPL	
		2021	2020	2021	2020
Financial Assets					
Financial investments	30.2	17,078,442	17,084,128	6,253,307	5,157,248
Loans to life policyholders	31	1,932,079	1,793,470	-	-
Reinsurance receivable	32	969,446	492,011	-	-
Premiums receivable	33	532,975	487,959	-	-
Receivables and other assets	34	393,305	525,997	-	-
Cash in hand and at bank	35	969,748	960,270	-	-
Total financial assets		21,875,995	21,343,835	6,253,307	5,157,248
Financial Liabilities					
Reinsurance payables	46	-	-	-	-
Lease liabilities	44	-	-	-	-
Other financial liabilities	47	-	-	-	-
Bank overdraft	35	-	-	-	-
Total financial liabilities		-	-	-	-

circumstances, the Company is permitted to reclassify financial instruments out of the AFS category and into the L&R category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost. Reclassification to held to maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

For a financial asset with a fixed maturity reclassified out of the AFS category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the asset using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

The Company may reclassify a non derivative trading asset out of the held for trading category and into the L&R category, if it meets the definition of loans and receivables and the Company has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified and if the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those

cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of the management and is determined on an instrument by instrument basis.

The Company does not reclassify any financial instrument into the FVTPL category after initial recognition. Further, the Company does not reclassify any financial instrument out of the FVTPL category if upon initial recognition it was designated as fair value through profit or loss.

25.6 Derivatives Held for Risk Management Purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

Other Non Trading Derivatives

If a derivative is not held for trading, and is not designated in a qualifying hedge relationship, then all changes in its fair value are recognised immediately in profit or loss as a component of net income from other financial instruments at FVTPL.

AFS		HTM		Other financial liabilities		Total	
2021	2020	2021	2020	2021	2020	2021	2020
7,055,752	7,954,413	28,941,570	22,160,419	-	-	59,329,071	52,356,208
-	-	-	-	-	-	1,932,079	1,793,470
-	-	-	-	-	-	969,446	492,011
-	-	-	-	-	-	532,975	487,959
-	-	-	-	-	-	393,305	525,997
-	-	-	-	-	-	969,748	960,270
7,055,752	7,954,413	28,941,570	22,160,419	-	-	64,126,624	56,615,915
-	-	-	-	1,038,267	533,023	1,038,267	533,023
-	-	-	-	421,300	232,259	421,300	232,259
-	-	-	-	1,985,077	2,205,338	1,985,077	2,205,338
-	-	-	-	249,332	160,805	249,332	160,805
-	-	-	-	3,693,976	3,131,425	3,693,976	3,131,425

NOTES TO THE FINANCIAL STATEMENTS

26 INTANGIBLE ASSETS

Accounting Policy

Recognition and Measurement

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard LKAS 38 - Intangible Assets.

Software

Software acquired separately are measured on initial recognition at cost. Following initial recognition, these assets are stated in the statement of financial position at cost, less accumulated amortisation and accumulated impairment losses.

Contractual Relationships

Contractual relationships are rights which provide access to distribution networks. Contractual relationships are initially recognised at cost and subsequently carried at cost less accumulated amortisation and impairment losses.

Lapse Used Case Development

This is an advance data analytic model on lapse prevention developed by the company with the help of an external consultant and the Parent company. Asset is initially measured at cost and subsequently carried at cost less accumulated amortization and impairment losses.

Expenditure on internally developed software is recognized as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

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.

Useful Economic Life and Amortisation

Amortisation is calculated to write off the cost of intangible assets over their estimated useful lives and is generally recognised in profit or loss. None of the intangible assets are assumed to have a residual value.

The estimated useful lives of intangible assets and the amortisation methods for the current and comparative periods are as follows;

Software	5 -10 years using the straight line method from the date the software is available for use
Contractual Relationships	5 - 10 years based on the expected business volumes
Lapse Used Case Development	10 years using the straight line method from the date asset is available for use

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Changes in the expected useful life or the expected pattern of future economic benefits embodied in the assets is accounted for by changing the useful life or method as appropriate and are treated as changes in accounting estimates.

Intangible assets with indefinite useful life

In the event company acquired an intangible asset with indefinite useful life, those assets are tested for impairment annually either individually or at the Cash generating unit (CGU) level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis. The Company does not have intangible assets with indefinite useful life as at the reporting date. (2020 - Nil)

De-Recognition

An Intangible Asset is de-recognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from de-recognition of such Intangible Assets is included in income statement.

Research and Development Cost

Research costs are expensed as incurred. Development expenditure is capitalised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- The asset will generate future economic benefits.
- The availability of resources to complete the development of the asset.
- The ability to measure reliably the expenditure during development.
- The ability to use or sell the intangible asset generated.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses.

26.1 Reconciliation of Carrying Amounts of Intangible Assets

Rs.'000	Software		Contractual Relationships	Lapse Used Case Development	2021 Total	2020 Total
	Licensed	Purchased				
Cost						
Balance as at 1 January	39,063	923,007	791,238	94,838	1,848,146	1,728,021
Acquisitions during the year - separately acquired	-	123,693	924,075	-	1,047,768	120,125
Termination	-	-	(497,045)	-	(497,045)	-
Balance as at 31 December	39,063	1,046,700	1,218,268	94,838	2,398,869	1,848,146
Accumulated amortisation and impairment losses						
Balance as at 1 January	39,058	404,149	148,398	9,484	601,089	421,099
Amortisation	5	87,106	155,656	9,484	252,251	179,990
Balance as at 31 December	39,063	491,255	304,054	18,968	853,340	601,089
Carrying value						
As at 31 December 2021	-	555,445	914,214	75,870	1,545,529	
As at 31 December 2020	5	518,858	642,840	85,354		1,247,057

26.2 Assessment of Impairment of Intangible Assets

Contractual relationships are valued at the present value of the access fee outflows, by recognizing the relevant asset and the liability. There are two such contractual relationship agreements with two financial institutions. With the prevailing COVID-19 situation, actual performance was compared with contractual arrangement and the management has assessed that no impairment is required for the said asset as of the reporting date.

The Board of Directors has assessed the potential impairment loss of other intangible assets as at 31 December 2021. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date.

26.3 Title Restriction on Intangible Assets

There are no restrictions that existed on the title of the intangible assets of the Company as at the reporting date.

26.4 Intangible Assets pledged as Security

None of the Intangible assets have been pledged as security as at the reporting date.

26.5 Acquisition of Intangible Assets During the Year

During the financial year, the Company acquired intangible assets to the aggregate value of Rs. 1,048 million (2020 - Rs. 120 million). Cash payments amounting to Rs. 924 million (2020 - Rs. 120 million) were made for purchase Intangible Assets during the year.

26.6 Amount of Contractual Commitments for the Acquisition of Intangible Assets

There are no contractual commitments for the acquisition of Intangible Assets as at the reporting date.

26.7 Fully Amortised Intangible Assets in Use

Intangible assets include fully amortised computer software which are in use in the normal business activities to the gross carrying value of Rs. 276 million (2020 - Rs. 211 million).

27 PROPERTY, PLANT AND EQUIPMENT**Accounting Policy****Recognition and Measurement**

The Company applies the requirements of the Sri Lanka Accounting Standard LKAS 16 - Property, Plant and Equipment, in accounting for its owned assets which are held and used in the provision of services or for administrative purposes and are expected to be used for more than one year.

Basis of Recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS

Basis of Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Except for land and buildings, the Company applies the cost model for all property, plant and equipment and records at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed assets includes the following;

- The cost of materials and direct labour;
- Any other costs directly attributable to bringing the assets to a working condition for their intended use
- When the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located, and
- Capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in 'other income' in the income statement.

Subsequent Costs

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Repairs and Maintenance

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

Revaluations

Freehold land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses are recognised after the date of the revaluation. Valuations are performed every two years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recognised in the statement of profit or loss and other comprehensive income and accumulated in equity in the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement. A revaluation deficit is recognised in the Income Statement, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation reserve.

An annual transfer from the revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Useful Economic Life and Depreciation

Depreciation is recognised in the Income Statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embedded the asset. Land is not depreciated.

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

Asset Class	Basis
Freehold buildings	50 years
Office furniture	5 years
Furniture and fittings	5 years
Computer equipment	2-5 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

The depreciation rates are determined separately for each significant part of an item of property, plant and equipment and depreciation commences when it is available for use, i.e. when it is in the location and in the condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised.

Carrying Amount

The carrying amount of an asset or significant group of assets within the class is assessed annually, if there are impairment indicators with its fair value and where the fair value is less than the carrying amount, the asset is written down to its fair value. The consequent adjustment is recognised in the income statement.

The residual values of assets that are significant are reassessed annually.

Depreciation on revalued classes of assets is based on the remaining useful life of the assets at the time of the revaluation.

De - Recognition

An item of property, plant and equipment is de - recognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de - recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is de - recognised.

Capital Work in Progress

Capital work in progress is stated at cost. These are expenses of a capital nature directly incurred in property, plant and equipment, awaiting for capitalisation.

Borrowing Cost

Borrowing Cost that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalised as part of the cost of the asset as per the Sri Lanka Accounting Standard – LKAS 23 Borrowing Costs. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Other borrowing costs are recognized in the Profit or Loss in the period in which they occur.

27.1 Reconciliation of Carrying Amounts of Property, Plant and Equipment

Rs.'000	Freehold Land	Freehold Buildings	Plant machinery, Office equipment	Furniture and fittings	Computer equipment	Motor vehicles	2021 Total	2020 Total
Cost / Revaluation								
Balance as at 1 January	1,893,750	379,980	175,474	301,563	524,063	80	3,274,910	3,278,863
Additions during the year	-	-	53,755	107,803	17,172	-	178,730	51,587
Revaluation	161,455	28,799	-	-	-	-	190,254	-
Transfer of accumulated depreciation on assets revalued	-	(15,822)	-	-	-	-	(15,822)	-
Disposals during the year	-	-	(3,352)	(2,688)	(462)	-	(6,502)	(55,540)
Balance as at 31 December	2,055,205	392,957	225,877	406,678	540,773	80	3,621,570	3,274,910
Accumulated depreciation and impairment losses								
Balance as at 1 January	-	7,911	145,639	195,012	457,447	80	806,089	778,558
Depreciation for the year	-	7,911	12,709	41,236	29,779	-	91,635	82,899
Transfer of accumulated depreciation on assets revalued	-	(15,822)	-	-	-	-	(15,822)	-
Accumulated depreciation on disposals during the year	-	-	(3,351)	(2,633)	(462)	-	(6,446)	(55,368)
Balance as at 31 December	-	-	154,997	233,615	486,764	80	875,456	806,089
Carrying value								
As at 31 December 2021	2,055,205	392,957	70,880	173,063	54,009	-	2,746,114	
As at 31 December 2020	1,893,750	372,069	29,835	106,551	66,616	-		2,468,821

NOTES TO THE FINANCIAL STATEMENTS

27.2 Title Restriction on Property, Plant and Equipment

There are no restrictions that existed on the title of property, plant and equipment of the Company as at the reporting date.

27.3 Acquisition of Property, Plant and Equipment During the Year

During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 179 million (2020 - Rs. 51 million). Cash payments amounting to Rs. 179 million (2020 - Rs. 51 million) were made during the year for purchase of property plant and equipment.

27.4 Disposal of Property, Plant and Equipment During the Year

During the financial year, the Company disposed of property, plant and equipment to the aggregate value of Rs. 6.5 million (2020 - Rs. 56 million). Cash amounting to Rs. 0.4 million (2020 - Rs. 0.8 million) was received during the year for disposal of property plant and equipment. Gain on disposal of Property, Plant and Equipment is disclosed in Note 14 to the Financial Statements.

27.5 Capitalisation of Borrowing Costs

There was no capitalised borrowing cost relating to the acquisition of property, plant and equipment during the year (2020 - Nil).

27.6 Amount of Contractual Commitments for the Acquisition of Property, Plant and Equipment

There are no contractual commitments for the acquisition of property, plant and equipment as at the reporting date.

27.7 The Details of Freehold Land and Buildings Which are Stated at Valuation

Company property	No of Buildings	Extent Perches (Land)	Square feet (Building)	Method of valuation	Date of valuation	Valuer	Revalued amount Land Rs.'000	Revalued amount Building Rs.'000	Carrying value after revaluation Rs.'000	Carrying value %
Land and building situated at No. 20, St. Michael's Road, Colombo 3	1	93.4	57,916	Market comparable method	31 December 2021	Mr. P. B. Kalugalagedera and Associates	1,821,400	278,600	2,100,000	86
Land and building situated at No. 6, Rajapihilla Road, Kurunegala	1	32.3	27,412	Market comparable method	31 December 2021	Chartered valuation surveyor	233,805	114,357	348,162	14
							2,055,205	392,957	2,448,162	100

27.8 Significant Unobservable Inputs Used in Measuring Fair Value

The table below sets out the significant unobservable inputs used in measuring Land and buildings categorised as Level 3 in the fair value hierarchy as at 31 December 2021.

Location and address of Property	No. of buildings	Method of valuation	Significant unobservable inputs	Range of Estimates for unobservable inputs	Inter - Relationship between key unobservable inputs and fair value measurement
					The estimated fair value would increase / (decrease) if:
Kollupitiya No. 20, St. Michael's Road, Colombo 3	1	Market comparable method	Land - Price per perch	Rs. 18,000,000 - Rs. 20,000,000	Price per perch for land increases, decreases
			Building - Price per square foot	Rs. 2,000 - Rs. 6,000	Price per square foot for building increases, decreases
Kurunegala No. 6, Rajapihilla Road, Kurunegala	1	Market comparable method	Land - Price per perch	Rs. 8,000,000 - Rs. 10,000,000	Price per perch for land increases, decreases
			Building - Price per square foot	Rs. 2,750 - Rs. 4,500	Price per square foot for building increases, decreases

Market Comparable Method

Market comparable method considers the selling price of a similar property within a reasonable period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustment for differences in size, nature, location and condition of the specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are compensated for, since the price may not adequately reflect the fair market value.

27.9 Revaluation Surplus

Rs.'000	2021		
	Land	Buildings	Total
Revalued amount	2,055,205	392,957	2,448,162
Carrying value (prior to revaluation)	(1,893,750)	(364,158)	(2,257,908)
Revaluation surplus for the year ended 31 December	161,455	28,799	190,254

27.10 If Land and Buildings were stated at Historical Cost, the Amounts would have been as follows;

As at 31 December	2021 Rs. '000	2020 Rs. '000
Cost	251,124	251,124
Accumulated depreciation	(97,659)	(93,645)
Carrying value	153,465	157,479

27.11 The Effect of Revaluation of Freehold Buildings on the Statement of Income during the year was as follows;

As at 31 December	2021 Rs. '000	2020 Rs. '000
Depreciation charge per annum after revaluation	7,730	7,730
Depreciation charge per annum prior to revaluation	(4,014)	(4,014)
Decrease in profit in subsequent period	3,716	3,716

27.12 Impairment of Property, Plant and Equipment

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 (VIU). The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring

activities that the Company 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.

The Management has assessed the potential impairment indicators of property, plant and equipment as at 31 December 2021. Based on the assessment, the Company does not foresee any indications of Impairment as at the reporting date due to the COVID-19 pandemic, and functions under the business continuity plan as per the Company risk management strategy, allowing operations to function through alternate working arrangements, whilst strictly adhering to and supporting government directives.

27.13 Fully Depreciated Property, Plant and Equipment

The initial cost of fully depreciated property, plant and equipment which are still in use as at the reporting date is as follows;

As at 31 December	2021 Rs. '000	2020 Rs. '000
Computer equipment	407,793	367,191
Office equipment	127,661	125,289
Furniture and fittings	134,141	131,777
Motor Vehicle	80	80
Total	669,675	624,337

27.14 Property, Plant and Equipment pledged as Security

None of the property, plant or equipment have been pledged as security as at the reporting date.

27.15 Permanent Fall in Value of Property, Plant and Equipment

There has been no permanent fall in value of PPE which require an impairment provision in the Financial Statements.

27.16 Temporarily Idle Property, Plant and Equipment

There are no temporarily idle property, plant or equipment as at the reporting date.

27.17 Compensation from Third Parties for Items of Property, Plant and Equipment

There were no compensation received / receivable from third parties for items of property, plant or equipment that were impaired, lost or given up.

27.18 Property, Plant & Equipment retired from active use

There were no property plant and equipment which are retired from active use as at the reporting date (2020 - Nil)

NOTES TO THE FINANCIAL STATEMENTS

28 RIGHT OF USE ASSETS (LEASES)

Accounting policy

At inception of a contract, the Company 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 Company uses the definition of a lease in SLFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative standalone prices. However, for the leases of property the Company has elected not to separate non-lease components and to account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets which do not meet the definition of investment property and lease liabilities separately in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associate with these leases as an expense on a straightline basis over the lease term.

As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease

is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sublease with reference to the right of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Company recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of 'other income'.

28.1 Leases as lessee

The Company has lease contracts for branches, typically made in between 1 to 6 years of lease term and have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The Company does not foresee any indications of impairment of right of use assets due to the COVID-19 pandemic since as Company is operating under the business continuity plan as per the Company risk management strategy when increase in threat of COVID-19. The Company does not anticipate discontinuation of any right of use assets as at the year end.

Information about leases for which the Company is a lessee is presented below.

Right-of-use assets

	2021			2020
	Building Rs. '000	Motor Vehicles Rs. '000	Total Rs. '000	Total Rs. '000
Balance at 1 January	206,459	11,853	218,312	296,799
Additions to right-of-use assets during the year	322,160	-	322,160	50,404
Terminations	(26,917)	-	(26,917)	-
Depreciation for the year	(84,413)	(7,257)	(91,670)	(127,382)
Change in fair value	-	-	-	(1,509)
Balance at 31 December	417,289	4,596	421,885	218,312

Amounts recognised in profit or loss

For the year ended 31 December – Leases under SLFRS 16	2021 Rs. '000	2020 Rs. '000
Interest on lease liabilities	29,207	(9,824)
Depreciation of right-of-use assets	91,670	127,382
Expenses relating to short-term leases	4,567	7,412
	125,444	124,970

Amounts recognised in statement of cash flows

	2021 Rs. '000	2020 Rs. '000
Total cash outflow for lease	133,942	97,189

The Company has classified:

- cash payments for the principal portion of lease payments as financing activities;

- cash payments for the interest portion as operating activities consistent with the presentation of interest payments chosen by the Company; and
- short-term lease payments and payments for leases of low value assets as operating activities.

28.2 Extension options

Some property leases contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. Company has not exercised this option during the period.

NOTES TO THE FINANCIAL STATEMENTS

28.3 Lease Modifications

On 28 May 2020, an amendment to SLFRS 16 was issued and this amendment provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. If the practical expedient is applied, lessees can elect to account for such rent concessions in the profit or loss statement instead of accounting for them as lease modifications. The Company has elected to apply the practical expedient to all property leases.

29 INVESTMENT IN EQUITY ACCOUNTED INVESTEE

Accounting Policy

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Investments in associate is accounted for using the equity method and are recognised initially at cost, in terms of Sri Lanka Accounting Standards LKAS 28 - Investments in Associates and Joint ventures.

The Company's investment in its associate is reported as a separate line item in the Statement of Financial Position. Under the equity method, investments in associate is carried at cost plus post acquisition changes in the Company's share of net assets of the associate. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

The income statement reflects the Company's share of the results of operations of the associate. Any change in the OCI of the investee is presented as part of the

Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the income statement outside the operating profit and represents profit or loss after tax.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate, at each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of results of equity accounted investees' in the income statement.

Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the income statement.

The accounting policies of the associate company conform to those used for similar transactions of the Company.

The associate has the same reporting date as the Company and the financial statements are prepared to a common financial year ending 31 December.

As at 31 December

As at 31 December					2021		2020	
	Place of incorporation and operation	Proportion of ownership interest	Number of Shares	Cost Rs. '000	Directors valuation / market value Rs. '000	Carrying value Rs. '000	Directors valuation / market value Rs. '000	Carrying value Rs. '000
Unquoted								
Fairfirst Insurance Limited	Sri Lanka	22%	68,902,870	689,029	1,513,031	1,513,031	1,386,991	1,386,991

Significant accounting policies that are specific to the business of equity accounted investee - Fairfirst Insurance Limited.

Gross Written Premiums (GWP)

Gross written premiums comprise the total premiums received / receivable for the whole period of cover provided by contracts entered into during the accounting period. GWP is generally written upon inception of the policy. Rebates that form part of the premium rate, such as no claim rebates, are deducted from the gross written premium.

Unearned Premium Reserve (UPR)

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on the 1/24 basis except for the marine and title policies which are computed on a 60/40 basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Reinsurance Premiums

Reinsurance premiums written comprise the total premiums payable for the whole cover by contracts entered during the period, and are generally recognised on the date on which the policy incepts.

Unexpired Risk

Provision is made where appropriate for the estimated amount required over and above unearned premiums to meet future claims and related expenses on the business in force as at the reporting date.

Acquisition Cost

Acquisition costs comprise commissions and other variable costs directly connected with acquisition or renewal of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Reinsurance Commission Income

Reinsurance commission income on outwards reinsurance contracts are recognised as revenue when receivable.

Subsequent to initial recognition, reinsurance commission income on outwards reinsurance contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable.

Gross Claims Expense

Gross claims expense includes 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 outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims.

Gross claims expense includes gross claims expense reported but not yet paid, incurred but not reported claims (IBNR) and the anticipated direct cost of settling those claims. The provision in respect of IBNR is actuarially valued to ensure a more realistic estimation of the future liability based on past experience and trends. Actuarial valuations are performed on an annual basis.

While the Directors of the associate 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.

Reinsurance Claims Recoveries

Reinsurance claims recoveries are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract. This includes reinsurance exposure of IBNR.

Deferred Acquisition Costs (DAC)

Deferred acquisition costs comprise commissions and other variable costs directly connected with acquisition or renewal of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

DAC is amortised over the period in which the related revenues are earned. The reinsurers share of DAC is amortised in the same manner as the UPR is amortised.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. DAC is reviewed for recoverability based on the profitability of the underlying insurance contracts and when the recoverable amount is less than the carrying value, an impairment loss is recognised in the income statement.

DAC are derecognised when the related contracts are either settled or disposed off.

Reinsurance Commissions - Unearned Commission Reserve (UCR)

Commissions receivable on outwards reinsurance contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable.

Insurance Contract Liabilities

Non - life insurance contract liabilities include the outstanding claims provision (Reserve for gross outstanding and incurred but not reported, and incurred and not enough reported - IBNR / IBNER) and the provision for unearned premium and the provision for premium deficiency.

NOTES TO THE FINANCIAL STATEMENTS

Claims Payable Including IBNR

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date.

The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

IBNR reserve is determined by an independent external actuary.

Provision for Unearned Premiums

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided 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 company reviews its unexpired risk and the liability adequacy tested to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums.

Liability Adequacy Test (LAT)

At the end of each reporting period the Company reviews its unexpired risk and a liability adequacy test is performed as laid out in SLFRS 4 to determine whether there is any overall excess of expected claims and

deferred acquisition costs over unearned premiums. The calculation uses current estimates of future cash flows after taking account of the investment return expected to arise from assets relating to the relevant non life insurance technical provisions. If the assessments show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency shall be recognised in the income statement by setting up a provision for liability adequacy.

Non life insurance liability adequacy is decided by an independent external actuary.

29.1 Summarised Financial Information in Respect of Associate

Share of Results of Associate

Income Statement

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Net earned premium	6,273,874	6,321,043
Finance and other income	932,380	871,560
Benefits, claims and expenses	(6,323,263)	(6,426,915)
Profit before tax	882,991	765,688
Income tax expenses	(194,096)	(236,421)
Profit from continuing operations, net of tax	688,895	529,267
Percentage ownership interest	22%	22%
Company's share of profit from investment in associate, net of tax	151,557	116,438
Other Comprehensive Income		
Other comprehensive income, net of tax	(115,992)	111,823
Company's share of other comprehensive income, net of tax	(25,518)	24,601
Total comprehensive income	572,903	641,090
Share of results of equity accounted investee recognised in statement of profit or loss and other comprehensive income, net of tax	126,039	141,039

Current non current analysis of assets / Liabilities in respect of associate

As at 31 December	2021	2020
Total assets	19,312,805	18,046,122
Total liabilities	12,435,393	11,741,612
Net assets (100%)	6,877,412	6,304,510
Company's share of net assets (22%)	1,513,031	1,386,991

29.1(a) Company's Share of Other Comprehensive Income, net of Tax

For the year ended 31 December	Note	2021 Rs. '000	2020 Rs. '000
Share of gains on AFS reserve	37	(32,656)	26,915
Share of actuarial losses on defined benefit plans	40.2	7,138	(2,314)
		(25,518)	24,601

29.2 Reconciliation of Summarised Financial Information

Reconciliation of the above summarised financial information to the carrying amount of the interest in associate recognised in the financial statements is as follows.

	2021 Rs. '000	2020 Rs. '000
Value of investment in equity accounted investee as at 1 January	1,386,991	1,245,951
Add		
Net profit for the period recognised in income statement	151,557	116,438
Other comprehensive income	(25,518)	24,601
Dividend received	-	-
Company share of (net of tax) equity accounted investee for the year ended 31 December	126,039	141,039
Value of investment in equity accounted investee as at 31 December	1,513,031	1,386,991
Contingent liabilities of equity accounted investee	Nil	Nil
Capital and other commitments of equity accounted investee	Nil	Nil

29.3 There are no restrictions on the ability of the associate to transfer funds to the investor in the form of cash dividends, or repayment of loans or advances.

29.4 The Company has neither contingent liabilities nor capital and other commitments towards its associate company.

30 FINANCIAL INVESTMENTS**Accounting Policy**

See accounting policy in Note 25.

The risk management practices adopted by the Company in relation to the investment portfolio and risk management disclosures are outlined in Note 7 to the financial statements.

30.1 Financial Investments Pledged as Security

None of the financial investments have been pledged as security as at the reporting date.

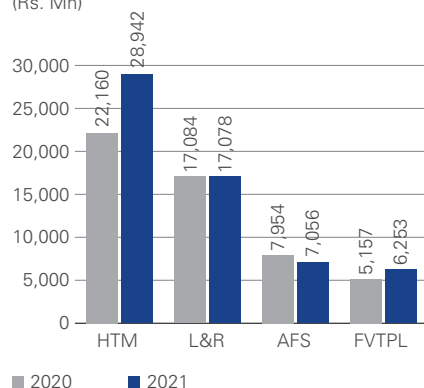
30.2 The Company's Financial Instruments are Summarised as Follows:

As at 31 December	Note	2021		2020	
Rs.'000		Carrying value	Fair Value	Carrying value	Fair Value
Held to maturity financial assets (HTM)	30.3	28,941,570	28,141,794	22,160,419	27,055,998
Loans and receivables (L&R)	30.4	17,078,442	16,917,278	17,084,128	18,188,900
Available for sale financial assets (AFS)	30.5	7,055,752	7,055,752	7,954,413	7,954,413
Financial assets at fair value through profit or loss (FVTPL)	30.6	6,253,307	6,253,307	5,157,248	5,157,248
Total financial investments		59,329,071	58,368,131	52,356,208	58,356,559

NOTES TO THE FINANCIAL STATEMENTS

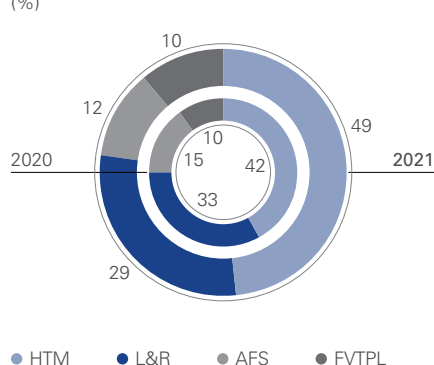
Investments - Reporting Category Wise

(Rs. Mn)



Composition of Investments

(%)



30.2 (a) Investments Supporting Restricted Regulatory Reserve

Based on the direction issued by the IRCSL dated 20 March 2018 on one - off surplus transfer, following investments have been marked to support the Restricted Regulatory Reserve of the Company.

As at 31 December	2021 Rs. '000	2020 Rs. '000
Treasury bonds		
Held to maturity financial investments	1,403,141	1,277,299
Available for sale financial investments	1,983,577	2,352,868
	3,386,718	3,630,167

30.3 Held to Maturity Financial Assets (HTM)

As at 31 December	Note	2021 Rs. '000	2020 Rs. '000
Amortised cost			
Debentures	30.3(a)	216,387	216,450
Treasury bills		3,008,379	-
Treasury bonds		25,716,804	21,943,969
Total HTM financial investments		28,941,570	22,160,419

30.3 (a) Debentures

As at 31 December Issuer	2021					
	Credit Rating	Maturity date	No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
Hatton National Bank PLC	A	31/07/2022	2,000,000	216,387	223,819	16.75
				216,387	223,819	
As at 31 December Issuer	2020					
	Credit Rating	Maturity date	No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
Hatton National Bank PLC	AA-	31/07/2022	2,000,000	216,450	245,328	16.75
				216,450	245,328	

30.3 (b) Impairment of Held to Maturity Financial Investments

At the reporting date, there were no HTM financial investments that were overdue and impaired.

30.4 Loans and Receivables (L&R)

As at 31 December

	Note	2021 Rs. '000	2020 Rs. '000
Amortised cost			
Bank deposits		3,032,289	4,516,157
Debentures	30.4 (a)	10,668,104	10,128,425
Commercial paper		797,835	413,504
Asset backed securities		306,908	-
Reverse repurchase agreements		2,273,306	2,026,042
Total L&R financial investments		17,078,442	17,084,128
The effective interest rates on non-current portion of portfolio			
		10.16%	10.66%

30.4 (a) DebenturesAs at 31 December
Issuer

	Credit Rating	Maturity date	2021			
			No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
Lanka Orix Leasing Company PLC	A	7/31/22	500,000	52,731	52,932	13.00
National Savings Bank	AAA	9/10/22	1,500,000	154,904	157,014	11.00
LB Finance PLC	A-	12/11/22	1,000,000	100,653	102,873	12.75
LB Finance PLC	BBB	12/11/22	1,000,000	100,678	102,892	13.25
Sampath Bank PLC	A	12/21/22	1,950,000	197,451	199,972	12.50
Sampath Bank PLC	A	3/20/23	2,700,000	279,468	283,628	12.50
DFCC Bank PLC	A-	3/29/23	2,500,000	273,935	277,942	12.60
Nations Trust Bank PLC	BBB+	4/20/23	2,875,000	313,063	313,611	13.00
Siyapatha Finance PLC	A	7/7/23	4,221,600	444,631	450,634	11.25
Hatton National Bank PLC	AA-	8/30/23	1,204,706	114,283	120,424	8.00
Bank of Ceylon	A	10/25/23	452,300	46,840	48,710	13.75
Hatton National Bank PLC	A	11/1/23	724,000	73,904	76,868	13.00
National Development Bank PLC	A-	12/19/23	4,500,000	515,413	535,810	13.90
Sampath Bank PLC	A	2/28/24	1,500,000	171,823	175,865	13.90
Seylan Bank PLC	BBB+	4/18/24	4,000,000	441,467	468,484	15.00
Bank of Ceylon	Unrated	7/23/24	2,000,000	209,900	214,264	11.50
People's Leasing & Finance PLC	A+	8/5/24	5,258,875	430,672	402,913	8.00
Siyapatha Finance PLC	BBB+	8/8/24	2,760,000	290,141	300,768	13.33
Hayleys PLC	A+	8/26/24	1,000,000	104,538	108,901	13.00
LOLC Holdings PLC	A	9/27/24	2,268,702	262,202	253,993	15.00
Nations Trust Bank PLC	BBB+	12/23/24	1,000,000	100,297	100,316	12.80
HNB Finance Limited	BBB+	12/30/24	6,000,000	600,635	618,732	13.20
First Capital Treasuries PLC	A-	1/30/25	1,500,000	155,423	161,126	12.75
DFCC Bank PLC	A-	3/29/25	3,000,000	329,226	329,704	13.00
Seylan Bank PLC	BBB+	3/29/25	2,000,000	206,596	206,727	13.20
DFCC Bank PLC	A+	6/12/25	3,270,000	346,486	340,397	11.00
National Development Bank PLC	A-	9/25/25	5,000,000	512,277	474,923	9.50
DFCC Bank PLC	A-	10/23/25	3,000,000	304,970	277,163	9.00
People's Bank	AA	3/29/26	5,000,000	534,815	490,118	9.25
Singer Finance (Lanka) PLC	A-	6/25/26	805,200	84,195	74,597	8.96
Siyapatha Finance PLC	BBB+	9/1/26	5,000,000	515,324	455,513	9.46
Hatton National Bank PLC	A	9/23/26	864,100	89,315	90,109	12.80
Nations Trust Bank PLC	BBB+	12/23/26	3,000,000	300,932	300,954	12.90
People's Bank	AA	11/8/27	4,370,000	444,586	445,950	12.25
Seylan Bank PLC	BBB+	3/29/28	3,000,000	310,138	308,055	13.50
Sri Lanka Telecom PLC	AA-	4/19/28	2,000,000	205,061	205,757	12.75
Commercial Bank of Ceylon PLC	A	7/23/28	5,000,000	527,610	523,276	12.50
People's Bank	AA-	7/27/30	5,000,000	521,521	454,343	10.25
				10,668,104	10,506,258	

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December Issuer	2020					
	Credit Rating	Maturity date	No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
Commercial Bank of Ceylon PLC	AA-	3/9/21	250,000	25,841	25,962	10.75
Citizens Development Business Finance PLC	A-	6/3/21	515,390	52,732	52,841	12.75
Seylan Bank PLC	BBB+	7/15/21	950,400	100,888	103,346	13.00
Siyapatha Finance PLC	A	9/20/21	102,400	10,576	11,096	13.50
Singer Sri Lanka PLC	BBB+	9/28/21	3,500,000	360,508	372,906	12.00
Bank of Ceylon	AA-	10/24/21	242,499	24,904	26,164	13.25
Nations Trust Bank PLC	BBB+	11/8/21	3,000,000	305,428	318,266	12.65
People's Leasing & Finance PLC	A+	11/16/21	2,000,000	202,996	213,016	12.60
Bank of Ceylon	AA-	12/29/21	2,000,000	201,120	213,062	13.25
Lanka Orix Leasing Company PLC	A	7/31/22	500,000	52,871	56,697	13.00
National Savings Bank	AAA	9/10/22	1,500,000	154,934	165,849	11.00
LB Finance PLC	A-	12/11/22	1,000,000	100,660	109,236	12.75
LB Finance PLC	BBB+	12/11/22	1,000,000	100,685	109,667	13.25
Sampath Bank PLC	A	12/21/22	1,950,000	199,178	216,695	12.50
Sampath Bank PLC	A	3/20/23	2,700,000	279,554	305,819	12.50
DFCC Bank PLC	A-	3/29/23	2,500,000	274,197	297,181	12.60
Nations Trust Bank PLC	BBB+	4/20/23	2,875,000	313,019	341,584	13.00
Siyapatha Finance PLC	A	7/7/23	4,221,600	444,671	445,321	11.25
Hatton National Bank PLC	AA+	8/30/23	1,204,706	109,542	127,471	8.00
Bank of Ceylon	AA-	10/25/23	452,300	47,080	53,556	13.75
Hatton National Bank PLC	AA-	11/1/23	724,000	73,920	84,371	13.00
National Development Bank PLC	A-	12/19/23	4,500,000	516,643	579,066	13.90
Sampath Bank PLC	A	2/28/24	1,500,000	173,660	191,406	13.90
Seylan Bank PLC	BBB+	4/18/24	4,000,000	441,394	508,055	15.00
Bank of Ceylon	Unrated	7/23/24	2,000,000	209,894	236,432	11.50
Siyapatha Finance PLC	BBB+	8/8/24	2,760,000	290,197	312,796	13.33
Hayleys PLC	A+	8/26/24	1,000,000	104,550	120,236	13.00
Nations Trust Bank PLC	BBB+	12/23/24	1,000,000	100,316	113,437	12.80
HNB Finance Limited	A	12/30/24	6,000,000	600,365	698,194	13.20
First Capital Treasuries PLC	A-	1/30/25	1,500,000	157,224	178,256	12.75
DFCC Bank PLC	A-	3/29/25	3,000,000	329,162	374,347	13.00
Seylan Bank PLC	BBB+	3/29/25	2,000,000	206,587	236,678	13.20
DFCC Bank PLC	A+	6/12/25	3,270,000	346,523	380,476	11.00
National Development Bank PLC	A-	9/25/25	5,000,000	512,325	512,753	9.50
DFCC Bank PLC	A-	10/23/25	3,000,000	304,997	305,178	9.00
Hatton National Bank PLC	AA-	9/23/26	864,100	89,326	107,359	12.80
Nations Trust Bank PLC	BBB+	12/23/26	3,000,000	300,970	351,615	12.90
People's Bank	AA	11/8/27	4,370,000	444,633	538,196	12.25
Seylan Bank PLC	BBB+	3/29/28	3,000,000	310,119	375,892	13.50
Sri Lanka Telecom PLC	AA+	4/19/28	2,000,000	205,053	259,675	12.75
Commercial Bank of Ceylon PLC	AA-	7/23/28	5,000,000	527,624	640,290	12.50
People's Bank	AA-	7/27/30	5,000,000	521,559	562,664	10.25
				10,128,425	11,233,107	

30.4 (b) Impairment of Loans and Receivables Financial Investments

At the reporting date, there were no loans and receivables financial investments that were overdue and impaired.

30.5 Available for Sale Financial Assets (AFS)

As at 31 December	2021 Rs. '000	2020 Rs. '000
Fair value		
Treasury bills	433,745	-
Treasury bonds	6,622,007	7,954,413
Total Available for Sale Financial investments	7,055,752	7,954,413

30.5 (a) Impairment of Available for Sale Financial Investments

At the reporting date, there were no AFS financial investments that were overdue and impaired.

30.6 Financial Assets at Fair Value Through Profit or Loss (FVTPL)

As at 31 December	Note	2021 Rs. '000	2020 Rs. '000
Fair value			
Quoted equities	30.6 (a)	3,192,497	2,884,723
Unit Trusts		2,141,257	1,219,168
		5,333,754	4,103,891
Investments in unit linked funds			
Quoted equities	30.6 (b)	575,523	783,223
Reverse repurchase agreements		172,497	82,998
Treasury bills		9,901	-
Treasury bonds		12,117	-
Bank deposits		10,744	28,444
Commercial Papers		-	10,259
Debentures		138,771	148,433
		919,553	1,053,357
Total Fair Value Through Profit or Loss financial investments		6,253,307	5,157,248

30.6 (a) Quoted Equities - Other than Unit Linked Investments

As at 31 December	2021			2020		
	No of shares	Cost Rs. '000	Carrying / Fair Value Rs. '000	No of shares	Cost Rs. '000	Carrying / Fair Value Rs. '000
Application Software						
Hsenid Business Solutions PLC	1,323,351	16,542	45,788	-	-	-
		16,542	45,788		-	-
Banks						
Commercial Bank of Ceylon PLC	4,071,590	354,365	322,877	5,932,262	516,264	479,920
Hatton National Bank PLC	1,194,895	169,023	161,311	3,927,647	587,733	496,847
Sampath Bank PLC	1,553,360	100,561	80,930	1,070,088	224,238	145,104
		623,949	565,118		1,328,235	1,121,871
Capital Goods						
Access Engineering PLC	3,467,369	83,283	110,609	-	-	-
ACL Cables PLC	931,054	79,947	93,338	-	-	-
Aitken Spence PLC	1,879,035	157,584	154,832	-	-	-
Hayleys PLC	2,010,297	251,287	261,339	-	-	-
Hemas Holdings PLC	922,382	67,837	61,707	1,649,795	110,843	164,815
John Keells Holdings PLC	4,323,281	535,728	648,492	3,553,161	427,662	531,553
		1,175,666	1,330,317		538,505	696,368
Consumer Durables & Apparel						
Hayleys Fabric PLC	3,780,603	129,692	155,761	1,599,464	36,873	44,465
Teejay Lanka PLC	7,138,759	244,732	316,961	5,508,793	149,934	209,334
		374,424	472,722		186,807	253,799
Consumer Services						
Aitken Spence Hotel Holdings PLC	230,642	8,181	9,756	-	-	-
John Keells Hotels PLC	3,068,882	27,115	45,113	2,509,603	20,077	27,606
		35,296	54,869		20,077	27,606

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	2021			2020		
	No of shares	Cost	Carrying / Fair Value	No of shares	Cost	Carrying / Fair Value
		Rs. '000	Rs. '000		Rs. '000	Rs. '000
Food & Staples Retailing						
Cargills (ceylon) PLC	-	-	-	723,198	138,853	148,256
		-	-		138,853	148,256
Food Beverage & Tobacco						
Ceylon Cold Stores PLC	9,542	6,430	5,057	93,896	64,205	66,159
Ceylon Tobacco Company PLC	155,486	151,486	136,517	65,168	61,931	67,051
Lion Brewery (Ceylon) PLC	-	-	-	234,662	125,643	137,277
Nestle Lanka PLC	-	-	-	91,273	118,646	116,373
Sunshine Holdings PLC	1,344,323	41,271	61,032	1,110,802	49,431	91,752
		199,187	202,606		419,856	478,612
Household & Personal Products						
BPPL Holdings PLC	113,159	2,521	3,191	-	-	-
		2,521	3,191		-	-
Materials						
Chevron Lubricants Lanka PLC	1,634,859	182,984	184,739	-	-	-
CIC Holdings PLC	84,670	5,483	5,504	-	-	-
Tokyo Cement Company (Lanka) PLC	763,084	41,827	45,632	-	-	-
		230,294	235,875		-	-
Telecommunication Services						
Dialog Axiata PLC	25,872,542	311,214	282,011	12,758,938	146,910	158,211
		311,214	282,011		146,910	158,211
		2,969,093	3,192,497		2,779,243	2,884,723

30.6 (b) Equity Securities / Unit Linked Fund - (FVTPL)

As at 31 December		2021			2020		
		No of shares	Cost	Carrying / Fair Value	No of shares	Cost	Carrying / Fair Value
			Rs. '000	Rs. '000		Rs. '000	Rs. '000
Application Software							
Hsenid	Business Solutions PLC	240,345	3,004	8,316	-	-	-
			3,004	8,316			
Banks							
Commercial Bank of Ceylon PLC		596,905	55,493	47,335	1,841,581	164,629	148,984
Hatton National Bank PLC		270,229	33,486	36,481	1,218,890	142,553	154,190
Sampath Bank PLC		250,966	13,118	13,075	258,535	43,507	35,057
			102,097	96,891		350,689	338,231
Capital Goods							
Access Engineering PLC		667,331	15,516	21,288	-	-	-
ACL Cables PLC		111,150	8,476	11,143	-	-	-
Aitken Spence PLC		343,292	28,724	28,287	-	-	-
Hayleys PLC		229,615	28,702	29,850	-	-	-
Hemas Holdings PLC		175,000	12,883	11,708	359,291	24,477	35,893
John Keells Holdings PLC		1,008,465	130,929	151,270	994,220	127,480	148,735
			225,230	253,546		151,957	184,628

As at 31 December

	2021			2020		
	No of shares	Cost Rs. '000	Carrying / Fair Value Rs. '000	No of shares	Cost Rs. '000	Carrying / Fair Value Rs. '000
Consumer Durables & Apparel						
Hayleys Fabric PLC	660,994	20,056	27,233	408,842	9,532	11,366
Teejay Lanka PLC	1,351,091	51,789	59,988	1,604,590	52,168	60,974
		71,845	87,221		61,700	72,340
Consumer Services						
Aitken Spence Hotel Holdings PLC	37,359	1,325	1,580	-	-	-
John Keells Hotels PLC	263,362	3,147	3,871	-	-	-
		4,472	5,451		-	-
Food & Staples Retailing						
Cargills (Ceylon) PLC	-	-	-	136,588	26,181	28,001
		-	-		26,181	28,001
Food Beverage & Tobacco						
Ceylon Cold Stores PLC	-	-	-	9,288	6,786	6,544
Ceylon Tobacco Company PLC	40,446	39,161	35,512	18,812	17,777	19,356
Lion Brewery (Ceylon) PLC	-	-	-	5,752	2,999	3,364
Nestle Lanka PLC	-	-	-	61,399	99,596	78,284
Sunshine Holdings PLC	-	-	-	487,092	21,676	40,234
		39,161	35,512		148,834	147,782
Materials						
Chevron Lubricants Lanka PLC	239,063	25,891	27,014	-	-	-
CIC Holdings PLC	5,298	331	344	-	-	-
Tokyo Cement Company (Lanka) PLC	68,621	3,779	4,104	-	-	-
		30,001	31,462		-	-
Telecommunication Services						
Dialog Axiata PLC	5,240,771	66,020	57,124	987,158	11,822	12,241
		66,020	57,124		11,822	12,241
		541,830	575,523		751,183	783,223

Equity Securities / Unit Linked Fund - (FVTPL)

(%)



NOTES TO THE FINANCIAL STATEMENTS

30.6 (c) Impairment of Fair Value Through Profit or Loss Financial Investments

At the reporting date, there were no fair value through profit or loss financial investments that were overdue and impaired.

30.7 Movement of Financial Investments

Rs.'000	Held to maturity	Loans and receivables	Available for sale	Fair value through profit or loss	Total
As at 1 January 2020	20,376,303	13,199,658	7,848,043	3,457,191	44,881,195
Purchases	3,891,616	6,611,471	864,719	4,554,464	15,922,270
Maturities	(1,050,000)	(3,003,890)	(975,000)	(101,198)	(5,130,088)
Disposals	(1,190,345)	-	(454,341)	(3,067,531)	(4,712,217)
Scrip Dividend	-	-	-	34,162	34,162
Fair value losses recorded in statement of income (excluding net realised gains) classified as held for trading	-	-	-	277,179	277,179
Fair value gains recorded in OCI	-	-	658,274	-	658,274
Amortisation	60,167	12,361	15,640	334	88,502
Net change in accrued Interest	72,678	264,528	(2,922)	2,647	336,931
As at 31 December 2020	22,160,419	17,084,128	7,954,413	5,157,248	52,356,208
As at 1 January 2021	22,160,419	17,084,128	7,954,413	5,157,248	52,356,208
Purchases	7,067,342	4,286,489	1,382,861	7,221,445	19,958,137
Maturities	(413,427)	(4,225,817)	(405,000)	(130,204)	(5,174,448)
Disposals	-	-	(895,869)	(6,262,444)	(7,158,313)
Scrip Dividend	-	-	-	33,439	33,439
Fair value losses recorded in statement of income (excluding net realised gains) classified as held for trading	-	-	-	235,848	235,848
Fair value gains recorded in OCI	-	-	(967,378)	-	(967,378)
Amortisation	27,238	651	(7,992)	926	20,823
Net change in accrued Interest	99,998	(67,009)	(5,283)	(2,951)	24,755
As at 31 December 2021	28,941,570	17,078,442	7,055,752	6,253,307	59,329,071

31 LOANS TO LIFE POLICYHOLDERS

Accounting Policy

See accounting policy in Note 25

Policyholder loans are granted up to 90% of the surrender value of a life insurance policy at a rate equivalent to market rate. Policyholder loans are initially measured at fair value and subsequently measured at the amortised cost. If the policyholder dies before the full repayment of the loan, the loan balance is deducted from the death benefit.

	2021 Rs. '000	2020 Rs. '000
Balance as at 1 January	1,413,466	1,249,822
Loans granted during the year	597,772	607,323
Repayments during the year	(526,408)	(443,679)
Provision for impairment	(2,853)	-
	1,481,977	1,413,466
Interest receivables on loans to life policyholders	450,102	380,004
Balance as at 31 December	1,932,079	1,793,470

Please refer Note 7.2 (b) for maturity analysis on loans to life policy holders

31.1 Collateral Details

As at 31 December 2021 surrender value of policyholder loans amounted to Rs.3,112 million (2020 - Rs.2,888 million).

If the total receivable of the loan, including interest due and accrued exceeds the cash surrender value, the policy terminates and becomes void.

The Company has a first lien on all policies which are subject to policy loans. This mitigates the Company's credit exposure on policy loans.

31.2 Fair Value of Loans to Life Policyholders

The fair value of the policyholder loans are equal to its carrying value as those are given at competitive market rates.

31.3 Concentration Risk of Loans to Life Policyholders

There is lower concentration of credit risk with respect to policyholders, as the Company has a large number of dispersed receivables.

31.4 Impairment of Loans to Life Policyholders

Policyholder loans are reviewed for impairment at each reporting date. As of 31 December 2021, impairment loss of Rs.2.9 million recorded on policyholder loans (2020 - Nil).

31.5 Number of Policy Loans

Number of policy loans due as at 31 December 2021 was 15,572 (2020 - 16,789).

32 REINSURANCE RECEIVABLE**Accounting Policy**

See accounting policy in Note 25.

The Company cedes insurance risk in the normal course of business for majority of its Insurance Contracts. Reinsurance assets represent balances due from reinsurance companies. 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 is recorded in the income statement.

Reinsurance assets are derecognised when the contractual rights are extinguished or expired.

As at 31 December	2021 Rs. '000	2020 Rs. '000
Reinsurance receivable on outstanding claims	129,623	107,845
Reinsurance receivable on settled claims	839,823	384,166
Total reinsurance receivable	969,446	492,011

32.1 Impairment of Reinsurance Receivable

The Board of Directors has assessed potential impairment loss of reinsurance receivable as at 31 December 2021. Based on the assessment, there was no impairment loss on reinsurance receivable.

32.2 Fair Value of Reinsurance Receivable

The carrying values disclosed above approximate the fair value at the reporting date.

32.3 The Aging of Reinsurance Receivable on Paid Claims

As at 31 December	2021 Rs. '000	2020 Rs. '000
Less than 60 days	105,820	37,153
More than 60 days	734,003	347,013
	839,823	384,166

32.4 Reinsurance Receivable Past Due but Not Impaired (On Paid Claims)

As at 31 December 2021, reinsurance receivable of Rs. 734 million (2020 - Rs. 347 million) were past due but not impaired. These relate to parties where there were no recent history of default.

32.5 Collateral Details

The Company does not hold any collateral as security against potential default by reinsurance counter parties.

32.6 Reinsurance Receivable on Outstanding Claims

This includes reinsurance reserves on claims that has not been paid and the reinsurance receivable has not been received.

32.7 Risk Management

Refer Note 7.1 (c) to the financial statements for risk management initiatives relating to reinsurance.

NOTES TO THE FINANCIAL STATEMENTS

33 PREMIUMS RECEIVABLE

Accounting Policy

See accounting policy in Note 25.

Premiums receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

Impairment losses on premiums receivable are the difference between the carrying amount and the recoverable amount. The impairment losses are recognised in the income statement.

The life insurance premiums for policies within the 30 day grace period are considered as due premium, subject to a provision for premium default. Premium default ratio is computed by analysing the default history. Commission and reinsurance premium relating to that accrued income are also recorded in the same manner.

As at 31 December	2021 Rs. '000	2020 Rs. '000
Premiums receivable from;		
Policyholders	343,127	352,471
Intermediaries (Including collections in transit)	189,848	135,488
Total premiums receivable	532,975	487,959

33.1 Fair Value of Premiums Receivable

The carrying amount disclosed above approximates the fair value at the reporting date.

33.2 Impairment of Premiums Receivable

The Management has assessed potential impairment loss of premiums receivable as at 31 December 2021. Based on the assessment, there was no impairment loss on premiums receivable (2020 - Nil).

33.3 Collateral Details

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

33.4 Risk Management Initiatives Relating to Premiums Receivable

Refer Note 7.2 (c) to the financial statements for risk management initiatives relating to premiums receivable.

34 RECEIVABLES AND OTHER ASSETS

Accounting Policy

See accounting policy in Note 25.

Staff / Agent Loans

Loans are granted as a benefit to Staff and Advisors subject to defined eligibility criteria. These are measured at amortised cost based on the prevailing interest rates at the loan grant date. Impairment test of loans are carried out when the indicators of impairment exist.

Inventories

Inventories are measured at the lower of cost or net realisable value. Cost is generally determined by reference to weighted average cost. Net realisable value is the estimated market price in the ordinary course of business less any estimated expense to sell.

As at 31 December	Note	2021 Rs. '000	2020 Rs. '000
Financial Assets			
Staff loans*	34.1	318,537	323,493
Agent / advisor loans	34.2	24,190	158,015
Refundable deposits		42,779	25,040
Other receivables		7,799	19,449
		393,305	525,997
Non Financial Assets			
Taxes recoverable	34.5	263,064	271,547
Prepayments		105,679	120,008
Inventories		9,993	14,231
Advance payments		25,580	253,137
Other receivables		4,137	4,389
		408,453	663,312
Total receivables and other assets		801,758	1,189,309

34.1 Staff Loans

As at 31 December	Note	2021 Rs. '000	2020 Rs. '000
Balance as at 1 January		323,493	311,159
Loans provided during the year		140,819	150,950
Payments / settlements during the year		(135,783)	(121,292)
Fair value adjustment during the year		(1,602)	(3,049)
		326,927	337,768
Provision for impairment	34.1 (a)	(8,390)	(14,275)
Balance as at 31 December		318,537	323,493

34.1 (a) Provision for Impairment

	2021 Rs. '000	2020 Rs. '000
Balance as at 1 January	14,275	4,245
Charge / (reversal) during the year	(5,885)	10,030
Balance as at 31 December	8,390	14,275

34.2 Agent Loans

As at 31 December	Note	2021 Rs. '000	2020 Rs. '000
Balance as at 1 January		196,203	236,836
Loans provided during the year		16,979	70,343
Payments / settlements during the year		(156,012)	(110,976)
		57,170	196,203
Provision for impairment	34.2(a)	(32,980)	(38,188)
Balance as at 31 December		24,190	158,015

34.2 (a) Provision for Impairment

As at 31 December	2021 Rs. '000	2020 Rs. '000
Balance as at 1 January	38,188	39,892
Reversal during the year	(5,208)	(1,704)
Balance as at 31 December	32,980	38,188

34.3 Impairment of Staff and Agent Loans

The Management has assessed potential impairment loss of staff and agent loans as at 31 December 2021. Based on the assessment, no additional impairment provision is required to be made in the financial statements as at the reporting date in respect of staff and agent loans, other than the amounts provided in Note 34.1 (a) and 34.2 (a).

34.4 Loans Granted to Directors

No loans have been granted to Directors of the Company.

34.5 Taxes Recoverable

As at 31 December	Note	2021 Rs. '000	2020 Rs. '000
ACT recoverable		92,296	92,296
WHT recoverable		170,768	171,109
Notional tax receivable	34.5(a)	-	-
ESC receivable		-	8,142
		263,064	271,547

34.5 (a) Notional Taxes Recoverable

As at 31 December	2021 Rs. '000	2020 Rs. '000
Notional tax recognised during the year	-	341,304
Impairment during the year	-	(267,573)
Notional tax utilised during the year	-	(73,731)
Balance as at 31 December	-	-

34.6 Fair Value

The fair value of staff loans are based on discounted cash flows. Discount rate is equal to AWPLR plus appropriate risk margin. The fair values of agent / advisor loans are equal to the carrying amount as they are granted at competitive market rates.

34.7 Refer Note 7.2 (c) to the financial statements for risk management policies / initiatives relating to other financial assets.

NOTES TO THE FINANCIAL STATEMENTS

35 CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents comprise cash in hand and at bank net of bank overdrafts that are repayable on demand.

35.1 Cash in Hand and at Bank

As at 31 December	2021 Rs. '000	2020 Rs. '000
Cash at Bank	804,048	891,022
Cash at Bank with related parties		
– Nations Trust Bank PLC	161,617	66,322
Cash in hand	4,083	2,926
Total cash in hand and at bank	969,748	960,270

35.2 Cash and Cash Equivalent in the Statement of Cash Flows

As at 31 December	Note	2021 Rs. '000	2020 Rs. '000
Cash in hand and at bank	35.1	969,748	960,270
Bank overdraft used for cash management purposes		(249,332)	(160,805)
Cash and cash equivalent in the statement of cash flows		720,416	799,465

35.3 Fair Value of Cash in Hand and at Bank

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

35.4 Risk Management Initiatives Relating to Cash in Hand and at Bank

Please refer Note 7.2 (c) to the financial statements.

36 STATED CAPITAL

Accounting Policy

Ordinary Shares

The Company has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

36.1 Rights of Ordinary Shareholders

The company has only one class of ordinary shares and carry equal voting rights. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All issued shares are fully paid.

36.2 Dividends on Ordinary Shares

Dividends on ordinary shares are recognised 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 is declared after the reporting date is dealt as an event after the reporting date.

As at 31 December	2021		2020	
	No. of shares	Rs. '000	No. of shares	Rs. '000
Ordinary Voting Shares	58,928,572	1,000,000	58,928,572	1,000,000
	58,928,572	1,000,000	58,928,572	1,000,000

37 AVAILABLE FOR SALE RESERVE**Nature and purpose of reserve**

The Available for Sale reserves comprises the cumulative net change in the fair value of Available for Sale financial assets until the assets are derecognised or impaired.

	Note	2021 Rs. '000	2020 Rs. '000
Balance as at 1 January		1,219,852	529,468
Net change in fair value of AFS financial assets		(566,990)	372,629
Net change in fair value of AFS financial assets transferred to the income statement	37.1	74	-
		(566,916)	372,629
Net change in liabilities of insurance contracts arising from fair value changes in AFS financial assets		(400,388)	314,921
Net change in liabilities of insurance contracts arising from fair value changes in AFS financial assets transferred to the income statement	37.1	(82,116)	(24,081)
		(482,504)	290,840
Share of gains/ (losses) on AFS assets of equity accounted investee		(32,656)	26,915
Related tax		-	-
Balance as at 31 December		137,776	1,219,852

37.1 Net change in fair value transferred to the income statement

	2021 Rs. '000	2020 Rs. '000
Net change in fair value of AFS financial assets	74	-
Net change in liabilities of insurance contracts arising from fair value changes in AFS financial assets	(82,116)	(24,081)
Balance as at 31 December	(82,042)	(24,081)

38 REVALUATION RESERVE**Nature and purpose of reserve**

On revaluation of an asset, any increase in the carrying amount is recognised in revaluation reserve in equity through OCI or used to reverse a previous loss on revaluation of the same asset, which was charged to the Income Statement. In this circumstance, the increase is recognised as income only to the extent of the previous written down in value. Any decrease in the carrying amount is recognised as an expense in the Income Statement or charged to revaluation reserve in equity through OCI, only to the extent of any credit balance existing in the revaluation reserve in respect of that asset. Any balance remaining in the revaluation reserve in respect of an asset, is transferred directly to retained earnings on retirement or disposal of the asset.

Life Policy Holders' Revaluation Reserve

	Note	2021 Rs. '000	2020 Rs. '000
Balance as at 1 January		1,609,828	1,613,544
Revaluation surplus during the year	27.9	190,254	-
Adjustment for deferred tax		-	-
Net gain on revaluation of land and buildings		1,800,082	1,613,544
Depreciation transfer during the year	27.11	(3,716)	(3,716)
		1,796,366	1,609,828
Unrealised gain reserve	38.1	475,860	475,860
Balance as at 31 December		2,272,226	2,085,688

The revaluation relates to land and building as indicated in Note 27.

38.1 Unrealised Gain Reserve

Unrealised gain reserve comprises of the gain from transferring the investment of Cornhill (Private) Limited to life policyholders in 2007, and the gain on transferring the land and building at Kurunegala in 2011. These gains will be realised to shareholders when the properties are disposed and upon declaration of surplus.

NOTES TO THE FINANCIAL STATEMENTS

39 RESTRICTED REGULATORY RESERVE

Based on the direction issued by the IRCSL dated 20 March 2018, the Company has transferred Rs. 3,382 million attributable to non - participating and non unit fund of unit linked business from life policyholder fund to life shareholder fund (SHF). The distribution of one - off surplus to shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon receiving approval from the IRCSL. The one - off surplus in the SHF is represented by government debt securities as per the direction of the IRCSL [Note 30.2 (a)].

As at 31 December	2021 Rs. '000	2020 Rs. '000
Transfer of one - off surplus from non participating fund	3,393,900	3,393,900
Transfer from shareholder fund for the one - off deficit created in the non unit fund of unit linked life insurance contracts	(11,966)	(11,966)
	3,381,934	3,381,934

40 OTHER RESERVES

As at 31 December	Note	2021 Rs. '000	2020 Rs. '000
Reserve on merger with Cornhill (Private) Limited	40.1	16,752	16,752
Reserves on retirement benefit obligation	40.2	(14,167)	(17,717)
Employee share based option	40.3	72,662	66,371
Total other reserves		75,247	65,406

40.1 Reserve on Merger with Cornhill (Private) Limited

The unrealised gain reflects the net result of the merger of the Company and Cornhill (Private) Limited. The investment in Cornhill (Private) Limited was absorbed by merging all assets and liabilities into the life policyholders' statement of financial position.

40.2 Reserves on Retirement Benefit Obligation

Refer Note 45 for Accounting Policies.

	2021 Rs. '000	2020 Rs. '000
Balance as at 1 January	(17,717)	(23,133)
Actuarial gains / (losses) on defined benefit plan	(3,588)	7,730
Share of actuarial gains / (losses) on defined benefit plan of equity accounted investee	7,138	(2,314)
Related tax	-	-
Balance as at 31 December	(14,167)	(17,717)

40.3 Employee Share Based Option

Accounting Policy

Employees receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (equity settled transactions). The cost of the employee services received in respect of the shares or share options granted is recognised in the income statement over the period that employees provide services, from the time when the award is granted up to the vesting date of the options. The overall cost of the award is calculated using the number of share options expected to vest and the fair value of the options at the date of grant.

Equity Settled Transactions

The cost of equity settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity settled transaction where vesting is conditional upon a market or non vesting condition, which are treated as vesting irrespective of whether or not the market or non vesting condition is satisfied, provided that all other performance and service conditions are satisfied.

Where the terms of an equity settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non vesting conditions within the control of either the entity or the employee are not met.

However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled award and the new award are treated as if they were a modification of the original award, as described in the previous paragraph.

Description of The Employee Share Option Scheme

Under the John Keells Group's Employee Share Option Scheme (ESOP), share options of the Parent are granted to senior executives of the Company and is dependent on a performance criteria and a service criteria. SLFRS 02 - Share based payment has been applied to equity instruments in share based transactions that were granted after 1 January 2012, which was the effective date of the standard. Hence options granted subsequent to this date have been accounted for as per the standard. All options are to be settled by shares and there are no cash settlement alternatives.

The Directors confirm that the Company has not granted any funding to employees to exercise options.

The terms and conditions of the grants are as follows;

Grant date / employees entitled	Method of valuation	Vesting conditions	Contractual life of the Awards	Exercise price
The grant date for each Award is on the 1 of July of that respective financial year. Senior executives of the company with more than 12 months of service as at the respective reporting date.	Please refer Note 40.3 (b)	Vests over a period of four years. A minimum performance achievement of meeting the Key Result Areas (KRAs) and being in employment at the time the share options vests.	5 years for each Award	For each 'Award' it is equal to the 30 day volume weighted average market price of the underlying shares on the date of grant.

Reconciliation of Outstanding Share Options

The following table illustrates the number of options (No.), weighted average exercise prices (WAEP) and movements of share options during the year:

As at 31 December	2021		2020	
	No	WAEP (Rs)	No	WAEP (Rs)
Outstanding at 1 January	914,012	146.74	910,337	188.66
Granted during the year	259,600	136.64	289,600	132.86
Transfers	71,514	161.99	40,416	156.98
Forfeited during the year	(250,117)	147.06	(326,341)	149.68
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 31 December	995,009	149.02	914,012	146.74
Exercisable at 31 December	473,331	155.32	412,571	154.30

NOTES TO THE FINANCIAL STATEMENTS

40.3 (a) Employee Expenses for Share Based Payment Transactions

The expense recognised for employee services received during the year is as follows;

	2021 Rs. '000	2020 Rs. '000
Balance as at 1 January	66,371	58,609
Expense arising from equity settled share-based payment transactions	6,291	7,762
Balance as at 31 December	72,662	66,371

The expense recognised for employee services is based on the Parent company's best estimate of the number of options that will ultimately vest. No expense is recognised for Awards that do not ultimately vest.

40.3 (b) Fair Value of the Share Options and Assumptions

The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted.

41 RETAINED EARNINGS

	Note	2021 Rs. '000	2020 Rs. '000
Balance as at 1 January		7,355,609	7,609,868
Profit for the year		2,053,585	920,596
Transfer from revaluation reserve to retained earnings, net of tax	38	3,716	3,716
First and final dividends 2020 / 2019		(825,000)	(1,178,571)
Balance as at 31 December		8,587,910	7,355,609

42 INSURANCE CONTRACT LIABILITIES

Accounting Policy

42.1 Recognition and Measurement

Life insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by using the gross premium valuation method as prescribed by the Regulation of Insurance Industry Act No. 43 of 2000. The liability is determined as the discounted value of the expected contractual cash outflows less the discounted value of the expected premiums. Valuation assumptions are derived based on the best estimate experience with a prescribed risk margin to allow for adverse deviations. Non participating liabilities are discounted using the risk free yield curve.

The value of participating policy liabilities is the higher of the value of the guaranteed benefits liability and the total benefits liability, derived at the participating insurance fund level. In calculating the guaranteed benefits liability, only the guaranteed benefits are considered and the cashflows are discounted using the risk free interest rate yield curve. Total benefits liability includes all the guaranteed and non guaranteed benefits, and discounted cash flows using the fund based yield of the participating insurance fund.

42.2 Use of Judgements and Estimates

42.2 (a) 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 contracts under which one party (the Insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Significant insurance risk exists if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). The classification of contracts identifies both the insurance contracts that the Company issues and reinsurance contracts that the Company holds.

Contracts where the Company does not assume a significant insurance risk is classified as investment contracts.

Investment contracts are those contracts that transfer significant financial risks and no significant insurance risks. Financial risk is the risk of a possible future change in one or more of a specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, index of price or rates, credit ratings or credit index or other variables, 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.

Insurance and investment contracts are further classified as being either with or without discretionary participating features.

Discretionary Participating Features (DPF)

DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that;

- are likely to be a significant portion of the total contractual benefits;
- the amount or timing of which is contractually at the discretion of the issuer; and contractually based on:
- The performance of a specified pool of contracts or a specified type of contract,
- Realised and or unrealised investment returns on a specified pool of assets held by the issuer, and
- The profit or loss of the company, fund or other entity that issues the contract.

Derivatives embedded in an insurance contract or an investment contract with DPF are separated and fair valued through the income statement unless the embedded derivative itself is an insurance contract or investment contract with DPF. The derivative is also not separated if the host insurance contract and / or investment contract with DPF is measured at fair value through the profit and loss.

IRCSL regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus) and within which the Company may exercise its discretion as to the quantum and timing of their payment to contract holders. At least 90% of the eligible surplus must be attributed to contract holders as a group (which can include future contract holders) and the amount and timing of the distribution to individual contract holders is at the discretion of the Company, subject to the advice of the appointed actuary. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance contract liabilities, as appropriate.

42.2 (b) Valuation of Life Insurance Contract Liabilities

Long duration contract liabilities included in the life insurance fund, result primarily from traditional participating, non participating life and universal life insurance products. Short duration contract liabilities are primarily group term. The actuarial reserves have been established based on the following;

- Non participating liabilities are discounted using risk free yield curve provided by the IRCSL and the participating liabilities are based on the fund yield of the life fund.

- Mortality rates based on published mortality tables adjusted for actual experience as required by regulations issued by the IRCSL.
- Surrender rates based on actual experience.

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

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapses, surrender rates and discount rates as further detailed in notes to the financial statements. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to the life style, which could result in significant changes to the expected future mortality exposure.

Estimates are also made for future investment income arising from the assets backing Life Insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments.

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the company's historical experience of lapses and surrenders.

There is no material impact on the assumptions used for the valuation of insurance contract liabilities due to COVID-19 pandemic as at 31 December 2021 since insurance contract liability valuations use long term assumptions except for risk free interest rate which increased during the second half of the year was used for discounting non participating insurance contract liabilities. Assumptions for some riders have been strengthened in light of ongoing COVID-19 pandemic. However there is no significant impact given the Company's liability composition.

42.3 De-recognition

The liability is de-recognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, by using a liability adequacy test.

NOTES TO THE FINANCIAL STATEMENTS

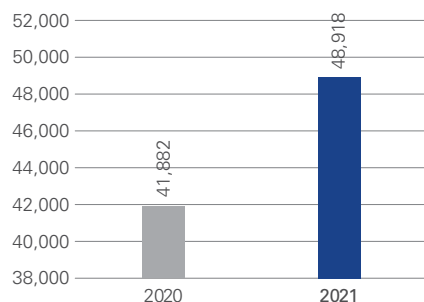
42.4 Valuation of Life Insurance Fund

The valuation of the conventional life insurance fund as at 31 December 2021 was carried out by Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited and a sum of Rs. 1,600 million was transferred from the conventional life insurance fund to the shareholders fund for the year 2021. Subsequent to the transfer the conventional life fund stood at Rs. 48,749 million.

Similarly the non unit fund of linked long term business valuation was carried out by Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited and the non unit fund stood at Rs. 169 million.

Conventional and Non Unit Fund

(Rs. mn)



In the opinion of the appointed actuary, the admissible assets of the conventional life insurance fund and the non unit fund of linked long term business as at 31 December 2021 is adequate to cover the liabilities of the funds.

42.7 Composition of the Life Fund

As at 31 December

Rs.'000	Note	2021			2020		
		Insurance contract liabilities	Reinsurance	Net	Insurance contract liabilities	Reinsurance	Net
Balance as at 1 January		44,099,112	(3,032,904)	41,066,208	37,575,527	(2,756,059)	34,819,468
Premium income / Reinsurance expenses	9/10	15,406,161	(725,809)	14,680,352	13,108,605	(589,877)	12,518,728
Liabilities paid for death, maturities, surrenders, benefits and claims	15	(5,014,304)	12,366	(5,001,938)	(4,001,539)	313,032	(3,688,507)
Benefits and claims experience variation		(1,218,070)	-	(1,218,070)	(942,004)	-	(942,004)
Investment return		4,945,775	-	4,945,775	4,092,578	-	4,092,578
Expenses		(6,427,511)	-	(6,427,511)	(5,662,751)	-	(5,662,751)
Income tax expenses		-	-	-	(71,304)	-	(71,304)
Balance as at 31 December		51,791,163	(3,746,347)	48,044,816	44,099,112	(3,032,904)	41,066,208

42.5 Surplus from Life Insurance Fund Transferred to Life Shareholder Fund

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Conventional life insurance fund	1,600,000	825,000
Non unit fund of linked Life insurance	-	-
	1,600,000	825,000

42.6 Insurance Contract Liabilities

As at 31 December	Note	2021 Rs. '000	2020 Rs. '000
Life insurance fund	42.7	48,044,816	41,066,208
One-off surplus arising from changing policy liability valuation relating to participating fund	42.14	435,046	435,046
Tax Payable	42.12	(27,162)	-
		48,452,700	41,501,254
Claim payables	42.16	465,447	380,403
		48,918,147	41,881,657

42.8 Movement in Insurance Contract Liabilities

	Note	2021 Rs. '000	2020 Rs. '000
Conventional life insurance fund			
Balance as at 1 January		41,826,947	35,448,033
Increase in life insurance fund before surplus transfer to shareholders		8,525,435	7,061,324
Transfer to shareholders		(1,600,000)	(825,000)
Effect of Taxation on Surplus / Bonus transferred to - Policyholders	42.12	(27,162)	51,059
Net change in unclaimed benefits		23,751	91,531
Balance as at 31 December - Conventional Life insurance		48,748,971	41,826,947
Non Unit Fund of Linked Life Insurance Contracts			
Balance as at 1 January		54,710	41,718
Increase in non unit fund of linked life insurance before surplus transfer to shareholders		53,173	10,416
Transfer to shareholders		-	-
Net change in unclaimed benefits		61,293	2,576
Balance as at 31 December - Non unit fund of linked Life insurance		169,176	54,710
		48,918,147	41,881,657

42.9 Key Assumptions used in Determination of Best Estimate Liability

Asset Class	Basis
Economic Assumptions	
Risk free rate	Risk free rate curve as of 31 December 2021 issued by IRC SL
Fund yield	Expected fund yields based on the Company's long term strategic asset allocation plan and the expected yield on the long term bonds with a risk premium adjustment for other asset classes.
Operating Experience Assumptions	
Mortality rate	Adjusted A67/70 mortality table rates based on company's experience study as of 31 December 2020.
Morbidity rate	Percentage of reinsurance rates, where the percentages are determined based on the morbidity studies performed as of 31 December 2020.
Expense rate and Expense inflation	Fixed & variable, acquisition and maintenance cost assumptions based on the 2020 experience study, with an inflation adjustment made to reconcile with the actual expenses in 2021.
Lapse rates, paid-up rates and surrender rates	Rates are based on company's persistency study as of 31 December 2020.

42.10 Sensitivity Analysis

Sensitivity analysis of life insurance fund liability is provided in Note 7.1 (a).

42.11 Expected Maturity Profile for Reserves for Insurance Contracts, Net of Reinsurance (Undiscounted cash flows)

As at 31 December	2021 Rs. '000	2020 Rs. '000
< 1 year	3,096	2,635
1 to 5 years	12,972	11,740
5 to 10 years	32,141	23,490
10 to 20 years	41,078	32,906
> 20 years	17,082	9,924
	106,369	80,695

NOTES TO THE FINANCIAL STATEMENTS

42.12 Taxation on surplus distributed to the life insurance policyholder who participate in the profit share

In terms of Section 67 (2) of Inland Revenue Act No. 24 of 2017, the surplus distributed to the life insurance policyholder who shares the profits of a person engaged in the business of life insurance in a given year, shall be deemed as gains and profits of that person from the business and subject to tax at a rate of 24% (2020 - 14%). As recommended by the Appointed Actuary Mr. Vivek Jalan. FIA, FIAI of Messrs. Towers Watson India Private Limited, the Company has declared a bonus of Rs. 113 million (Please refer point (3) of the Actuarial report provided in page 153) to Life Insurance Policyholders who were participating in the profit of Life Insurance business. Accordingly the Company has adjusted the respective tax liability to the life insurance fund.

42.13 Solvency Margin

In the opinion of the appointed actuary, Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited, the Company maintains a Capital Adequacy Ratio (CAR) of 228% and Total Available Capital (TAC) of Rs. 21,582 million as at 31 December 2021, which exceeded the minimum requirement of 120% and Rs. 500 million respectively as per the Solvency Margin (Risk Based Capital) Rules.

42.14 One - off Surplus Arising from Changing Policy Liability Valuation

The one off surplus comprises of Rs. 432.5 million attributable to participating business and Rs. 2.5 million attributable to unit linked fund and Rs. 3,382 million attributable to non participating and non unit fund of unit linked business.

Based on the directions issued by the IRC SL dated 20 March 2018 and subsequent approval, the Company has transferred Rs. 3,382 million attributable to non - participating and non unit fund of unit linked business from life policyholder fund through Income Statement to life shareholder fund and held as part of the Restricted Regulatory Reserve under equity in the statement of financial position.

One - off Surplus was determined as the difference between the NPV solvency basis liability and the GPV distribution basis liability as of 31 December 2015. This is calculated for Participating and other than participating funds, separately. Above basis is in line with the 'Minimum One - off Surplus' calculation basis provided in the IRC SL guideline.

Disclosure in Financial Statements	Participating Fund	Non Participating Fund	Non Unit Fund	Unit Link Fund	Total
Rs. '000					
Value of Insurance contract liability based on Independent Actuary - NPV as at 31 December 2015	9,375,793	13,063,008	7,132	2,543,761	24,989,694
Value of Insurance contract liability based on Independent Actuary - GPV as at 31 December 2015	8,943,287	9,669,108	19,097	2,541,221	21,172,713
Surplus created due to change in valuation method - One off Surplus as at 01/01/2016	432,506	3,393,900	(11,966)	2,540	3,816,980
Transfer of one off surplus from long term fund to Restricted Regulatory Reserve	-	3,393,900	(11,966)	-	3,381,934
Surplus created due to change in valuation method - One off Surplus	432,506	-	-	2,540	435,046

Applicable disclosures required in the Financial Statements as per Identification and Treatment of One - Off Surplus: Direction #16 - 20.03.2016 issued, under Section 96A of the Regulation of Insurance Industry Act No 43 of 2000 are given below;

Disclosure in Financial Statements	Compliance with the Requirement	Page reference
i Equity and statement of changes in equity to include a new line item called 'Restricted Regulatory Reserve' with value equal to one - off surplus for other than participating business. Adequate disclosure to be made with regards to 'Restricted Regulatory Reserve'.	Complied [Note 39]	236
ii Disclosure stating 'distribution of one - off surplus to shareholders', held as 'Restricted Regulatory Reserve', is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon approval from the IRCSL.	Complied [Note 39]	236
iii The basis of computation of one - off surplus. Any deviation from the direction in respect of determining the 'minimum one - off surplus'.	Complied [Note 42.14]	242
iv One-off surplus relating to participating and other than participating should be disclosed separately.	Complied [Note 42.14]	242
v Disclosure on composition of investments supporting the Restricted Regulatory Reserve.	Complied [Note 30.2 (a)]	224

42.14(a) Distribution of One-off Surplus

The distribution of One-off surplus to Shareholders as dividends shall remain restricted until a Company develops appropriate policies and procedures for effective management of its business, as listed below. These policies should be approved by the Board of Directors of the Company and must also comply with any relevant guidance issued by IRCSL from time to time. Further regulator will reconsider the distribution of One-off Surplus when the RBC rules are revised.

- Expense allocation policy setting out basis of allocation of expenses between the Shareholder Fund and the Policyholder Fund as well as between different lines of business within the Policyholder Fund, particularly participating and non-participating.
- Dividend declaration policy for universal life business.
- Bonus policy for the participating business, which should include treatment of One-off Surplus for the purpose of bonus declaration.
- Asset-liability management policy.
- Policy on internal target Capital Adequacy Ratio
- Considerations for transfer of funds from Policyholder Fund to Shareholder Fund

The IRCSL will permit distribution of One-off Surplus subject to yearly distribution caps on a case-by-case basis.

42.15 Liability Adequacy Test (LAT) - Life Insurance Contract Liabilities

Accounting Policy

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4 - Insurance Contracts. The liability value is adjusted to the extent that it is sufficient to meet future benefits and expenses.

In performing the adequacy test, 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. A number of valuation methods are applied, including discounted cash flows to the extent that the test involves discounting of cash flows, the interest rate applied based on management's prudent expectation of current market interest rates.

Any deficiency shall be recognised in the Income Statement by setting up a provision for liability adequacy.

Valuation

SLFRS 4 requires an insurer to assess whether its recognized insurance liabilities are adequate at the end of each reporting period. Observed impact of COVID-19 pandemic was considered for the Liability Adequacy Test performed as at 31 December 2021 and the same was conducted to reflect most probable estimates of assumptions (with some degree of prudence) and using professional judgement liaising with company's Appointed Actuaries (Willis Towers Watson India Private Limited). As at the reporting date, liability adequacy test was performed by the Appointed Actuary Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited and concluded that, the liability value has been determined on a 'going concern' basis and assumes a continuation of current economic, regulatory and legal environment prevailing in Sri Lanka; and are considered sufficient to meet future benefits and expenses under what is believed to be a view of the 'most probable' future experience.

No provision was required to be made for any premium deficiency.

Details of LAT reports is provided in page 153 to this report.

NOTES TO THE FINANCIAL STATEMENTS

42.16 Direction 18 - Unclaimed benefits of long term insurance business

There was no transfer of any unclaimed benefit to shareholders and recorded in the same as a liability in the long term insurance fund.

43 INSURANCE CONTRACT LIABILITIES - UNIT LINKED

Accounting Policy

Unit linked contracts are those that do not meet the definition of insurance contract or investment contract with discretionary participating features. For these Unit linked contracts, the liabilities are valued at current unit value, i.e. on the basis of the fair value of the financial investment, backing those contracts at the reporting date together with rights to future management fees.

As at 31 December	Note	2021 Rs. '000	2020 Rs. '000
Liability of Fund investment		625,945	858,866
Liability of Fund income	43.1	290,247	202,835
Total insurance contract liabilities		916,192	1,061,701

43.1 Movement in Liability of Fund Income

As at 31 December	2021 Rs. '000	2020 Rs. '000
Balance as at 1 January	202,835	254,253
Net investment income	51,660	35,933
Net realised gains / (losses)	36,336	(139,709)
Net fair value gains	14,105	62,456
Management fee expense	(14,689)	(10,098)
Balance as at 31 December	290,247	202,835

Fair Value of the Financial Investments Backing Unit Linked Contracts are as Follows.

As at 31 December	2021 Rs. '000	2020 Rs. '000
Government securities	194,515	82,998
Equity instruments	575,523	783,223
Corporate debt instruments	138,771	148,433
Fixed deposits	10,744	28,444
Commercial Papers	-	10,259
	919,553	1,053,357
Other financial investments and assets	13,558	12,189
Other unit linked liabilities	(16,919)	(3,845)
Insurance contract liabilities - Unit Linked	916,192	1,061,701

44 LEASE LIABILITY

Accounting Policy

See accounting policy in Note 28.

	2021 Rs. '000	2020 Rs. '000
Balance as at 1 January	232,259	289,176
New lease agreements recognized during the period	320,693	50,294
Interest expenses for the year	29,207	(9,824)
Termination	(26,917)	-
Payment of lease liabilities	(133,942)	(97,189)
Change in fair value	-	(198)
Balance as at 31 December	421,300	232,259

45 EMPLOYEE BENEFITS LIABILITIES

Accounting Policy

45.1 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 has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the income statement in the periods during which related services are rendered by employees.

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, monthly to the Employees Provident Fund managed by the Central Bank of Sri Lanka.

Employees' Trust Fund

All employees of the Company are members of the Employees' Trust Fund (ETF). The Company contributes each month at the rate of 3% of the salaries of each employee, to the Employees' Trust Fund administrated by the Employees' Trust Fund Board.

Defined Contribution Plans

Following contributions have been made to the employee provident fund and employee trust fund during the year.

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Employees' Provident Fund (EPF)		
Employer's contribution (12%)	83,609	74,886
Employee's contribution (8%)	55,739	49,924
Employees' Trust Fund (ETF)		
Employer's contribution (3%)	20,902	18,721

45.2 Defined Benefit Plans - Gratuity

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that amount to determine its present value. The calculation is performed annually by a qualified independent actuary using the projected unit credit method.

As per LKAS 19 - Employee Benefits, the re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in the statement of profit or loss and other comprehensive income.

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.

45.3 Other long term employee benefits

A new Long-Term Incentive Plan (LTI) has been launched for senior management; upon achievement of strategic targets. The liability recognised in the statement of financial position is the present value of the estimated future cash outflows of long term incentive plan as at the reporting date. Remeasurements are recognized in profit or loss in the period in which they arise.

45.4 Employee benefit liabilities

As at 31 December			2021	2020
	Note		Rs. '000	Rs. '000
Employee defined benefit plan - gratuity	45.4(a)	140,248	126,773	
Other long term employee benefits	45.4(b)	99,667	67,980	
Balance as at 31 December		239,915	194,753	

45.4.(a) Movement in Present Value of Gratuity

	2021 Rs. '000	2020 Rs. '000
Balance as at 1 January	126,773	126,618
Included in Profit or Loss:		
Current service cost	18,600	14,980
Past service cost	(1,497)	-
Interest cost	8,874	14,014
	25,977	28,994
Included in OCI:		
Net actuarial (gain) / loss on obligation	3,588	(7,730)
Other		
Gratuity Transfer	3,051	778
Payments during the year	(19,141)	(21,887)
Balance as at 31 December	140,248	126,773

Remeasurements of the net defined liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

During 2021, the gratuity arrangement for employees were adjusted to reflect new legal requirement as per minimum retirement age of Workers Act No. 28 of 2021 regarding the retirement age. As a result of the plan amendment, the company defined benefit obligation decreased by Rs. 1.5 million (2020 - Nil). Corresponding past service cost was recognised in profit or loss during 2021.

45.4 (b) Other long term employee benefits

	2021 Rs. '000	2020 Rs. '000
Balance as at 1 January	67,980	36,339
Current service cost	31,687	31,641
Balance as at 31 December	99,667	67,980

NOTES TO THE FINANCIAL STATEMENTS

45.5 Principal Actuarial Assumptions Used

The defined benefit obligation liability of the Company is based on an actuarial valuation carried out by Mr. M. Poopalanathan (AIA) of Actuarial & Management Consultants (Pvt) Ltd. an Independent Actuary. The actuarial valuation involves making assumptions about discount rates and future salary increases. Due to the complexity of the valuation and the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The Company has considered the impact on the defined benefit obligations due to changes in economic factors as a result of the COVID-19 pandemic, with the independent actuarial specialists. Since the complexity of the valuation and the underlying assumptions are based on long-term nature including the application of risk discount rate which is formulated on the market yield of long-term government and corporate bonds, it was determined that there is no significant impact on Employee Benefit Liabilities.

Assumption	2021	2020
Financial assumptions		
Discount rate	11%	7%
Salary increase	10%	6%
Demographic assumptions		
Staff turnover rate - early withdrawal through resignations		
- i) Less than 5 years	18%	13%
- ii) More than 5 years	6%	5%
Retirement age	57-60 years	55 years

Assumptions regarding future mortality are based on the A1967/70 for Staff / Executive and A1949/52 for Worker, issued by the Institute of Actuaries, London.

45.6 Maturity Analysis of the Payments

The following payments are expected on employee benefit liabilities in future years.

As at 31 December	2021 Rs. '000	2020 Rs. '000
Within the next 12 months	19,392	17,911
Between 1 and 2 years	17,439	11,064
Between 2 and 5 years	41,346	45,518
Over 5 years	62,071	52,280
Total expected payments	140,248	126,773

45.7 Sensitivity Analysis

Reasonably possible variation in one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

Increase / (Decrease) in discount rate	Increase / (Decrease) in Salary Increment	Change in employee defined benefit liability Rs'000	Estimated employee defined benefit liability Rs'000
1 %	-	7,062	133,186
-1 %	-	(7,807)	148,055
-	1 %	(8,106)	148,354
-	-1 %	7,454	132,794

Methods and assumptions used in preparing the sensitivity analysis

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another and such methodology has not been changed compared to previous year.

46 REINSURANCE PAYABLES

Accounting Policy

See accounting policy in Note 25

Reinsurance payables represent balances due to reinsurance companies. Amounts payable are recognised when due and measured on initial recognition at the fair value less directly attributable transaction costs in a manner consistent with the related reinsurance contract.

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

As at 31 December	2021 Rs. '000	2020 Rs. '000
Balance as at 1 January	533,023	812,930
Arising during the year	533,136	499,392
Utilised during the year	(27,892)	(779,299)
Balance as at 31 December	1,038,267	533,023

47 OTHER LIABILITIES

Accounting Policy

Financial Liabilities

See accounting policy in Note 25

The Company initially recognises financial liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Other Liabilities

Other Liabilities include accruals and advances and these liabilities are recorded at the amounts that are expected to be paid.

As at 31 December	2021 Rs. '000	2020 Rs. '000
Other Financial Liabilities		
Agency commission, incentive and other payables	462,556	431,352
Premiums in suspense	931,585	760,244
Other liabilities	590,936	1,013,742
	1,985,077	2,205,338
Other Non Financial Liabilities		
Government levies	379,852	8,352
Other staff related provisions	266,749	318,794
Other liabilities and accruals	888,396	888,773
Premium received In advance	3,316	6,464
	1,538,313	1,222,383
Total other liabilities	3,523,390	3,427,721

Maturity schedule of other financial liabilities as of 31 December 2021 and 2020 are shown in Note 7.2 (b) to the financial statements.

48 RELATED PARTY DISCLOSURES

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

The Company carries out transactions in the ordinary course of its business on an arm's length basis with parties who are defined as related parties in Sri Lanka Accounting Standard 24 - Related Party Disclosures. Outstanding current account balances are unsecured, interest free and settlement occurred in cash.

48.1 Parent and Ultimate Controlling Party

The Company's immediate and ultimate controlling party is John Keells Holdings PLC.

48.2 Recurrent Related Party Transactions

There were no recurrent related party transactions which in aggregate value exceeded 10% of the gross revenue of the Company as per 31 December 2021 audited financial statements, which required additional disclosures in the 2021 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

NOTES TO THE FINANCIAL STATEMENTS

48.3 Non-Recurrent Related Party Transaction

There were no non-recurrent related party transactions which aggregate value exceeded 10% of the equity or 5% of the total assets of the Company which ever is lower as per 31 December 2021 audited financial statements, which required additional disclosures in the 2021 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

48.4 Transactions with Key Management Personnel (KMP)

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities directly or indirectly. Accordingly, the KMP include members of the Board of Directors of the Company and selected key employees who meet the criteria for KMP.

As John Keells Holdings PLC (JKH) is the ultimate parent of the Company and the Board of Directors of JKH has the authority and responsibility of planning, directing and controlling the activities of the Company, the Directors of JKH have also been identified as KMP of the Company.

48.4 (a) Compensation of KMP

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Short term employment benefits	124,129	85,497
Post employment benefits	10,668	12,857
Other long term benefits	-	-
Termination benefits	-	-
Share based benefits	-	-
Total	134,797	98,354

The short term employment benefits include Non Executive Directors fees, emoluments paid to the Executive Directors and other key management personnel. Where applicable Directors fees are paid directly to the companies that the Directors represent. There are no short - term, long - term, post - employment, terminal and share - based payments linked to the remuneration of the Non - Executive Directors and no ex - gratia payments were made to Directors during the year.

48.4 (b) Transactions, Arrangements and Agreements Involving KMP, and their Close Family Members (CFMs)

CFMs of a KMP are those family members who may be expected to influence, or be influenced by that KMP in their dealings with the entity. They may include KMPs' domestic partner and children, children of the KMPs' domestic partner and dependents of the KMP or the KMPs' domestic partner.

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Insurance premium	370	-

The Directors of the Company and their immediate relatives do not have substantial shareholdings in the Company as at 31 December 2021.

48.4 (c) Share Based Benefits to KMP and CFMs

As at 31 December	2021 Rs. '000	2020 Rs. '000
Number of ordinary shares held	-	-
Dividends Paid (in Rs. 000)	-	-

48.5 Transactions with Related Entities

The Directors of the company as at 31 December 2021 was also Directors of the following companies as set out below and transactions included in Note 48.5 (a), 48.5 (b), 48.5 (c) and 48.5 (d) have been carried out with such companies.

Company	Name of Director	Position	Relationship	Details of financial dealings
John Keells Holdings PLC	Mr K N J Balendra	Chairman	John Keells Holdings PLC and its subsidiaries own 90% of the Company's issued share capital	The Company has transactions in the normal course of business with John Keells Holdings PLC, its subsidiaries and associate companies
John Keells Office Automation (Pvt) Ltd	Mr. D P Gamlath	Director	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with John Keells Office Automation (Pvt) Ltd
Asian Hotels and Properties PLC	Mr. K N J Balendra	Chairman	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Asian Hotels and Properties PLC
	Mr. S Rajendra	Director		
Trans Asia Hotels PLC	Mr. K N J Balendra	Chairman	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Trans Asia Hotels PLC
	Mr. S Rajendra	Director		
John Keells Foundation	Mr. K N J Balendra	Chairman	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with John Keells Foundation
John Keells Hotels PLC	Mr. K N J Balendra	Chairman	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with John Keells Hotels PLC
	Mr. S Rajendra	Director		
Walkers Tours Limited	Mr. S Rajendra	Director	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Walkers Tours Limited
Whittall Boustead (Travel) Limited	Mr. S Rajendra	Director	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Whittall Boustead (Travel) Limited
Ceylon Cold Stores PLC	Mr. K N J Balendra	Chairman	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Ceylon Cold Stores PLC
	Mr. D P Gamlath	Director		
John Keells International (Private) Limited	Mr. D P Gamlath	Director	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with John Keells International (Pvt) Limited
Keells Food Products PLC	Mr. K N J Balendra	Chairman	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Keells Food Products PLC
	Mr. D P Gamlath	Director		
South Asia Gateway Terminals (Pvt) Ltd	Mr. K N J Balendra	Chairman	Associate of John Keells Holdings PLC	The Company has transactions in the normal course of business with South Asia Gateway Terminals (Pvt) Ltd
	Mr. D P Gamlath	Director		
Tea Smallholder Factories PLC	Mr. K N J Balendra	Chairman	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Tea Smallholder Factories PLC
DHL Keells (Pvt) Ltd	Mr. K N J Balendra	Chairman	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with DHL Keells (Pvt) Ltd

NOTES TO THE FINANCIAL STATEMENTS

48.5 (a) Transactions with the Parent and Ultimate Controlling Party

As at 31 December	2021 Rs. '000	2020 Rs. '000
Statement of financial position		
Assets		
Rent Receivable	-	27
Financial instruments	799,762	707,894
	799,762	707,921
Liabilities		
Other liabilities	(19,435)	(210,723)
	(19,435)	(210,723)

For the year ended 31 December	2021 Rs. '000	2020 Rs. '000
Income Statement		
Gross written premium	1,147	1,720
Net benefits and claims	-	(900)
Other operating and administrative expenses	(105,451)	(112,394)
Rent Income	-	59
Dividend Income received	7,189	4,947
Dividend Paid	(742,500)	(1,060,714)
Statement of financial position		
Intangible assets	-	189,677
Net Purchase/(Sale) of financial instruments	109,673	486,352

48.5 (b) Transactions with / Between Subsidiary Companies and Associates of the Parent Company and Other Related Entities

As at 31 December Company	Relationship with John Keells Holdings PLC	Investment / Nature of transaction	2021 Rs. '000	2020 Rs. '000
Statement of financial position				
Financial investments				
Nations Trust Bank PLC	Associate	Debenture Investments and Distribution Rights	1,529,339	1,045,291
John Keells Hotels PLC	Subsidiary	Shares	48,984	27,606
Ceylon Cold Stores PLC	Subsidiary	Shares	5,057	72,703
			1,583,380	1,145,600
Other liabilities				
Other subsidiaries and associates		Payable for shared services	(13,663)	(3,941)
			(13,663)	(3,941)

For the year ended 31 December Company	Relationship with John Keells Holdings PLC	Investment / Nature of transaction	Transaction amount during the year	
			2021 Rs. '000	2020 Rs. '000
Income statement				
Gross written premium				
Other subsidiaries and associates			2,800	3,271
			2,800	3,271
Net benefits and claims				
Other subsidiaries and associates			(200)	(750)
			(200)	(750)
Investment income				
Nations Trust Bank PLC	Associate	Debenture interest income	124,386	130,012
Ceylon Cold Stores PLC	Subsidiary	Dividend	1,513	193
			125,899	130,205

For the year ended 31 December Company	Relationship with John Keells Holdings PLC	Investment / Nature of transaction	Transaction amount during the year	
			2021 Rs. '000	2020 Rs. '000
Other operating and administrative expenses				
Other subsidiaries and associates			(153,439)	(52,176)
			(153,439)	(52,176)
Statement of financial position				
Assets				
Property, plant & equipment and intangible assets				
Other subsidiaries and associates		Acquisition of property plant, & equipment and intangible assets	813,780	5,831
			813,780	5,831
Net Purchase / (Sale) of financial instruments				
Ceylon Cold Stores PLC	Subsidiary		(58,588)	71,158
John Keells Hotels	Subsidiary		9,622	20,077
			(48,966)	91,235
Employee benefit liabilities				
Jaykay Marketing Services (Pvt) Ltd	Subsidiary	Gratuity transfer	138	-
John Keells Information Technology (Pvt) Ltd	Subsidiary		65	-
John Keells Logistics	Subsidiary		639	-
John Keells Properties	Subsidiary		664	-
Keells Food Products PLC	Subsidiary		125	-
Mackinnons Travels (Pvt) Ltd	Subsidiary		445	-
Walkers Tours Ltd	Subsidiary		953	-
Informate (Pvt) Ltd	Subsidiary		22	-
Cinnamon Hotel Management Ltd	Subsidiary		-	778
			3,051	778

48.5 (c) Transactions with / Between Associate of the Company - Fairfirst Insurance Ltd

As at 31 December	Transaction amount during the year	
	2021 Rs. '000	2020 Rs. '000
Statement of Financial Position		
Other receivables*	-	-
Other liabilities*	-	-
Income Statement		
Gross written premium	-	4,904
Net benefits and claims	-	(500)
Other operating and administrative expenses	(44,422)	(44,493)

*Relating to current account transactions and are payable / receivable on demand.

NOTES TO THE FINANCIAL STATEMENTS

48.5 (d) Companies controlled / jointly controlled / significantly influenced by KMP and their close family members

As at 31 December

	2021 Rs. '000	2020 Rs. '000
--	------------------	------------------

Statement of Financial Position

Asia Securities Wealth Management (Pvt) Ltd	Financial Investment	59,169	-
---	----------------------	--------	---

		Transaction amount during the year	
		2021 Rs. '000	2020 Rs. '000

For the year ended 31 December

Income Statement

Asia Securities (Pvt) Ltd	Gross written premium	2,665	-
	Stock Brokerage Commission	(9,428)	-
Asia Securities Wealth Management (Pvt) Ltd	Unit Trust Management Fees	(146)	-

Statement of Financial Position

Asia Securities Wealth Management (Pvt) Ltd	Financial Investment	82,000	-
---	----------------------	--------	---

49 COMMITMENTS

49.1 Capital Commitments

There were no significant capital commitments as at the reporting date.

50 EVENTS AFTER THE REPORTING PERIOD

Accounting Policy

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

All material events after the reporting date have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the financial statements.

There have been no events subsequent to the reporting date, which would have any material effect on the Company other than following.

50.1 Dividends

The Board of Directors of the Company has declared a first and final dividend of Rs. 22 per share out of retained earnings for the financial year ended 31 December 2021. The dividend will be paid on or before 31 March 2022.

As required by the Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the Company satisfied the solvency test in accordance with Section 57 prior to declaring the first and final dividend. A statement of solvency duly completed and signed by the Directors has been audited by Messrs. KPMG.

In accordance with LKAS 10, Events After the Reporting Period the first and final dividend has not been recognised as a liability in the financial statement as at 31 December 2021.

50.2 Proposed Surcharge Tax

The Bill governing the imposition and administration of the Surcharge Tax was published in the Gazette on 07 February 2022. The Surcharge Tax was proposed in the Budget 2022, as a one-time tax. Surcharge Tax is payable by any individual, partnership, company or each company of a group of companies (holding and subsidiaries) subject to the taxable income threshold as specified in the Bill. There shall be levied a Surcharge Tax any individual, partnership or company, whose taxable income calculated in accordance with the provisions of the Inland Revenue Act, No. 24 of 2017, exceeds rupees two thousand million, for the year of assessment commenced on April 1, 2020, at the rate of twenty five per centum on the taxable income of such individual, partnership or company, for such year of assessment.

As an individual entity, Union Assurance is not liable for above one-off tax. However, applicability of the taxation on the company being a subsidiary of John Keells Holdings PLC is currently evaluated and computation is in progress.

Since the enabling legislation for the proposed Surcharge Tax, is yet to be legislated, the Company has not provided for any potential liability that may arise therefrom in the Financial Statements for the period ended 31 December 2021.

51 PROVISIONS AND CONTINGENCIES

Accounting Policy

A provision is recognised if, as a result of a past event, the Company 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. Provisions are determined by discounting the expected future cash flows at a pre - tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised in the profit or loss.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

Use of Judgements and Estimates

The Company receives legal claims against it in the normal course of business. Management has made judgement as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in the respective legal jurisdictions.

The contingent liabilities of the Company as at 31 December 2021, relates to the following;

51.1 Income tax assessments relating to years of assessments 2010/11, 2011/12, 2012/13, 2013/14, 2014/15, 2015/16, 2016/17 and 2017/18

The Department of Inland Revenue has raised assessments on Union Assurance PLC for the year of assessment 2010/11 and 2011/12, assessing the Life insurance business to pay income tax liabilities of Rs. 13 million and Rs. 132 million respectively. Company lodged appeals against the said assessments with the Tax Appeals Commission (TAC) and TAC issued its determinations in favour of the Inland Revenue Department. Cases were filled at the Court of Appeal against said determinations.

The Department of Inland Revenue has raised assessments on Union Assurance PLC for the years of assessment 2012/13, 2013/14, 2014/15, 2015/16 and 2016/17 assessing the Life insurance business to pay income tax liabilities of Rs. 411 million together with a Rs. 233 million penalty totalling to Rs. 644 million, Rs. 175 million together with a Rs. 88 million penalty totalling to Rs. 263 million, Rs. 887 million together with a Rs. 443 million penalty totalling to Rs. 1,330 million, Rs. 832 million together with a Rs. 416 million penalty totalling to Rs. 1,248 million and Rs. 472 million together with a Rs. 236 million penalty totalling Rs. 708 million respectively. The Company has lodged valid appeals against said assessments with the Tax Appeals Commission.

The Department of Inland Revenue has raised an assessment on the Company for the year of assessment 2017/18, assessing the Life insurance business to pay an income tax liability of Rs. 749 million along with a Rs. 368 million penalty totalling to Rs. 1,117 million. The company has lodged a valid appeal with the Commissioner General of Inland Revenue against the said assessment.

VAT assessments relating to years of assessments 2016, 2017 & 2018

The Department of Inland Revenue has raised assessments on Union Assurance PLC for the years of assessments 2016, 2017 & 2018, assessing the Life insurance business to pay a VAT liability of Rs. 8.4 million along with a Rs. 6.6 million penalty totalling to Rs. 15 million, Rs. 5.4 million

along with a Rs. 4.5 million penalty totalling to Rs. 9.9 million and Rs. 0.01 million along with a Rs. 0.009 million penalty totalling Rs. 0.02 million respectively. The Company has lodged valid appeals with the Commissioner General of Inland Revenue against said assessments.

VAT and NBT on Financial Services assessments relating to years of assessment 2016 and 2017

The Department of Inland Revenue has raised an assessment on Union Assurance PLC for the year of assessment 2016, assessing the Life insurance business to pay a VAT and NBT on Financial Services liability of Rs. 69 million along with a Rs. 37 million penalty totalling to Rs. 106 million. The Company has lodged valid appeals against the said assessment with the Tax Appeal Commission.

The Department of Inland Revenue has raised an assessment on Union Assurance PLC for the year of assessment 2017, assessing the Life insurance business to pay a VAT and NBT on Financial Services liability of Rs. 336 million along with a Rs. 168 million penalty totalling to Rs. 504 million. The Company has lodged a valid appeal with the Commissioner General of Inland Revenue against the said assessment.

Directors are of the view that the Company has followed due process and acted in accordance with the prevailing laws in its tax submissions for above years of assessments and therefore, the above assessments have no rationale or basis in law.

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business.

While it is not practicable to forecast or determine the final results of all pending or potential legal proceedings, Directors do not believe that such proceedings (including litigation) will have a material effect on the company's results and financial position. All pending litigation for claims have been evaluated and adequate provisions have been made in the financial statements.

The Company is also subject to insurance solvency regulations and has complied with all solvency regulations.

There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

52 COMPARATIVE INFORMATION

The presentation and classification in the financial statements have been amended where appropriate to ensure comparability with the current year.

53 DIRECTORS' RESPONSIBILITY

The Board of Directors of the Company is responsible for the preparation and presentation of these financial statements. Please refer page 154 for the Statement of Directors' Responsibility.

SUPPLEMENTARY INFORMATION

THE COURAGE WITHIN

It is the courage within that has enabled union assurance to endure and thrive for over three decades. We have charted our course to serve and evolve with Sri Lanka, while remaining resilient and true to our values.

256	Decade at a Glance
258	Independent Assurance Report on Non-Financial Reporting
260	Independent Assurance Report on Integrated Report
262	GRI Content Index
268	Certificate of Carbon Footprint
269	Glossary of Insurance Terms
271	Quarterly Analysis
272	Insurance Revenue Account
273	Statement of Financial Position
274	Statement of Cash Flows
276	Notes to the Statement of Financial Position
280	Understanding our Financials
281	Distribution Network
283	Corporate Information
286	Notice of Meeting
287	Proxy Form



DECADE AT A GLANCE

Insurance Revenue Accounts Rs'000	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Gross written premium	15,406,161	13,108,605	11,647,756	11,243,915	10,117,630	8,270,751	6,964,390	5,945,499	5,515,063	5,106,323
Net written premium	14,680,352	12,518,728	11,121,974	10,527,474	9,620,018	7,846,894	6,600,208	5,617,435	5,234,521	4,856,728
Investment and other income	5,033,187	4,041,160	3,442,849	3,265,566	3,822,225	2,746,306	2,167,304	3,159,957	2,017,544	1,722,070
Net benefits and claims	(11,686,028)	(10,000,832)	(8,487,157)	(6,813,030)	(5,388,696)	(5,833,650)	(4,873,607)	(5,201,025)	(3,976,248)	(3,572,769)
Change in contract liability due to transfer of one off surplus	-	-	-	-	3,381,934	-	-	-	-	-
Underwriting and net acquisition costs (including reinsurance)	(2,844,018)	(2,145,130)	(1,857,396)	(2,055,051)	(1,841,151)	(1,441,617)	(1,289,437)	(1,115,834)	(968,181)	(890,536)
Other operating and administrative expenses	(3,583,493)	(3,517,622)	(3,220,270)	(3,857,363)	(2,570,396)	(2,157,254)	(1,832,743)	(1,710,533)	(1,695,636)	(1,590,493)
Income tax (expenses)/reversal	-	(71,304)	-	32,404	-	(60,679)	28,275	-	-	-
Surplus from life insurance fund	1,600,000	825,000	1,000,000	1,100,000	*7023,934	1,100,000	800,000	750,000	612,000	525,000
Investment and other income not attributable to policyholders	948,683	939,021	926,419	1,029,785	236,290	179,432	1,530,851	167,623	207,074	23,161
Expenses not attributable to policyholders	(72,933)	(157,922)	(122,693)	(114,796)	(63,940)	(27,119)	(42,205)	(36,883)	(28,110)	(15,342)
Share of net result of equity accounted investee	151,557	116,438	104,736	149,807	187,844	60,315	57,990	-	-	-
Income tax (expenses)/reversal	(573,722)	(801,941)	(750,432)	1,079,046	-	-	-	-	-	-
Profit for the year	2,053,585	920,596	1,158,030	3,243,842	*7,384,128	1,312,628	2,346,636	880,740	790,964	532,819

* Includes the restricted one-off surplus transfer of Rs. 3.4 billion in 2017.

Statement of financial position Rs'000	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Assets										
Intangible assets	1,545,529	1,247,057	1,306,922	1,392,191	212,817	94,647	59,616	66,766	117,475	-
Property, plant and equipment	2,746,114	2,468,821	2,500,305	2,082,990	2,000,716	1,493,040	1,523,676	1,203,934	1,337,498	1,318,225
Right of use assets	421,885	218,312	296,799	-	-	-	-	-	-	-
Deferred tax assets	-	-	528,614	1,079,046	-	-	-	-	-	-
Investment in equity accounted investee	1,513,031	1,386,991	1,245,951	1,130,379	995,722	777,346	736,216	-	-	-
Financial investments	59,329,071	52,356,208	44,881,195	39,138,073	36,792,921	30,847,256	26,540,934	24,038,978	24,297,498	20,802,309
Loans to life policyholders	1,932,079	1,793,470	1,555,759	1,218,949	1,001,538	867,177	741,852	660,744	515,735	385,688
Reinsurance receivable	969,446	492,011	502,975	371,126	267,417	178,181	149,772	67,536	502,571	400,627
Premiums receivable	532,975	487,959	344,785	331,539	268,511	246,800	203,722	159,117	1,844,831	1,459,440
Receivables and other assets	801,758	1,189,309	1,452,885	1,675,601	947,239	809,784	732,017	816,718	1,087,585	1,055,006
Deferred acquisition cost	-	-	-	-	-	-	-	-	149,145	146,097
Cash in hand and at bank	969,748	960,270	632,962	696,835	580,126	379,232	326,012	196,429	466,402	315,634
Assets held for sale	-	-	-	-	-	-	-	8,393,314	-	-
Total Assets	70,761,636	62,600,408	55,249,152	49,116,729	43,067,007	35,693,463	31,013,817	35,603,536	30,318,740	25,883,026

Statement of financial position

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Rs'000										
Equity										
Stated capital	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,138,433	1,138,433	1,133,305
Restricted regulatory reserve	3,381,934	3,381,934	3,381,934	3,381,934	3,381,934	-	-	-	-	-
Other reserves	2,485,249	3,370,946	2,671,100	1,663,960	2,144,728	817,003	1,232,893	1,228,722	829,094	720,830
Retained earnings	8,587,910	7,355,609	7,609,868	7,625,794	5,438,052	2,049,189	1,232,035	3,843,704	3,149,766	2,454,923
Total Equity	15,455,093	15,108,489	14,662,902	13,671,688	11,964,714	3,866,192	3,464,928	6,210,859	5,117,293	4,309,058
Liabilities										
Insurance contract liabilities - Life	48,918,147	41,881,657	35,489,751	30,599,881	26,949,613	27,889,682	23,731,238	20,435,876	17,518,016	15,356,340
Insurance contract liabilities - Unit Linked	916,192	1,061,701	1,246,075	1,501,271	2,121,609	2,377,707	2,541,221	2,618,007	1,807,137	1,143,546
Insurance contract liabilities - Non Life	-	-	-	-	-	-	-	-	3,440,249	3,200,838
Lease liabilities	421,300	232,259	289,176	-	-	-	-	-	-	-
Employee benefit liabilities	239,915	194,753	162,957	115,516	122,588	107,963	100,199	90,437	186,078	163,572
Deferred revenue	-	-	-	-	-	-	-	-	109,402	96,904
Reinsurance payables	1,038,267	533,023	812,930	669,314	345,146	208,742	213,855	150,784	764,977	415,394
Other liabilities	3,523,390	3,427,721	2,416,933	2,314,884	1,368,031	1,092,871	843,424	770,190	1,336,864	1,172,899
Bank overdraft	249,332	160,805	168,428	244,175	195,306	150,306	118,952	66,017	38,724	24,475
Liabilities held for sale	-	-	-	-	-	-	-	5,261,366	-	-
Total Liabilities	55,306,543	47,491,919	40,586,250	35,445,041	31,102,293	31,827,271	27,548,889	29,392,677	25,201,447	21,573,968
Total equity and liabilities	70,761,636	62,600,408	55,249,152	49,116,729	43,067,007	35,693,463	31,013,817	35,603,536	30,318,740	25,883,026

Investor Information

Return on Net Assets (%)*	13.44	6.18	8.17	25.31	93.29	35.81	48.51	15.55	16.78	14.10
Earnings Per Share (Rs.)*	34.85	15.62	19.65	55.05	125.31	22.27	31.20	14.04	13.11	12.28
Dividend Per Share (Rs.)	22	14	20.00	20.00	18.00	10.50	8.50	6.50	6.00	5.00
Net Assets Per Share (Rs.)	262.27	256.39	248.87	232.00	203.04	65.61	58.80	72.46	59.70	50.27
Market Price Per Share (Rs.)	294.00	305.00	330.00	347.30	135.00	143.00	165.00	164.00	104.00	83.00
Market Capitalisation (Rs. Mn.)	17,325.00	17,973.21	19,446.00	20,465.89	7,955.00	8,426.79	9,723.21	14,057.10	8,914.26	7,114.29
Price Earnings Ratio (Times)	8.44	19.52	16.79	6.31	1.08	6.42	5.29	11.68	7.94	6.76

Other Information

Number of employees	770	795	764	614	529	474	450	445	1,157	1,088
No of Shares ('000)	58,929	58,929	58,929	58,929	58,929	58,929	58,929	85,714	85,714	85,714

* 2012 to 2014 figures include profits of the non life insurance business.

INDEPENDENT ASSURANCE REPORT TO UNION ASSURANCE

GRI 102-56



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel +94 - 11 542 6426
Fax +94 - 11 244 5872
+94 - 11 244 6058
Internet www.kpmg.com/lk

We have been engaged by the Directors of Union Assurance PLC ("the Company") to provide reasonable assurance and limited assurance in respect of the Sustainability Indicators as identified below for the year ended 31 December 2021. The Sustainability Indicators are included in the Union Assurance PLC's Integrated Annual Report for the year ended 31 December 2021 (the "Report").

The Reasonable Assurance Sustainability Indicators covered by our reasonable assurance engagement are:

Assured Sustainability Indicators	Integrated Annual Report Page
Financial Highlights	47

The Limited Assurance Sustainability Indicators covered by our limited assurance engagement are:

Limited Assurance Sustainability Indicators	Integrated Annual Report Page
Non-Financial Highlights	46
Information provided on following	
Financial Capital	48 – 63
Manufactured Capital	64 – 67
Natural Capital	68 – 71
Human Capital	72 – 77
Social and Relationship Capital	78 – 85
Intellectual Capital	86 – 89

Our conclusions

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Reasonable Assurance Sustainability Indicators

In our opinion, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended 31 December 2021

are, in all material respects, prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Limited Assurance Sustainability Indicators

Based on the limited assurance procedures performed and the evidence obtained, as described below, nothing has come to our attention that causes us to believe that the Limited Assurance Sustainability

Indicators, as defined above, for the year ended 31 December 2021, have not in all material respects, been prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Management's Responsibility

Management is responsible for the preparation and presentation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

These responsibilities includes establishing such internal controls as management determines are necessary to enable the preparation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators that are free from material misstatement whether due to fraud or error.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

KPMG is a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

M. R. Mubshir FCA
T. S. Rajakumar FCA
Ms. S. J. B. Jayasekera ACA
G. A. J. Karunaratne FCA
R. H. Rajar FCA
A. M. P. Anandkumar ACA

P. Y. S. Perera FCA
N. W. J. C. Perera FCA
M. K. D. C. Abeyaratne FCA
R. N. D. B. Rajadasa FCA
M. N. S. Sathya FCA
Ms. P. M. K. Samanasekera FCA

C. P. Jayatilake FCA
Ms. S. Joseph FCA
S. T. D. L. Perera FCA
Ms. B. K. D. K. Ranga FCA
Ms. C. T. K. N. Perera FCA

Principals: S. R. I. Perera FCA, UK; UBE, Attorney-at-Law, H. S. Goonesawardene ACA
N. A. A. Weerasinghe CFA, ACMA, MR CS



Our responsibility

Our responsibility is to express a reasonable assurance conclusion on the Company's preparation and presentation of the Reasonable Assurance Sustainability Indicators and a limited assurance conclusion on the preparation and presentation of the Limited Assurance Sustainability Indicators included in the Report, as defined above.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

SLSAE 3000 requires that we plan and perform the engagement to obtain reasonable assurance about whether the Reasonable Assurance Sustainability Indicators are free from material misstatement and limited assurance about whether the Limited Assurance Sustainability Indicators are free from material misstatement.

Reasonable assurance over Reasonable Assurance Sustainability Indicators

The procedures selected in our reasonable assurance engagement depend on our judgment, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Indicators whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the Reasonable Assurance Sustainability Indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the preparation and presentation of the Report.

Our engagement also included assessing the appropriateness of the Reasonable Assurance Sustainability Indicators, the suitability of the

criteria, being the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines, used by the Company in preparing and presenting the Reasonable Assurance Sustainability Indicators within the Report, obtaining an understanding of the compilation of the financial and non-financial information to the sources from which it was obtained, evaluating the reasonableness of estimates made by the Company, and re-computation of the calculations of the Reasonable Assurance Sustainability Indicators.

Limited assurance on the Assured Sustainability Indicators

Our limited assurance engagement on the Limited Assurance Sustainability Indicators consisted of making enquiries, primarily of persons responsible for the preparation of the Limited Assurance Sustainability Indicators, and applying analytical and other procedures, as appropriate. These procedures included:

- interviews with senior management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- enquiries of management to gain an understanding of the Company's processes for determining material issues for the Company's key stakeholder groups;
- enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Indicators;
- enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Indicators, including the aggregation of the reported information;
- comparing the Limited Assurance Sustainability Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- reading the Limited Assurance Sustainability Indicators presented in the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of the Company;

- reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Limited Assurance Sustainability Indicators.

Purpose of our report

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Reasonable and Limited Assurance Sustainability Indicators are prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines and for no other purpose or in any other context.

Restriction of use of our report

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company, for any purpose or in any other context. Any party other than the Company who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company for our work, for this independent assurance report, or for the conclusions we have reached.

CHARTERED ACCOUNTANTS

Colombo
28 February 2022

INDEPENDENT ASSURANCE REPORT ON INTEGRATED REPORT



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel +94 - 11 542 6426
Fax +94 - 11 244 5872
+94 - 11 244 6058
Internet www.kpmg.com/lk

We have been engaged by the Directors of Union Assurance PLC ("the Company") to provide limited assurance in respect of the Integrated Report for the year ended 31st December 2021. (the "Integrated Report"). The criteria used as a basis of reporting is the content elements of the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework) as disclosed in this Integrated Report.

Basis for Conclusion

We conducted our work in accordance with the Sri Lankan Standard on Assurance Engagements SLSAE 3000 (Standard). In accordance with the Standard we have:

- used our professional judgement to plan and perform the engagement to obtain limited assurance that we are not aware of any material misstatements in the Company's Integrated Report, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on their effectiveness; and
- Ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

Our Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the

evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

We have not been engaged to provide an assurance conclusion on the fitness for purpose or the operating effectiveness of the Company's strategy or how the Company creates value, including the governance, strategic management and other key business processes. The procedures we have performed in relation to the Company's strategy and how the Company creates value are outlined below.

Limited Assurance Integrated Report

Based on the limited assurance procedures performed and evidence obtained, as described below, nothing has come to our attention that causes us to believe that the Integrated Report, as defined above, for the year ended 31st December 2021, has not in all material respects, been prepared in accordance with the Content Elements of the IIRC's International Integrated <IR> Framework.

Board of Directors and Management's responsibility

The Board of Directors and Management are responsible for:

- determining that the criteria is appropriate to meet the needs of intended users, being the company's members and any other intended users.

- Preparing and presenting of the Report in accordance with the criteria set out in the IIRC's <IR> Framework. This includes disclosing the criteria, including any significant inherent limitations.
- ensuring the Company's strategy is well presented in the Company's Integrated Report and reflects how the Company creates value as they operate in practice
- identifying stakeholders and stakeholder requirements;
- identifying material issues and reflecting those in the Company's Integrated Report; and
- preparation and fair presentation of the Integrated reporting information; Design and implementation of internal controls that the company determines necessary to enable the preparation and presentation of the Integrated Report that is free from material misstatement,
- whether due to fraud or error.
- Informing us of any known and/or contentious issues relating to the Integrated Report.
- Preventing and detecting of fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities;
- Process to ensure that the Company personnel involved with the preparation and presentation of the integrated reporting information are properly

KPMG is a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with the KPMG International Limited, a private English company limited by guarantee.

M. R. Mubshir FCA
T. S. Rajakumar FCA
Ms. S. B. Jayasekera ACA
G. A. J. Karunaratne FCA
R. H. Rajar FCA
A. M. P. Ananthan ACA

P. Y. S. Perera FCA
N. W. J. C. Perera FCA
M. K. D. C. Aravindare FCA
R. N. D. B. Rajadasa FCA
M. N. M. Saman FCA
Ms. P. M. K. Samanasekera FCA

C. P. Jayatilake FCA
Ms. S. Joseph FCA
S. T. D. L. Perera FCA
Ms. B. K. D. T. R. Ranga FCA
Ms. C. T. K. N. Perera FCA

Principals: S. R. I. Perera FCA (UK), LLB, Attorney-at-Law, H. S. Goonesawardene ACA
Mr. A. A. Weerasakara CFA, ACMA, MRCS



trained, systems are properly updated and that any changes in reporting is relevant to the integrated report information encompass all significant business units. This responsibility also includes informing us of any changes in the Company's operations.

- The responsibility also includes informing changes in the Company's Operations since the date of our most recent assurance report on the Integrated reporting information.

Our responsibility

Our responsibility is to perform a limited assurance engagement in relation to the Integrated Report and to issue an assurance report that includes our conclusions.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

SLSAE 3000 requires that we plan and perform the engagement to obtain limited assurance about whether the Integrated Report is free from material misstatement.

Limited assurance on the Integrated Report

Our limited assurance engagement on the Integrated Report consisted of making enquiries, primarily of persons responsible for the preparation of the Integrated Report, and applying analytical and other procedures, as appropriate. These procedures included:

1. Interviews with executives, senior management and relevant staff to understand the internal controls, governance structure and reporting process relevant to the Report;

2. Reviewing of the relevant internal policies and procedures developed by the Company, including those relevant to determining what matters most to the Company's stakeholders, how the Company creates value, the Company's external environment, strategy, approaches to putting members first, governance and reporting.
3. Reviewing the description of the Company's strategy and how the Company creates value in the Report and enquiring of management as to whether the description accurately reflects their understanding;
4. Assessing of the suitability and application of the Content Elements of the <IR> Framework in the Report;
5. Assessing of the alignment between the Company's strategy, the disclosures on how the Company creates value and what matters most to the Company's stakeholders.
6. Reviewing Board minutes to ensure consistency with the content of the Report.
7. Reviewing the Report in its entirety to ensure it is consistent with our overall knowledge obtained during the assurance engagement.
8. Obtaining a letter of representation from management dated 28 February 2022 on the content of the Company's Integrated Report.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Integrated Report.

Misstatements, including omissions, are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the Company.

Limitations of our review

The Integrated Report includes prospective information. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the Integrated Report.

Purpose of our report

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Integrated Report is prepared in accordance with the IIRC's International <IR> Framework and for no other purpose or in any other context.

Restriction of use of our report

This report has been prepared for the Company for the purpose of providing an assurance conclusion on the Integrated Report and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Company, or for any other purpose than that for which it was prepared.

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company, for any purpose or in any other context. Any party other than the Company who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company for our work, for this independent assurance report, or for the conclusions we have reached.

CHARTERED ACCOUNTANTS

Colombo
28 February 2022

GRI CONTENT INDEX

GRI CONTENT INDEX This Report has been prepared “in accordance” with the Core of the GRI Standards.

GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.

GRI Standard	Disclosure	Page number(s), URL(s) and/ or direct answer	Reason for omission
GRI 101: Foundation 2016			
GRI 102: General Disclosures 2016			
	Organizational profile		
	102-1 Name of the organization	283	
	102-2 Activities, brands, products, and services	10 and 13 https://unionassurance.com	
	102-3 Location of headquarters	283	
	102-4 Location of operations	66	
	102-5 Ownership and legal form	283	
	102-6 Markets served	13	
	102-7 Scale of the organization	46 and 47	
	102-8 Information on employees and other workers	74	
	102-9 Supply chain	81 and 82	
	102-10 Significant changes to the organization and its supply chain	No significant changes in the supply chain	
	102-11 Precautionary Principle or approach	135 and 136	
	102-12 External initiatives	9	
	102-13 Membership of associations	83	
	Strategy		
	102-14 Statement from senior decision-maker	29 to 31	
	Ethics and integrity		
	102-16 Values, principles, standards, and norms of behaviour	23	
	Governance		
	102-18 Governance structure	101, 102 and 103	
	Stakeholder engagement		
	102-40 List of stakeholder groups	16	
	102-41 Collective bargaining agreements	No collective bargaining	
	102-42 Identifying and selecting stakeholders	16 to 17	
	102-43 Approach to stakeholder engagement	16 to 17	
	102-44 Key topics and concerns raised	18 to 19	
	Reporting practice		
	102-45 Entities included in the consolidated financial statements	11	
	102-46 Defining report content and topic Boundaries	8	
	102-47 List of material topics	21 and 22	
	102-48 Restatements of information	8	
	102-49 Changes in reporting	8	
	102-50 Reporting period	8	
	102-51 Date of most recent report	31st December 2020	
	102-52 Reporting cycle	Annual	

GRI Standard	Disclosure	Page number(s), URL(s) and/ or direct answer	Reason for omission
	102-53 Contact point for questions regarding the report	Nadee Perera (nadeep@unionassurance.com)	
	102-54 Claims of reporting in accordance with the GRI Standards	9	
	102-55 GRI content index	262 to 267	
	102-56 External assurance	258 and 259	
Topic-specific Standards- Material Topics			
GRI 200: Economic Standard Series			
GRI 201: Economic Performance 2016			
GRI 103: Management Approach 2016			
	103-1 Explanation of the material topic and its Boundary	48	
	103-2 The management approach and its components	48	
	103-3 Evaluation of the management approach	48	
	201-1 Direct economic value generated and distributed	45	
	201-2 Financial implications and other risks and opportunities due to climate change	No impact due to climate change	
	201-3 Defined benefit plan obligations and other retirement plans	46	
	201-4 Financial assistance received from government	None	
GRI 203: Indirect Economic Impacts 2016			
GRI 103: Management Approach 2016			
	103-1 Explanation of the material topic and its Boundary	83	
	103-2 The management approach and its components	83	
	103-3 Evaluation of the management approach	83	
	203-1 Infrastructure investments and services supported	83	
	203-2 Significant Indirect Economic Impacts	83 to 85	
GRI 300: Environment Standard Series			
GRI 302: Energy 2016			
GRI 103: Management Approach 2016			
	103-1 Explanation of the material topic and its Boundary	68 and 69	
	103-2 The management approach and its components	68 and 69	
	103-3 Evaluation of the management approach	68 and 69	
	302-1 Energy consumption within the organization	70	
	302-2 Energy consumption outside of the organization	70	
	302-3 Energy intensity	70	
	302-4 Reduction of energy consumption	69 to 70	
	302-5 Reductions in energy requirements of products and services	69 to 70	
GRI 303: Water and Effluents 2018			
GRI 103: Management Approach 2016			
	103-1 Explanation of the material topic and its Boundary	69	
	103-2 The management approach and its components	69	
	103-3 Evaluation of the management approach	69	
	303-1 Integrations with water as a shared resource	69	
	303-2 Management of water discharge-related impacts	69	
	303-5 Water consumption	69	

GRI CONTENT INDEX

GRI Standard	Disclosure	Page number(s), URL(s) and/ or direct answer	Reason for omission
GRI 305: Emissions 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	70	
	103-2 The management approach and its components	70	
	103-3 Evaluation of the management approach	70	
	305-1 Direct /Scope 1 GHG emissions	70 and 268	
	305-2 Energy indirect /Scope 2 GHG emissions	70 and 268	
	305-3 Other indirect /Scope 3 GHG emissions	70 and 268	
	305-4 GHG emissions intensity	70	
	305-5 Reduction of GHG emissions	70	
	305-6 Emissions of ozone-depleting substances /ODS	Not Tracked	
	305-7 Nitrogen oxides /NOx, sulfur oxides /SOx, and other significant air emissions	Not Tracked	
GRI 306: Effluents and Waste 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	70	
	103-2 The management approach and its components	70	
	103-3 Evaluation of the management approach	70	
	306-1 Water discharge by quality and destination	Not tracked as the discharge of water is low	
	306-2 Waste by type and disposal method	71	
	306-3 Significant spills	No Significant spills	
	306-4 Transport of hazardous waste	Business does not involve transport of hazardous waste	
	306-5 Water bodies affected by water discharges and/or runoff	No major water bodies affected by water discharges and/or runoff	
GRI 307: Environmental Compliance 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	68	
	103-2 The management approach and its components	68	
	103-3 Evaluation of the management approach	68	
	307-1 Non-compliance with Environmental laws and regulations	Zero non-compliance reported during the year	
GRI 400: Social Standard Series			
GRI 401: Employment 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	72 and 73	
	103-2 The management approach and its components	72 and 73	
	103-3 Evaluation of the management approach	72 and 73	
	401-1 New employee hires and employee turnover	73 and 74	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Benefit vary based on the terms on the employment contract not based on the location of operation	
	401-3 Parental leave	75	

GRI Standard	Disclosure	Page number(s), URL(s) and/ or direct answer	Reason for omission
GRI 402: Labor/Management Relations 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	76	
	103-2 The management approach and its components	76	
	103-3 Evaluation of the management approach	76	
	402-1 Minimum notice periods regarding operational changes	77	
GRI 403: Occupational Health and Safety 2018			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	77	
	103-2 The management approach and its components	77	
	103-3 Evaluation of the management approach	77	
	403-1 Occupational health and safety management system	77	
	403-2 Hazard identification, risk assessment, and incident investigation	77	
	403-3 Occupational health services	77	
	403-4 Worker participation, consultation, and communication on occupational health and safety	77	
	403-5 Worker training on occupational health and safety	77	
	403-6 Promotion of worker health	77	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	77	
	403-8 Workers covered by an occupational health and safety management system	77	
GRI 404: Training and Education 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	75 and 76	
	103-2 The management approach and its components	75 and 76	
	103-3 Evaluation of the management approach	75 and 76	
	404-1 Average hours of training per year per employee	46	
	404-2 Programs for upgrading employee skills and transition assistance programs	75 and 76	
	404-3 Percentage of employees receiving regular performance and career development reviews	46	
GRI 405: Diversity and Equal Opportunity 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	73	
	103-2 The management approach and its components	73	
	103-3 Evaluation of the management approach	73	
	405-1 Diversity of governance bodies and employees	74	
	405-2 Ratio of basic salary and remuneration of women to men	74	
GRI 406: Non-discrimination 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	75	
	103-2 The management approach and its components	75	
	103-3 Evaluation of the management approach	75	
	406-1 Incidents of discrimination and corrective actions taken	No incidents reported	

GRI CONTENT INDEX

GRI Standard	Disclosure	Page number(s), URL(s) and/ or direct answer	Reason for omission
GRI 407: Freedom of Association and Collective Bargaining 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	77	
	103-2 The management approach and its components	77	
	103-3 Evaluation of the management approach	77	
	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	No such operations have been recognized	
GRI 410: Security Practices 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	82	
	103-2 The management approach and its components	82	
	103-3 Evaluation of the management approach	82	
	410-1 Security personnel trained in human rights policies or procedures	100% training provided	
GRI 413: Local Communities 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	83	
	103-2 The management approach and its components	83	
	103-3 Evaluation of the management approach	83	
	413-1 Operations with local community engagement, impact assessments, and development programs	84 and 85	
	413-2 Operations with significant actual and potential negative impacts on local communities	No such operations have negative impacts on local communities	
GRI 414: Supplier Social Assessment 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	82	
	103-2 The management approach and its components	82	
	103-3 Evaluation of the management approach	82	
	414-1 New suppliers that were screened using social criteria	46	
	414-2 Negative social impacts in the supply chain and actions taken	No negative social impact reported	
GRI 415: Public Policy 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	78	
	103-2 The management approach and its components	78	
	103-3 Evaluation of the management approach	78	
	415-1 Political contributions	No political contributions made	
GRI 416: Customer Health and Safety 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	79	
	103-2 The management approach and its components	79	
	103-3 Evaluation of the management approach	79	
	416-1 Assessment of the health and safety impacts of product and service categories	80	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	No incidents reported	

GRI Standard	Disclosure	Page number(s), URL(s) and/ or direct answer	Reason for omission
GRI 417: Marketing and Labeling 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	79	
	103-2 The management approach and its components	79	
	103-3 Evaluation of the management approach	79	
	417-1 Requirements for product and service information and labeling	79	
	417-2 Incidents of non-compliance concerning product and service information and labeling	Zero incidents	
	417-3 Incidents of non-compliance concerning marketing communications	Zero incidents	
GRI 418: Customer Privacy 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	80	
	103-2 The management approach and its components	80	
	103-3 Evaluation of the management approach	80	
	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Zero incidents	
GRI 419: Socioeconomic Compliance 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	83	
	103-2 The management approach and its components	83	
	103-3 Evaluation of the management approach	83	
	419-1 Non-compliance with laws and regulations in the social and economic area	83	

CERTIFICATE OF CARBON FOOTPRINT



THE CARBON CONSULTING COMPANY

25th February, 2022

Certificate of Assessment – Greenhouse Gas Emissions Inventory

This is to certify that The Carbon Consulting Company (CCC) has conducted an **Organisational Greenhouse Gas (GHG) Assessment** for the operations of Union Assurance PLC using data provided by the client for stipulated emissions sources and activities as described in the table below. Following the assessment, CCC can confirm that the Carbon Footprint of the Organisational Operations of Union Assurance PLC for the calendar year 2020 is **1,062.06 tonnes of Carbon Dioxide Equivalents (tCO₂e)**.

Reporting Scope	Emissions Source	Emissions Activity	Emissions Total (tCO ₂ e)
Scope 1 – Direct Emissions	Stationary Combustion	Generator Fuel	6.25
	Mobile Combustion	Long-term Leased Vehicles (Operational)	35.10
SCOPE 1 TOTAL EMISSIONS			41.35
Scope 2 – Indirect Emissions	Purchased Electricity	Electricity Consumption	577.67
SCOPE 2 TOTAL EMISSIONS			577.67
Scope 3 – Indirect Emissions	Purchased Electricity	Electricity Transmission and Distribution Losses	57.27
	Waste Transportation	Third-party Outbound Waste Transportation	0.00
	Waste Disposal	Waste Disposal	0.01
	Employee Commuting	Employees Commuting to and from Work	91.53
SCOPE 3 TOTAL EMISSIONS			148.83
TOTAL SCOPE 1, 2 & 3 CARBON FOOTPRINT OF UNION ASSURANCE PLC			767.85

The calculations were carried out in accordance with the **Greenhouse Gas Protocol – Corporate Accounting and Reporting Standard (GHG Protocol)** developed in partnership with the **World Business Council for Sustainable Development** and the **World Resources Institute**. This standard provides guidelines regarding organisational and operational assessment boundaries, quantification and standard reporting practices.

Our calculations have applied the methodologies stipulated in the GHG Protocol to a limited scope as requested by Union Assurance PLC, and the client is solely responsible for the authenticity, relevancy and accuracy of the data provided for this GHG Assessment (data have not been independently verified).

Yours faithfully,

Kanishka Jayasinghe
Chief Operating Officer
The Carbon Consulting Company

Carbon Consulting
Company (Private) Limited
Co.Reg.No: PV 74495

Correspondence:

No : 185/1 Sirimath Anagarika
Dhamapala Mawatha,
Colombo 07.

Registered Address

No: 104/11 Grandpost Road,
Colombo 14.

T: (+94) 117 208208
F: (+94) 112 334748
E: info@carbonconsulting.com
W: www.carbonconsultingcompany.com

GLOSSARY OF INSURANCE TERMS

Accumulation - The situation where a significant number of risks insured or reinsured with the same company may be affected simultaneously by a loss event.

Acquisition expenses - All expenses which vary with, and are primarily related to, the acquisition of new insurance contracts and the renewal of existing insurance contracts e.g. commissions.

Actuary - Qualified expert who analyses problems from the area of insurance, investments and pensions using methods of probability theory and financial mathematics and develops solutions with due regard to legal and economic parameters.

Administrative expenses - Costs of an administrative nature including those arising from premium collection portfolio administration, handling of bonuses and rebates and inward and outward reinsurance, including staff costs and depreciation provisions in respect of property, plant and equipment.

Admissible assets - Assets that may be included in determining an insurer's statutory solvency. Such assets are specified under the rules made by the Insurance Board of Sri Lanka under the Regulation of Insurance Industry Act No. 43 of 2000.

Annuity - A series of regular payments. Annuities include annuities certain, where payments are made at definite times, and life annuities, where payments depend on the survival of an annuitant.

A life annuity is a contract that provides a regular payment typically monthly during the lifetime of the policyholder or a fixed period if less. If the payments start at the outset of the contract, it is an immediate annuity. If they start at some point in the future, it is a deferred annuity.

Bancassurance - An arrangement whereby insurer sells insurance and investment products to bank customers.

Beneficiary - A person named by the policyholder as the recipient of the sum insured and other benefits due in the event of the policyholder's death.

Benefits and claims experience variation - The difference between the expected and the actual benefit payout

Cedent - Client of a reinsurance company (also see primary insurers).

Claims - The amount payable under a contract of insurance arising from the occurrence of an insured event.

Claims incurred - A claim is incurred when the event giving rise to the claim occurs. Claims incurred include paid claims and movements in outstanding claims.

Claims outstanding - The amount provided to cover the estimated ultimate cost of settling claims arising out of events which have been notified by the reporting date being the sums due to beneficiaries together with claims handling expenses, less amounts already paid in respect of those claims.

Commissions - A payment made to a broker or a sales agent in return for selling and servicing an insurer's products.

Capital Adequacy Ratio (CAR) - Measures adequacy of the Total Available Capital (TAC) as against the Risk Capital Required (RCR) under the Risk Based Capital Regime.

Discretionary participating features (DPF) - A contractual right given to a policyholder to receive, as a supplement to guaranteed benefits, additional benefits;

- That are likely to be a significant portion of the total contractual benefits;
- Whose amount or timing is contractually at the discretion of the issuer;
- That are contractually based on;
- The performance of a specified pool of contracts or a specified type of contract;
- The realised and or unrealised investment returns on a specified pool of assets held by the issuer; and
- The profit or loss of the company, fund or other entity that issues the contract.

Endowment - Life insurance payable to the policyholder if living on the maturity date stated in the policy or to a beneficiary if the insured dies before that date.

Financial risk - 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 prices 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.

Global Reporting initiative (GRI) - A leading organisation in the sustainability field. GRI promotes the use of sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development. It allied with the UN Global Compact.

Healthcare - An insurance contract which provides medical coverage to a policyholder.

Insurance contract - A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Insurance risk - Uncertainty over the likelihood of an insured event occurring, the quantum of the claim, or the time when claims payments will fall due.

Insurance provision Life - The fund or funds maintained by an insurer in respect of its life insurance business in accordance with the Regulation of Insurance Industry Act No. 43 of 2000.

Investment contract - A contract, which contains significant financial risk and may contain insignificant insurance risk, but does not meet the definition of insurance.

Investment management services - The management of an investment contract on behalf of a policyholder, for which an investment management service fee is charged.

Lapsed Policy - A policy terminated at the end of the grace period because of non payment of premiums.

Liability adequacy test (LAT) - An annual assessment of the sufficiency of insurance and / or investment contract with DPF liabilities, to cover future insurance obligations.

Life surplus - The excess of the assets over the liabilities as determined by the actuary and after the distribution of dividends to policyholders

Life insurance business - Insurance (including reinsurance) business falling within the classes of insurance specified as long term insurance business under the Regulation of Insurance Industry Act No. 43 of 2000.

GLOSSARY OF INSURANCE TERMS

Longevity - The insurer's risk that an insured person lives longer than expected or that life expectancy within an insured portfolio rises as a whole.

Loss ratio - Percentage ratio of claims expenses to earned premiums.

Mortality - The ratio of deaths to the entire population or to a particular age group. It is globally expressed in numbers or rates and set out in mortality tables.

Net asset value - The value of all tangible and intangible assets of a company minus its liabilities. It reflects a company's fundamental value.

Net expenses for claims and benefits - These include the expenses for claims (claims payments and the change in the provision for outstanding claims), expenses for premium refunds and the change in the remaining technical provisions (provision for future policy benefits and other), in each case after deduction of the ceded share.

Non-participating business - Life insurance business where policyholders are not entitled to share in the surplus of the relevant life fund.

Non-proportional reinsurance - Under this form of reinsurance, the reinsurer assumes payment of the primary insurer's loss above a defined amount. The calculation of the reinsurance premium is based on claims experience with the type of business concerned.

Outstanding claims provision - Comprises claims incurred by the policyholder and reported to the insurance company, and IBNR claims.

Participating business - Life insurance business where the policyholders are contractually entitled to share in the surplus of the relevant life fund.

Policyholders' bonuses - In life and health insurance, policyholders are entitled contractually and by law to an appropriate share of the surplus earned by their insurers. The amount of this bonus is fixed each year. As a rule, in life insurance these bonuses increase the benefit payable on maturity of the policy or on occurrence of the insured event; in health insurance, they are paid by way of premium refunds.

Policy loans - A loan from the insurer to a policyholder on the security of the surrender value of a life insurance policy. The loan is normally limited to a percentage of the current surrender value of the policy and interest is charged on such loans.

Premiums - The instalments paid by the customers.

Primary insurers - Insurance companies that assume risks in return for an insurance premium and have a direct contractual relationship with the holder of the insurance policy (private individual, firm or organisation).

Proportional reinsurance - Form of reinsurance in which the sum insured written by the primary insurer is divided proportionally between the primary insurer and the reinsurer, and the reinsurer is allocated a corresponding share of the premiums and claims.

Provision for outstanding claims - Provision for claims that have already been incurred at the reporting date but have either not yet been reported or not yet been fully settled.

Reinsurance - An arrangement whereby one party (the reinsurer), in consideration for a premium, agrees to indemnify another party (the cedent) against part or all of the liability assumed by the cedent under a policy or policies of insurance.

Reinsurance commission - Commission received or receivable in respect of premiums paid or payable to a reinsurer.

Reinsurance insurance risk - that is ceded to another insurer to compensate for losses, but the ultimate obligation to the policyholder remains with the entity who issued the original insurance contract.

Reinsurance inwards - The acceptance of risks under a contract of reinsurance.

Reinsurance outwards - The placing of risks under a contract of reinsurance.

Reinsurance profit commission - Commission received or receivable by the cedent (reinsured) from the reinsurer based on the net profit (as defined in the treaty) made by the reinsurer on the reinsurance treaty.

Retention - The part of the risk assumed which the insurer / reinsurer does not reinsure / retrocede, i.e. retained net for own account.

Retrocession - The reinsurance outwards of risks previously accepted by an insurer as reinsurance inwards. The recipient is known as the retrocessionaire.

Risk Based Capital - A "Risk Based" approach to assess the solvency and is based on the real "cash flows" of the business.

Scenario analysis - Type of analysis used to investigate how certain key figures (market values or carrying amounts) change in the event that predefined market developments occur. Scenario analyses usually takes the form of average if-then analyses.

Stress test - A special form of scenario analysis. The aim is to make a quantitative statement on the loss potential of portfolios in the event of extreme market fluctuations, tail dependencies. The result of risk drivers interacting in exceptional situations.

Surrender value - The amount payable by an insurer to a policyholder on termination of an insurance policy before the expiry of its term (more common in life insurance).

Technical provisions - Uncertain liabilities directly connected with non-life insurance business. These provisions are made to ensure that obligations under insurance contracts can always be met.

Underwriter - Member of an insurance company that acts on behalf of his or her employer to negotiate, accept or reject the terms of an insurance contract. They are responsible for ensuring the quality and reliability of risk-transfer solutions. Their job is to develop products that best reflect the characteristics of the risks and clients' needs.

Unit-linked life Insurance - A type of life insurance with a savings component, where the benefits payable depend on the performance of the assets invested in a fund. The investment risk is borne by the policyholder.

Variable annuities - A special form of unit-linked life insurance where the investment risk is borne primarily by the policyholder but the insurer guarantees a minimum payment on occurrence of the insured event.

Written premium - Life insurance business - Premiums to which the insurer is contractually entitled and received in the accounting period.

QUARTERLY ANALYSIS

Rs'000	2021				Total	2020				Total
	1st quarter January- March	2nd quarter April- June	3rd quarter July- September	4th quarter October- December		1st quarter January- March	2nd quarter April- June	3rd quarter July- September	4th quarter October- December	
Gross written premium	3,401,130	3,142,820	3,960,290	4,901,921	15,406,161	2,647,682	2,429,856	3,847,111	4,183,956	13,108,605
Premium ceded to reinsurers	(169,871)	(180,884)	(184,734)	(190,320)	(725,809)	(118,862)	(146,310)	(162,246)	(162,459)	(589,877)
Net written premium	3,231,259	2,961,936	3,775,556	4,711,601	14,680,352	2,528,820	2,283,546	3,684,865	4,021,497	12,518,728
Other revenue										
Net investment income	1,324,326	1,315,222	1,301,381	1,335,201	5,276,130	1,273,922	1,212,429	1,266,253	1,279,828	5,032,432
Net realised gains / (losses)	49,347	110,578	28,078	243,222	431,225	(78,881)	(299,240)	(85,170)	61,110	(402,181)
Net fair value gains / (losses)	85,679	10,239	105,885	34,045	235,848	11,846	(342,578)	332,883	275,028	277,179
Other income	7,173	6,732	6,793	6,830	27,528	10,388	9,015	8,354	15,827	43,584
Total other revenue	1,466,525	1,442,771	1,442,137	1,619,298	5,970,731	1,217,275	579,626	1,522,320	1,631,793	4,951,014
Total net revenue	4,697,784	4,404,707	5,217,693	6,330,899	20,651,083	3,746,095	2,863,172	5,207,185	5,653,290	17,469,742
Benefits, claims and expenses										
Net insurance benefits and claims paid	(1,022,321)	(709,370)	(1,276,715)	(1,993,532)	(5,001,938)	(682,744)	(768,613)	(1,127,497)	(1,109,653)	(3,688,507)
Net change in insurance claims outstanding	108,801	(29,467)	255,353	57,704	392,391	(124,377)	(46,459)	56,651	9,113	(105,072)
Change in contract liabilities - Life Fund	(2,290,352)	(1,971,344)	(2,273,522)	(541,263)	(7,076,481)	(1,465,913)	(767,229)	(2,496,590)	(1,477,521)	(6,207,253)
Underwriting and net acquisition costs (including reinsurance)	(663,191)	(617,081)	(738,332)	(825,414)	(2,844,018)	(539,498)	(370,977)	(576,242)	(658,413)	(2,145,130)
Other operating, administrative and selling expenses	(531,563)	(791,195)	(785,945)	(1,101,028)	(3,209,731)	(638,162)	(643,038)	(790,506)	(1,184,400)	(3,256,106)
Depreciation and amortisation	(98,440)	(100,195)	(104,610)	(132,311)	(435,556)	(87,515)	(86,298)	(85,887)	(130,571)	(390,271)
Total benefits, claims and expenses	(4,497,066)	(4,218,652)	(4,923,771)	(4,535,844)	(18,175,333)	(3,538,209)	(2,682,614)	(5,020,071)	(4,551,445)	(15,792,339)
Profit from operations	200,718	186,055	293,922	1,795,055	2,475,750	207,886	180,558	187,114	1,101,845	1,677,403
Share of results of equity accounted investee, net of tax	36,867	38,463	39,012	37,215	151,557	27,162	49,194	24,144	15,938	116,438
Profit before tax	237,585	224,518	332,934	1,832,270	2,627,307	235,048	229,752	211,258	1,117,783	1,793,841
Income tax expense	(4,250)	(55,821)	(51,167)	(462,484)	(573,722)	(67,884)	(60,127)	(61,825)	(683,409)	(873,245)
Profit for the year	233,335	168,697	281,767	1,369,786	2,053,585	167,164	169,625	149,433	434,374	920,596

LIFE INSURANCE FUND INSURANCE REVENUE ACCOUNT

For the year ended 31 December

	2021 Rs. '000	2020 Rs. '000
Gross written premium	15,406,161	13,108,605
Premium ceded to reinsurers	(725,809)	(589,877)
Net written premium	14,680,352	12,518,728
Net insurance benefits and claims paid	(5,001,938)	(3,688,507)
Net change in insurance claims outstanding	392,391	(105,072)
Underwriting and net acquisition costs (net of reinsurance)	(2,844,018)	(2,145,130)
Other operating, selling and administrative expenses	(3,184,937)	(3,209,994)
Depreciation and amortisation	(398,556)	(307,628)
Underwriting surplus	3,643,294	3,062,397
Investment and other income	5,033,187	4,041,160
Change in contract liabilities - Life fund	(7,076,481)	(6,207,253)
Income tax expenses	-	(71,304)
Surplus from life insurance fund	1,600,000	825,000
Investment and other income not attributable to policyholders	948,683	939,021
Expenses not attributable to policyholders	(72,933)	(157,922)
Share of results of equity accounted investee, net of tax	151,557	116,438
Income tax expenses	(573,722)	(801,941)
Profit from shareholders' fund	453,585	95,596
Profit for the year attributable to equity holders of the company	2,053,585	920,596

LIFE INSURANCE FUND

STATEMENT OF FINANCIAL POSITION

As at 31 December

	Note	Page	2021 Rs. '000	2020 Rs. '000
Assets				
Intangible assets			631,315	604,217
Property, plant and equipment	27	213	2,746,114	2,468,821
Right of use assets	28	218	421,885	218,312
Financial investments	1	276	49,704,931	42,354,151
Loans to life policyholders	31	230	1,932,079	1,793,470
Reinsurance receivable	32	231	969,446	492,011
Premiums receivable	33	232	532,975	487,959
Receivables and other assets	2	279	398,750	754,710
Cash in hand and at bank	3	279	954,827	951,139
Total assets			58,292,322	50,124,790
Reserves and liabilities				
Reserves				
Available for sale reserve			75,554	558,057
Revaluation reserve	4	279	1,796,366	1,609,828
Other reserves	5	279	(2,270)	1,318
Total reserves			1,869,650	2,169,203
Liabilities				
Insurance contract liabilities	42	238	48,918,147	41,881,657
Insurance contract liabilities - Unit Linked	43	244	916,192	1,061,701
Lease liabilities	44	244	421,300	232,259
Employee benefit liabilities	45	244	239,915	194,753
Reinsurance payables	46	247	1,038,267	533,023
Other liabilities	7	279	4,639,519	3,891,389
Bank overdraft	35	234	249,332	160,805
Total liabilities			56,422,672	47,955,587
Total reserves and liabilities			58,292,322	50,124,790

LIFE INSURANCE FUND

STATEMENT OF CASH FLOWS

For the year ended 31 December

	2021 Rs. '000	2020 Rs. '000
Cash flows from operations		
Insurance premiums received	15,361,145	12,965,627
Reinsurance premiums paid	(22,730)	(417,820)
Insurance benefits and claims paid	(5,014,304)	(4,001,539)
Reinsurance claims received	12,366	313,032
Payments to intermediaries to acquire insurance contracts	(2,836,536)	(2,074,820)
Cash paid to and on behalf of employees	(1,547,262)	(1,256,593)
Interest received	4,114,106	3,589,178
Dividends received	159,636	89,862
Other operating cash flows	(1,906,674)	(1,934,938)
Cash paid to life shareholder fund	(825,000)	(1,000,000)
Cash generated from operating activities - (Note A)	7,494,747	6,271,989
Employee benefits paid	(19,141)	(21,887)
Net cash from operating activities	7,475,606	6,250,102
Cash flows used in investing activities		
Purchase of investments	(17,344,661)	(12,995,160)
Maturity proceeds of investments	4,409,448	3,240,555
Proceeds from sale of investments	5,810,692	4,106,793
Purchase of property, plant and equipment	(178,732)	(51,587)
Purchase of intangible assets	(123,693)	(120,125)
Proceeds on sale of property, plant and equipment	443	821
Net cash used in investing activities	(7,426,503)	(5,818,703)
Net cash inflow before financing activities	49,103	431,399
Cash flows used in financing activities		
Settlement of lease liabilities	(133,942)	(97,189)
Obligation to repurchase securities	-	230,310
Settlement of obligation to repurchase securities	-	(230,310)
Net cash used in financing activities	(133,942)	(97,189)
Net increase in cash and cash equivalents	(84,839)	334,210
Cash and cash equivalents at the beginning of the year	790,334	456,124
Cash and cash equivalent at the end of the year	705,495	790,334

For the year ended 31 December

	2021 Rs. '000	2020 Rs. '000
A. Reconciliation of surplus from life insurance fund before tax with cash from operating activities		
Surplus from life insurance fund before tax	1,600,000	896,306
Non - cash items included in profit before tax		
Depreciation and amortisation	398,556	307,627
Provision for employee benefits	57,664	60,635
Provision for doubtful debtors	(11,093)	8,326
Net realised (gains) / losses	(376,100)	405,424
Net fair value gains	(232,019)	(266,416)
Gains on sale of property, plant and equipment	(385)	(651)
Amortisation of financial investment	(4,665)	(51,623)
Amortisation of lease liabilities	61,485	(9,824)
Scrip dividend income	(33,439)	(34,162)
Interest expense on obligation to repurchase securities	-	1,689
Profit before working capital changes	1,460,004	1,317,331
Net change in operational assets		
Net change in reinsurance assets	(477,435)	10,964
Net change in premiums receivable	(45,016)	(142,978)
Net change in receivables and other assets	(717,105)	(1,801,426)
Net change in operational liabilities		
Net change in life insurance contract liabilities	6,890,981	6,207,533
Net change in reinsurance liabilities	505,244	(279,907)
Net change in other liabilities	(121,926)	960,472
Cash generated from operating activities	7,494,747	6,271,989
B. Cash and cash equivalents at the end of the year		
Cash in hand and at bank	954,827	951,139
Bank overdraft	(249,332)	(160,805)
Cash and cash equivalents	705,495	790,334
Net cash in hand and at bank for the previous year	790,334	456,124
Increase / (Decrease) in cash and cash equivalents	(84,839)	334,210

LIFE INSURANCE FUND NOTES TO THE STATEMENT OF FINANCIAL POSITION

1 FINANCIAL INVESTMENTS

Refer Note 25 for the accounting policy

As at 31 December	Note	2021		2020	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Rs. '000					
Held to maturity financial assets (HTM)	1.1	24,753,852	24,102,548	18,710,892	23,087,756
Loans and receivables (L&R)	1.2	15,806,389	15,628,781	15,513,028	16,544,176
Available for sale financial assets (AFS)	1.3	3,172,089	3,172,089	3,524,525	3,524,525
Financial assets at fair value through profit or loss (FVTPL)	1.4	5,972,601	5,972,601	4,605,706	4,605,706
Total financial investments		49,704,931	48,876,019	42,354,151	47,762,163

1.1 Held to Maturity Financial Assets (HTM)

As at 31 December	Note	2021 Rs. '000	2020 Rs. '000
Amortised cost			
Debentures	30.3	216,387	216,450
Treasury bills		2,298,977	-
Treasury bonds		22,238,488	18,494,442
Total HTM financial investments		24,753,852	18,710,892

1.2 Loans and Receivables (L&R)

As at 31 December	Note	2021 Rs. '000	2020 Rs. '000
Amortised cost			
Asset Backed Securities		306,908	-
Bank deposits		2,928,710	3,897,877
Debentures	1.2 (a)	10,040,694	9,542,799
Commercial Papers		641,496	413,504
Reverse repurchase agreements		1,888,581	1,658,848
Total L&R financial investments		15,806,389	15,513,028

1.2 (a) Debentures

As at 31 December	Credit Rating	Maturity date	2021			
			No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
Issuer						
Lanka Orix Leasing Company PLC	A	7/31/22	500,000	52,731	52,932	13.00
National Savings Bank	AAA	9/10/22	1,500,000	154,904	157,014	11.00
LB Finance PLC	A-	12/11/22	1,000,000	100,653	102,873	12.75
LB Finance PLC	BBB	12/11/22	1,000,000	100,678	102,892	13.25
Sampath Bank PLC	A	12/21/22	1,950,000	197,451	199,972	12.50
Sampath Bank PLC	A	3/20/23	2,500,000	258,649	262,618	12.50
DFCC Bank PLC	A-	3/29/23	2,000,000	218,873	222,353	12.60
Nations Trust Bank PLC	BBB+	4/20/23	2,875,000	313,063	313,611	13.00
Siyapatha Finance PLC	A	7/7/23	3,969,600	418,089	423,734	11.25
Hatton National Bank PLC	AA-	8/30/23	1,204,706	114,283	120,424	8.00
Bank of Ceylon	A	10/25/23	452,300	46,840	48,710	13.75
Hatton National Bank PLC	A	11/1/23	724,000	73,904	76,868	13.00
National Development Bank PLC	A-	12/19/23	4,500,000	515,413	535,810	13.90
Sampath Bank PLC	A	2/28/24	1,500,000	171,823	175,865	13.90
Seylan Bank PLC	BBB+	4/18/24	2,000,000	220,734	234,242	15.00
People's Leasing & Finance PLC	A+	8/5/24	5,258,875	430,672	402,913	8.00
Siyapatha Finance PLC	BBB+	8/8/24	2,760,000	290,141	300,768	13.33
Hayleys PLC	A+	8/26/24	500,000	52,269	54,451	13.00
LOLC Holdings PLC	A	9/27/24	2,268,702	262,202	253,993	15.00

As at 31 December

Issuer	2021					
	Credit Rating	Maturity date	No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
Nations Trust Bank PLC	BBB+	12/23/24	1,000,000	100,297	100,316	12.80
HNB Finance Limited	BBB+	12/30/24	6,000,000	600,635	618,732	13.20
First Capital Treasuries PLC	A-	1/30/25	1,500,000	155,423	161,126	12.75
DFCC Bank PLC	A-	3/29/25	3,000,000	329,226	329,704	13.00
Seylan Bank PLC	BBB+	3/29/25	2,000,000	206,596	206,727	13.20
DFCC Bank PLC	A+	6/12/25	3,270,000	346,486	340,397	11.00
National Development Bank PLC	A-	9/25/25	5,000,000	512,277	474,923	9.50
DFCC Bank PLC	A-	10/23/25	3,000,000	304,970	277,163	9.00
People's Bank	AA	3/29/26	5,000,000	534,815	490,118	9.25
Singer Finance (Lanka) PLC	A-	6/25/26	402,700	42,108	37,308	8.96
Siyapatha Finance PLC	BBB+	9/1/26	5,000,000	515,324	455,513	9.46
Hatton National Bank PLC	A	9/23/26	864,100	89,315	90,109	12.80
Nations Trust Bank PLC	BBB+	12/23/26	3,000,000	300,932	300,954	12.90
People's Bank	AA	11/8/27	4,370,000	444,586	445,950	12.25
Seylan Bank PLC	BBB+	3/29/28	3,000,000	310,138	308,055	13.50
Sri Lanka Telecom PLC	AA-	4/19/28	2,000,000	205,061	205,757	12.75
Commercial Bank of Ceylon PLC	A	7/23/28	5,000,000	527,612	523,276	12.50
People's Bank	AA-	7/27/30	5,000,000	521,521	454,343	10.25
				10,040,694	9,862,514	

As at 31 December

Issuer	2020					
	Credit Rating	Maturity date	No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
Commercial Bank of Ceylon PLC	AA-	3/9/21	250,000	25,841	25,962	10.75
Citizens Development Business Finance PLC	A-	6/3/21	515,390	52,732	52,841	12.75
Seylan Bank PLC	BBB+	7/15/21	950,400	100,888	103,346	13.00
Siyapatha Finance PLC	A	9/20/21	102,400	10,576	11,096	13.50
Singer Sri Lanka PLC	BBB+	9/28/21	3,500,000	360,508	372,906	12.00
Bank of Ceylon	AA-	10/24/21	242,499	24,904	26,164	13.25
Nations Trust Bank PLC	BBB+	11/8/21	3,000,000	305,428	318,266	12.65
People's Leasing & Finance PLC	A+	11/16/21	2,000,000	202,996	213,015	12.60
Bank of Ceylon	AA-	12/29/21	2,000,000	201,120	213,062	13.25
Lanka Orix Leasing Company PLC	A	7/31/22	500,000	52,871	56,697	13.00
National Savings Bank	AAA	9/10/22	1,500,000	154,934	165,849	11.00
LB Finance PLC	A-	12/11/22	1,000,000	100,660	109,236	12.75
LB Finance PLC	BBB+	12/11/22	1,000,000	100,685	109,667	13.25
Sampath Bank PLC	A	12/21/22	1,950,000	199,178	216,695	12.50
Sampath Bank PLC	A	3/20/23	2,500,000	258,644	283,166	12.50
DFCC Bank PLC	A-	3/29/23	2,000,000	218,890	237,744	12.60
Nations Trust Bank PLC	BBB+	4/20/23	2,875,000	313,019	341,584	13.00
Siyapatha Finance PLC	A	7/7/23	3,969,600	418,128	418,738	11.25
Hatton National Bank PLC	AA+	8/30/23	1,204,706	109,542	127,471	8.00
Bank of Ceylon	AA-	10/25/23	452,300	47,080	53,556	13.75
Hatton National Bank PLC	AA-	11/1/23	724,000	73,920	84,371	13.00
National Development Bank PLC	A-	12/19/23	4,500,000	516,643	579,066	13.90

LIFE INSURANCE FUND NOTES TO THE STATEMENT OF FINANCIAL POSITION

As at 31 December
Issuer

	2020					
	Credit Rating	Maturity date	No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
Sampath Bank PLC	A	2/28/24	1,500,000	173,660	191,406	13.90
Seylan Bank PLC	BBB+	4/18/24	2,000,000	220,697	254,028	15.00
Siyapatha Finance PLC	BBB+	8/8/24	2,760,000	290,197	312,796	13.33
Hayleys PLC	A+	8/26/24	500,000	52,275	60,118	13.00
Nations Trust Bank PLC	BBB+	12/23/24	1,000,000	100,316	113,437	12.80
HNB Finance Limited	A	12/30/24	6,000,000	600,365	698,194	13.20
First Capital Treasuries PLC	A-	1/30/25	1,500,000	157,224	178,256	12.75
DFCC Bank PLC	A-	3/29/25	3,000,000	329,162	374,347	13.00
Seylan Bank PLC	BBB+	3/29/25	2,000,000	206,587	236,680	13.20
DFCC Bank PLC	A+	6/12/25	3,270,000	346,523	380,476	11.00
National Development Bank PLC	A-	9/25/25	5,000,000	512,325	512,753	9.50
DFCC Bank PLC	A-	10/23/25	3,000,000	304,997	305,178	9.00
Hatton National Bank PLC	AA-	9/23/26	864,100	89,326	107,359	12.80
Nations Trust Bank PLC	BBB+	12/23/26	3,000,000	300,970	351,615	12.90
People's Bank	AA	11/8/27	4,370,000	444,633	538,196	12.25
Seylan Bank PLC	BBB+	3/29/28	3,000,000	310,119	375,892	13.50
Sri Lanka Telecom PLC	AA+	4/19/28	2,000,000	205,053	259,675	12.75
Commercial Bank of Ceylon PLC	AA-	7/23/28	5,000,000	527,624	640,290	12.50
People's Bank	AA-	7/27/30	5,000,000	521,559	562,664	10.25
				9,542,799	10,573,858	

1.3 Available for Sale Financial Assets (AFS)

As at 31 December	2021 Rs. '000	2020 Rs. '000
Fair value		
Treasury bills	433,745	-
Treasury bonds	2,738,344	3,524,525
Total AFS financial investments	3,172,089	3,524,525

1.4 Financial Assets at Fair Value Through Profit or Loss (FVTPL)

As at 31 December	Note	2021 Rs. '000	2020 Rs. '000
Fair value			
Quoted equities	30.6(a)	3,192,497	2,884,723
Unit Trusts		1,860,551	667,626
		5,053,048	3,552,349
Investments in unit linked funds			
Quoted equities	30.6(b)	575,523	783,223
Commercial Papers		-	10,259
Reverse repurchase agreements		172,497	82,998
Treasury bills		9,901	-
Treasury bonds		12,117	-
Bank deposits		10,744	28,444
Debentures		138,771	148,433
		919,553	1,053,357
		5,972,601	4,605,706

2 RECEIVABLES AND OTHER ASSETS

As at 31 December	Note	2021 Rs. '000	2020 Rs. '000
Financial assets			
Agent loans	34.2	24,190	158,015
Refundable deposits		42,779	25,040
Other receivables		8,028	19,625
		74,997	202,680
Non financial assets			
Taxes recoverable	2.1	248,830	255,172
Prepayments		35,212	29,732
Inventories		9,993	14,231
Advance payments		25,580	248,506
Other receivables		4,138	4,389
		323,753	552,030
Total receivable and other assets		398,750	754,710

2.1 Taxes Recoverable

As at 31 December	2021 Rs. '000	2020 Rs. '000
ACT recoverable	92,296	92,296
WHT receivable	156,534	156,875
ESC receivable	-	6,001
	248,830	255,172

3 CASH IN HAND AND AT BANK

As at 31 December	2021 Rs. '000	2020 Rs. '000
Cash at bank	950,688	948,158
Cash at bank - Unit Linked	56	55
Cash in hand	4,083	2,926
Total	954,827	951,139

4 REVALUATION RESERVE

	2021 Rs. '000	2020 Rs. '000
Balance as at 1 January	1,609,828	1,613,544
Revaluation surplus during the year	190,254	-
Adjustment for deferred tax	-	-
Transfer to retained earnings	(3,716)	(3,716)
Balance as at 31 December	1,796,366	1,609,828

5 OTHER RESERVES

As at 31 December	2021 Rs. '000	2020 Rs. '000
Reserve on Cornhill merger	16,752	16,752
Reserve on retirement benefit obligation	(19,022)	(15,434)
Total other reserves	(2,270)	1,318

6 RESERVE ON MERGER WITH CORNHILL (PRIVATE) LIMITED

The unrealised gain reflects the net result of the merger of the Company and Cornhill (Private) Limited. The investment in Cornhill (Private) Limited was absorbed by merging all assets and liabilities into the life policyholders.

7 OTHER LIABILITIES

As at 31 December	2021 Rs. '000	2020 Rs. '000
Financial liabilities		
Agency commission payable	462,556	431,352
Premiums in suspense	931,585	760,244
Other liabilities	2,083,931	1,506,257
	3,478,072	2,697,853
Non financial liabilities		
Government levies	37,194	8,352
Other staff related provisions	266,749	318,794
Premium received in advance	3,316	6,464
Other liabilities	854,188	859,926
	1,161,447	1,193,536
Total other liabilities	4,639,519	3,891,389

UNDERSTANDING OUR FINANCIALS

Statement of Income

Gross Written Premium (GWP)

The main source of income consisting premiums paid by customers for the risk/s which they transfer to the company or the money charged for a certain amount of insurance coverage is called the Gross Written Premium (GWP). It's comparable with the 'turnover' of a trading or manufacturing organisation.

Premium Ceded to Reinsurers

The portion of risk that a primary insurer passes to a reinsurer. This allows the company to reduce its risk exposure and the accepting company receives a premium for taking on the risk.

Net Written Premium

Refers to the portion of premium which is applicable for the financial year and earned by the insurer by providing insurance against various risks during the year.

Net Investment Income

Refers to interest income and dividend income received, from investments maintained by the company after deducting the costs of the related investments such as bank charges, custodian fees, brokerage fee, etc.

Net Realised Gains

Net realised gains / losses resulting from selling of financial investments at a price higher or lower than the book value.

Net Fair Value Gains

Net fair value gains / losses incurred by the company due to change in the market value of investments which are sensitive to market value change (e.g: Quoted equity).

Net Benefits and Claims Paid

Refers to total amount of claims and claims related expenses incurred during the year, where appropriate, adjusted by claims outstanding provisions at the beginning and end of the accounting period (e.g. surrenders, policy maturities, annuities and interim payments). This also includes the balance transferred to the life fund.

Underwriting and Net Acquisition Costs

Net acquisition expenses consists of the following;

Commission / Franchise Fees

Policies are sold by intermediaries, the fee paid to an agent or broker as a percentage of the policy premium is considered as commission. The percentage varies depending on coverage and the duration of the policy.

Reinsurance Commission

The commission paid by the reinsurer to the ceding company (primary insurer) on reinsurance agreements as compensation to place the business with the reinsurer and to cover the ceding company's acquisition expenses.

Other Operating and Administrative and Selling Expenses

Refers to staff, administration, sales and marketing costs incurred by the company.

Share of Results of Equity Accounted Investee, Net of Tax

Refers to the share of profit from Fairfirst Insurance Limited attributable to the company.

Statement of Financial Position

Industry specific items are selected and explained below

Investment in Equity Accounted Investee

Refers to carrying value of 22% stake in Fairfirst Insurance Limited.

Financial Investments

Invested money received from policyholders to pay benefits and increase profitability of the company with the expectation of capital appreciation, dividends (profit), interest earnings, or some combination of these returns. Income earned from policyholders money is accumulated to Life fund.

Loans to Life Policyholders

Life policyholders can obtain loans from the company up to a certain percentage of the surrender value of the policy. Loan granted under these criteria are presented here.

Reinsurance Receivables

Includes amounts due from the company's reinsurers on current claims and estimates of amounts that will be due on future claims.

Premium Receivables

Consist of premium related balances due from policyholders.

Insurance Contract Liabilities – Life

Due to the longer duration of the policy period, insurance companies are required to maintain a separate fund to meet future policyholders obligations. This is known as the 'Insurance contract liabilities'. The size of the fund that needs to be maintained is determined by the actuarial valuation annually. This process estimates the excess of the assets over the policyholder's liabilities of the fund after distribution of dividends to the policyholders as at the year end. The excess is generally known as Life Surplus and is transferred as shareholders' funds in the financial statements.

Insurance Contract Liabilities - Unit Linked

Same meaning as above, however it related to the unit linked operation.

Reinsurance Payables

Represent payables to reinsurers for risk portion undertaken by them.

DISTRIBUTION NETWORK

Branch	Address	Contact Number/s
Akuressa	No. 38 & No 6A, D C Wanigasekara Mawatha, Akuressa	Tel: 412283393 / 412283493 / 413003457
Aluthgama	No. 51 1/1, Galle Road, Kalua Modara, Aluthgama	Tel: 342291690 / 342291689
Ambalangoda	No. 20, New Road, Ambalangoda	Tel: 912258862 / 912255882 / 912258916
Ambalanthota	No.153 & 153 1/1, Tangalle Road, Thawaluvila, Ambalantota	Tel: 472223370 / 472225027 / 472225028 / 472225626
Ampara	No. 60 & 60/1, 'Indrawansha Building', D S Senanayaka Street, Ampara	Tel: 632224668 / 632224401 / 632223669 / 632223311 / 632224678
Anuradhapura	No. 272, Main Street, Anuradhapura	Tel: 252224677 / 252237777 / 252234984 / 252235547 / 252237778
Awissawella	No. 37 A, Kudagama Road, Awissawella	Tel: 362233575 / 362254095
Baddegama	No.164, Kumme, Baddegama Town, Baddegama	Tel: 913092772 / 912292783
Badulla	No.1st Floor, Kings City, Badulla	Tel: 552229536 / 552224373
Bakamuna	No. 542, Bakamuna	Tel: 662256100 / 662256644
Balangoda	No.164, Thumbagoda Junction, Balangoda	Tel: 452289199 / 453603111
Bandarawela	No. 5, Haputale Road, Bandarawela	Tel: 572223239 / 572223475 / 572221760
Batticaloa	No. 217, Trincomalee Road, Batticaloa	Tel: 652228750 / 652224574 / 652228167
Borella	No. 80A, Ward Place, Colombo 07	Tel: 112680974 / 112680977 / 113401673
Chilaw	No. 87, Puttalam Road, Chilaw	Tel: 322222104 / 322222112 / 322222116
Dambulla	No. 755, Anuradhapura Road, Dambulla.	Tel: 662284628 / 663140611
Embilipitiya	No.162, New Town Road, Embilipitiya	Tel: 472230463 / 472261946 / 472262010 / 472261963
Galle	No.147, 1st Floor, Colombo Road, Kaluwella, Galle	Tel: 912243948 / 912231107 / 912229419 / 913131631 / 912243409
Gampaha	No. 55, Yakkala Road, Gampaha	Tel: 332226441 / 332235130 / 332247411
Gampola	No.10B, Nidahas Mw, Keerapana, Gampola	Tel: 812077174 / 812077175 / 812077176 / 113401675
Giriulla	No. 86A, Negombo Road, Giriulla	Tel: 372288586 / 372248511
Hingurakgoda	No. 02, Airport Road, Hingurakgoda	Tel: 272246581 / 272246581
Homagama	No. 56/A, Katuwana Road, Homagama	Tel: 112892802 / 112892803 / 113663971
Horana	No.198, Rathnapura Road, Horana	Tel: 342265217 / 343144404
Ja-Ela	No. 71A2/1, Negombo Road, Ja-Ela	Tel: 112241512 / 112243633 / 112226395
Jaffna	No. 218 3/1, Stanley Road, Jaffna.	Tel: 212223753 / 212216703 / 213153080 / 212223762 / 212223760 / 212223765 / 212223763
Kadawatha	No.1158 2/1, Kandy Road, Kadawatha	Tel: 112927252 / 113071596 / 112927253
Kalmunai	No. 212, Batticaloa Road, Kalmunai	Tel: 672222633 / 672050049
Kalutara	No. 338/1/2, Main Street, Kalutara	Tel: 342222114 / 342222104
Kamburupitiya	No.74, 1st Floor, Matara Road, Kamburupitiya	Tel: 412294580 / 412294581
Kandy	No. 300, Katugastota Road, Kandy	Tel: 812227443 / 812232731 / 812225025 / 812233291 / 812050951
Katugastota	No.185/4, Galagedara Road, Katugastota	Tel: 812500286 / 812500205 / 812500588
Kegalle	No.134, Kalugalla Mawatha, Kegalle	Tel: 352221028 / 352230497 / 352232165
Kilinochchi	No. 83 & 85, Kandy Road, Kilinochchi	Tel: 212280118 / 212280117 / 212280119
Kiribathgoda	No. 97, Kandy Road, Kiribathgoda	Tel: 112916197 / 112916198 / 113037591
Kirulapone	No. 57-2/1, High Level Road, Kirillapona, Colombo 06	Tel: 112513362 / 112513363 / 113024334 / 112513361
Kottawa	No.193/C, Horana Road, Kottawa, Pannipitiya	Tel: 112178008 / 113158154
Kuliyapitiya	No. 93, Madampe Road, Kuliyapitiya	Tel: 372281904 / 372282904

DISTRIBUTION NETWORK

Branch	Address	Contact Number/s
Kurunegala	No. 6, Rajapihilla Road, Kurunegala	Tel: 372222474 / 372228509 / 372228513 / 113134777 / 372224252 / 372227585 / 372223650 / 372230435 / 372221834 / 372222282 / 372230950 / 372223230 / 372230465
Maharagama	No. 272/B/2/1, Awissawella Road, Maharamaga	Tel: 112842315 / 112089082 / 112089081
Maho	No. 272, Moragollagama Road, Mahawa	Tel: 372275264
Mahiyanganaya	No. 44D, Miyugunagama, Mahiyanganaya	Tel: 552258255 / 552258777
Mannar	No.191, Thalaimannar Road, Sinna Kadaï, Mannar	Tel: 232223257 / 232251882 / 233238255
Matale	No. 553/F 1/2, Trincomalee Street, Matale	Tel: 662231536 / 662222929
Matara Zone 1	No. 58 1/2, 3rd Floor, Esplanade Road, Matara	Tel: 412232740 / 412226633 / 412223024 / 412226644 / 412226033
Matara Zone 2	No. 58 1/2, 2nd Floor Esplanade Road, Matara	Tel: 412226865 / 412226806 / 412226837 / 412226805 / 412226838
Mathugama	No. 94/2, Agalawatta Road, Mathugama	Tel: 342241441 / 342248017 / 343944339
Melsiripura	No.105/18, Siripura Estate, 15 Mile Post, Melsiripura	Tel: 373120020 / 372051123 / 372051205
Moneragala	No.112, Wellawaya Road, Monaragala	Tel: 552276290 / 552277379 / 552276379
Moratuwa	No. 495 B, Galle Road, Rawathawatta, Moratuwa	Tel: 112645526 / 112645802 / 112641800 / 112641855 / 112641666
Mullaitivu	First Floor, P W D Road, Mullathive Town, Mullathivu	Tel: 212290894 / 212290893 / 213135135
Negombo	No.147, St.Joseph's Street, Negombo	Tel: 312224264 / 312238443 / 312235043 / 313717890
Nelliady	Jaffna Nelliady Road, Navalar Madam, Nelliady	Tel: 212260344 / 212261970 / 213202094
Nikaweratiya	No. 65, Puttlam Road, Nikaweratiya	Tel: 372260567 / 372260334 / 372260249
Nittabuwā	No. 55, Kandy Road, Nittambuwa	Tel: 332293924 / 332051987
Nugegoda	No. 376, High Level Rd, Gangodawila, Nugegoda	Tel: 112815511 / 112815512 / 112815513 / 112811703
Nuwara Eliya	No. 36, Park Road, Nuwara Eliya	Tel: 522223341 / 522235499 / 113135922
Padaviya	No. 2, New Town, Padaviya	Tel: 252253018 / 252253277 / 253770758
Panadura	No. 571, Galle Road, Panadura	Tel: 382244830 / 382244790
Pettah	No. 73, 74, Colombo Gold Centre, Colombo 11	Tel: 112432704 / 112432329 / 112432321
Piliyandala	No. 24, Vidyala Mawatha, Piliyandala	Tel: 112619550 / 112609105
Polonnaruwa	No.13, 1st Floor, Hospital Junction, Polonnaruwa.	Tel: 272226611 / 272226612 / 113135573
Puttalam	No. 97/1, 2nd Floor, Cargills Food City Building, Puttalam	Tel: 322265980 / 322267475 / 322265890
Rajagiriya	Westin Towers, No. 2, Lake Drive, Colombo 08	Tel: 112689514 / 1 12689519 / 112689527 / 113431724 / 113049480 / 113431725
Rathnapura	No. 567 1/1 (New No: 23/2/1), Senavirathna Building, Colombo Road, Rathnapura	Tel: 452226740 / 452233035 / 453471507 / 452255773
Ruwanwella	No.185 1/2, Avissawella Road, Ruwanwella	Tel: 362266631
Tangalle	No. 61, Beach Road, Tangalle	Tel: 472241841 / 472241727 / 473125277
Thalawathugoda	No. 705, Boralla Road, Thalawathugoda	Tel: 112775495 / 112775496 / 113661551 / 113661552
Thambuttegama	No.148,Thammanagama, Thambuththegama	Tel: 252276060 / 252275185 / 252276211 / 253770757
Tissamaharama	No.118, Hambantota Road,Tissamaharama	Tel: 472237711 / 472238027
Trincomalee	No.170, Abeyapura, Kandy Road, Trincomalee	Tel: 262227536 / 262227530
Valachchenai	Main Street, Valachchanai	Tel: 652258556 / 652258555
Vavuniya	No.188,190,192,& 190/1, Kandy Road, Vavuniya	Tel: 242226003 / 242227113 / 242223138
Warakapola	Kosgahakumbura, Warakapola	Tel: 352267441 / 352267069
Wariyapola	No. 203/A, Kurunegala Road, Wariyapola	Tel: 372268208 / 372267206
Wellawaya	No. 2B, Kumaradasa Mawatha, Wellawaya	Tel:552274380/552274219/552274218/553600031
Wennapuwa	No. 6, Colombo Road, Wennappuwa	Tel:312255844/312253892

CORPORATE INFORMATION



Name of Company

Union Assurance PLC

Legal Form

A public limited liability company incorporated in Sri Lanka on 8 January 1987 and registered under the Companies Act No. 07 of 2007 and quoted on the Colombo Stock Exchange since 1988.

Company Registration Number

PQ 12

Tax Payer Identification Number (TIN)

134001372

Directors

K. N. J. Balendra - Chairman
S. Rajendra
D. H. Fernando
S. A. Appleyard
D. P. Gamlath
W. M. De F. Arsakularatne

Board Human Resource and Compensation Committee

The Board Human Resource and Compensation Committee (BHRCC) of John Keells Holdings PLC (the Parent) represents the BHRCC of the Company.

Nominations Committee

The Nominations Committee (NC) of John Keells Holdings PLC (the Parent) represents the NC of the Company.

Related Party Transaction Review Committee

The Related Party Transaction Review Committee (RPTRC) of John Keells Holdings PLC (the Parent) represents the RPTRC of the Company.

Project Risk Assessment Committee

The Project Risk Assessment Committee (PRAC) of John Keells Holdings PLC (the Parent) represents the PRAC of the Company.

Board Audit and Compliance Committee

W. M. De F. Arsakularatne - Chairman
D. H. Fernando
S. Rajendra

Investment Committee

J. G. A. Cooray - Chairman
W. M. De F. Arsakularatne
Jude Gomes
Asha Perera
Jayaraman Muthukrishnan
Angelo Keil

SLFRS-17 Steering Committee

S. A. Appleyard - Chairman
S. Rajendra
Sherin Cader

Secretaries and Registrars

Keells Consultants (Private) Limited
117, Sir Chittampalam A. Gardiner Mawatha,
Colombo 2.

Auditors

Messrs. KPMG (Chartered Accountants)
PO Box 186,
32A, Sir Mohamed Macan Markar Mawatha,
Colombo 3.

Appointed Actuaries

Willis Towers Watson India Private Limited
Unitech Business Park, 2nd Floor
Tower-B, South City 1, Sector 41
Gurgaon-122002
India.

Lawyers

The Legal Department
John Keells Holdings PLC
117, Sir Chittampalam A Gardiner Mawatha,
Colombo 2.

Bankers

Bank of Ceylon
Commercial Bank of Ceylon PLC
Deutsche Bank AG
DFCC Bank PLC
Hatton National Bank PLC
Housing Development Finance Corporation
National Development Bank PLC
National Savings Bank
Nations Trust Bank PLC
People's Bank
Sampath Bank PLC
Seylan Bank PLC
Standard Chartered Bank
Union Bank Colombo PLC

Reinsurance Panel

RGA
Hannover Re
Munich Re
Partner Re

Registered Office of the Company

20, St Michael's Road,
Colombo 3.

Investor Relations

All investor queries should be directed to;
Investor relations hotline 011-2990314
e-mail: investorrelations@unionassurance.com

NOTES

[illegible]

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

NOTICE OF MEETING

Notice is hereby given that the 35th Annual General Meeting of Union Assurance PLC will be held as a virtual meeting on Thursday, 31 March 2022 at 2.00 p.m.

The business to be brought before the Meeting will be as follows:

1. To read the Notice convening the Meeting.
2. To receive and consider the annual report and financial statements of the Company for the year ended 31 December 2021 with the Report of the Auditors thereon.
3. To re-elect as Director, Mr. S Rajendra who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr. S Rajendra is contained in the Board of Directors section of the Annual Report.
4. To re-elect as Director, Mr. S A Appleyard who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr. S A Appleyard is contained in the Board of Directors section of the Annual Report.
5. To re-appoint the Auditors, Messrs. KMPG, Chartered Accountants and to authorize the Directors to determine their remuneration.
6. To consider any other business of which due notice has been given in terms of the relevant laws and regulations.

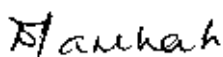
The Annual Report and Financial Statements of Union Assurance PLC will be available via the links given below:

- 1) Corporate Website - <https://unionassurance.com/financial-reports/> and
- 2) the CSE Website - <https://www.cse.lk/home/company-info/UAL.N0000/financial>

Members may also access the Annual Report and Financial Statements on their electronic devices by scanning the following QR code.



By Order of the Board
Union Assurance PLC

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

Keells Consultants (Private) Limited
Secretaries

28 February, 2022

For clarifications on how to download and/or access the Annual Report and Financial Statements, please contact Sashika Perera on 0740 243 352 during normal office hours (8.30 a.m. to 4.30 p.m.) or email sashika@unionassurance.com

Should Members wish to obtain a hard copy of the Annual Report, they may send a written request to the registered office of the Company by filling the Request Form attached to the Form of Proxy. A printed copy of the Annual Report will be forwarded by the Company within eight (8) market days from the date of receipt of the request.

Notes:

- a. A Member unable to attend is entitled to appoint a Proxy to attend and vote in his/her place.
- b. A Proxy need not be a member of the Company.
- c. A Member wishing to vote by Proxy at the Meeting may use the Form of Proxy enclosed.
- d. In order to be valid, the completed Form of Proxy must be lodged at the registered office of the Company or forwarded to the email address: keellsconsultants@keells.com or Fax No.011 2439037 not less than 48 hours before the Meeting.
- e. A vote can be taken on a show of hands or by a poll. If a poll is demanded, each share is entitled to one vote. Votes can be cast in person, by proxy or corporate representatives. In the event an individual Member and his/her Proxy holder are both present at the Meeting, only the Member's vote is counted. If the Proxy holder's appointor has indicated the manner of voting, only the appointor's indication of the manner to vote will be used.

FORM OF PROXY

I/We of
being a member/s of Union Assurance PLC hereby appoint
of or failing him/her

Mr. Krishan Niraj Jayasekara Balendra or failing him
 Mr. Suresh Rajendra or failing him
 Mr. Dumith Hemantha Fernando or failing him
 Mr. Stephen Anthony Appleyard or failing him
 Mr. Daminda Prabath Gamlath or failing him
 Mr. Warnage Malinga De Fonseka Arsakularatne

as my/our proxy to represent me/us and vote on my/our behalf at the 35th Annual General Meeting of the Company to be held on 31 March 2022 at 2.00 p.m. and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

I/We, the undersigned, hereby direct my/our proxy to vote for me/us and on my/our behalf on the specified Resolution as indicated by the letter "X" in the appropriate cage;

	For	Against
1. To re-elect as Director, Mr. S Rajendra who retires in terms of Article 84 of the Articles of Association of the Company	☐	☐
2. To re-elect as Director, Mr.S A Appleyard who retires in terms of Article 84 of the Articles of Association of the Company	☐	☐
3. To re-appoint the Auditors, Messrs. KPMG, Chartered Accountants and to determine their remuneration	☐	☐

Signed on thisday of Two Thousand and Twenty Two.

.....
 Signature /s of Shareholders/s

Note:

Instructions as to completion of the form of proxy are noted on the reverse.

FORM OF PROXY

INSTRUCTIONS ASTO COMPLETION OF PROXY

- 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. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 20, St. Michael’s Road, Colombo 3 or forwarded to the email address: keellsconsultants@keells.com or Fax No.011 2439037, no later than 48 hours before the time appointed for the convening of the Meeting.
- 3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
- 4. If the appointer is a company or corporation, the Form of Proxy should be executed under its Common Seal or by a duly authorised officer of the company or corporate in accordance with its Articles of Association or Constitution.
- 5. If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the Proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

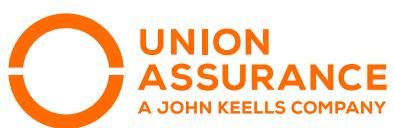
Please fill in the following details:

Name	:	
Address	:	
		
		
Jointly with	:	
National Identity Card No:		
Share Folio No.	:	

Designed & produced by

emagewise

Digital Plates & Printing by Softwave Printing and Publishing (Pvt) Ltd



Union Assurance PLC
20, St. Michael's Road, Colombo 03, Sri Lanka.
+94 11 2990990
www.unionassurance.com