



INSURANCE
REGULATORY
COMMISSION OF
SRI LANKA



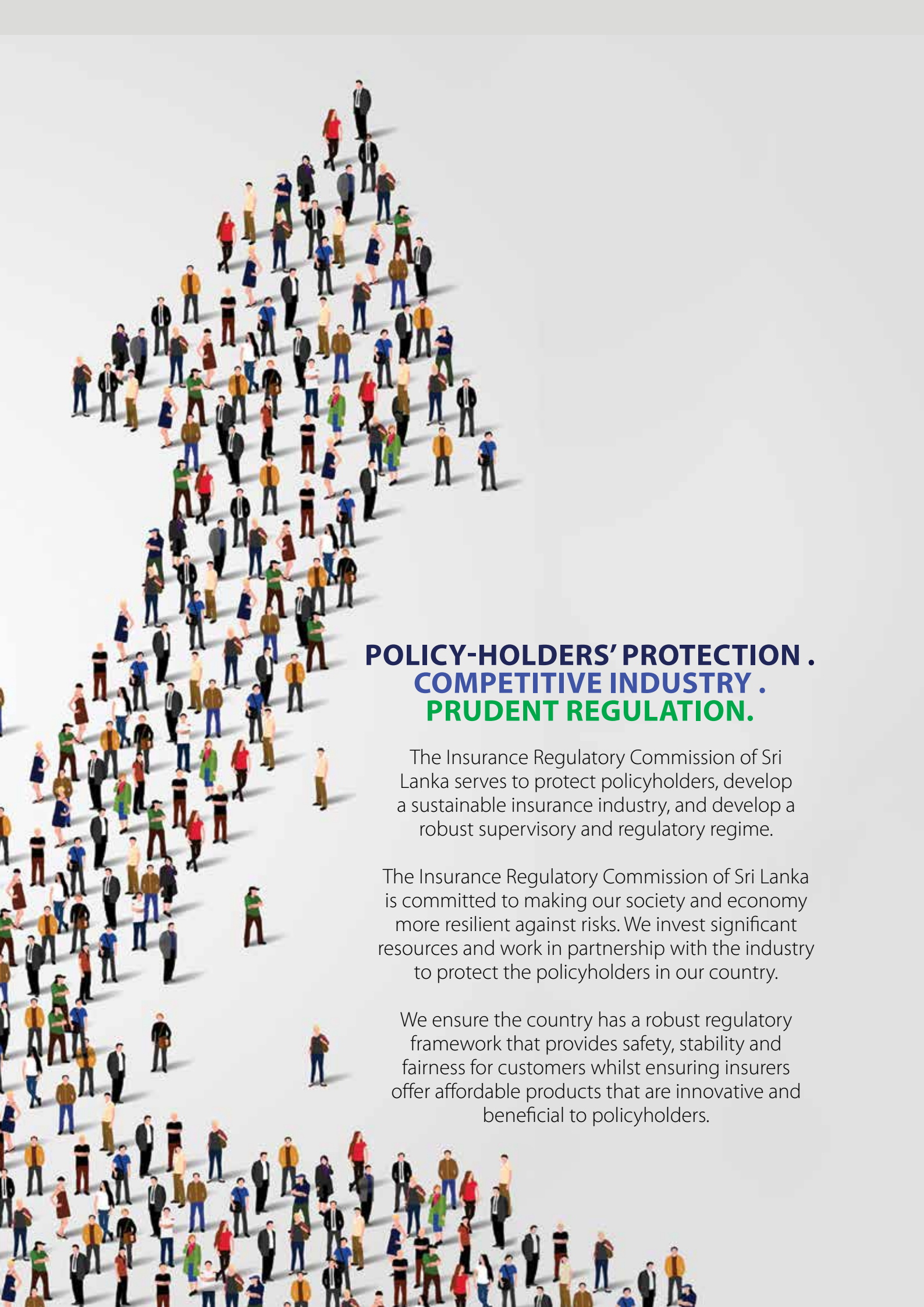
POLICY-HOLDERS' PROTECTION
COMPETITIVE INDUSTRY
PRUDENT REGULATION

Annual Report 2020

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POLICY-HOLDERS' PROTECTION . COMPETITIVE INDUSTRY . PRUDENT REGULATION.

The Insurance Regulatory Commission of Sri Lanka serves to protect policyholders, develop a sustainable insurance industry, and develop a robust supervisory and regulatory regime.

The Insurance Regulatory Commission of Sri Lanka is committed to making our society and economy more resilient against risks. We invest significant resources and work in partnership with the industry to protect the policyholders in our country.

We ensure the country has a robust regulatory framework that provides safety, stability and fairness for customers whilst ensuring insurers offer affordable products that are innovative and beneficial to policyholders.



INSURANCE
REGULATORY
COMMISSION OF
SRI LANKA

VISION

To be the benchmark Insurance Regulator in Asia

MISSION

To protect policyholders' interests whilst
regulating, supervising and facilitating the
development of the insurance industry

HIGHLIGHTS OF THE YEAR

- ▶ No. of Insurance Companies - 28
- ▶ No. of Insurance Brokers - 68
- ▶ No. of Insurance Agents represented the insurers - 43,342
- ▶ No. of Insurance Agents registered with the insurance brokers - 509
- ▶ Insurance awareness reached 163 Grama Niladhari Divisions in 02 Divisional Secretariats

Performance of Insurance Industry

	2020	2019	Change %
Gross Written Premium (Rs. Millions)	208,250	196,472	5.99
Total Assets (Rs. Millions)	796,791	696,941	14.33
Penetration as a % of GDP	1.39	1.31	6.11
Insurance Density (Rs.)	9,501	9,011	5.44

Performance of the Commission

	2020	2019	Change %
Policy Holders' Protection Fund (Rs. Millions)	7,468.71	6,252.96	19
Cess Income (Rs. Millions)	506.14	493.07	3
Annual Fees (Rs. Millions)	244.90	224.43	9

RS. 796,791 MN.

Total Assets of Insurance Industry

RS. 208,250 MN.

GWP of Insurance Industry



MANAGEMENT INFORMATION

CHAIRMAN'S MESSAGE



The general
insurance sector
recorded a GWP
of LKR 105,276
million in 2020

Razik Zarook P.C.
Chairman

CHAIRMAN'S MESSAGE

The COVID-19 virus emerged in late 2019 and spread across the globe during the year under review. The impact of COVID-19 on Governments, Communities, and Businesses across the world have been far-reaching and rendering 2020 one of the most challenging years in recent history. Many countries, including Sri Lanka have seen economic recession and disruptions to financial markets. Against this backdrop, I present to you the Annual Report of the Insurance Regulatory Commission of Sri Lanka (IRCSL) for 2020.

Performance Overview

The economic and social impacts of the COVID-19 pandemic created numerous challenges and opportunities to Sri Lankan Insurance market. The public awareness on life protection is believed to be increased due to the circumstances evolved by the pandemic. In addition, the pandemic has improved the level of awareness on risks that can be mitigated through life insurance which again positively impacted the performance of the life insurers.

Lockdowns and other containment measures imposed by the Government subdued the demand for most general insurance products. In particular, insurance classes like motor, marine and travel have mainly affected and reported premium declines compared to previous years.

Despite the challenging environment, the insurance sector recorded an overall growth during the year 2020. The insurance industry reported total Gross Written Premium (GWP) Income of LKR 208,250 million in 2020 and demonstrated a growth rate of 5.99%. The long term insurance sector generated a GWP of LKR 102,974 million in 2020 and up by 15.98%. Product innovation, digitization of operations, remodeling distribution channels, and usage of customer-centric operating models were few of the key strategies used by long-term insurers to achieve business growth during the year.

In contrast, the general insurance sector recorded a GWP of LKR 105,276 million in 2020, posting a decline of 2.24% and this restrained performance was mainly due to the decline in motor vehicle imports. Releasing the limited new vehicle stocks into the market & significant rise in vehicle prices were insufficient

to offset the contraction in new business premiums general insurance business.

Insurance penetration had slightly increased in 2020 and recorded as 1.39%. However, it is still low compared to other countries in the Asian region. During 2020, the insurance industry displayed a significant financial performance by posting a year-over-year profit growth of 29.26%.

Strengthening the regulatory framework

During the period under review, The IRCSL has taken initiatives to enhance awareness of Insurance to the public. We expect that the public will be well informed and educated about the concept of insurance and the importance of being insured. This will facilitate the creation of a demand-driven insurance industry in the future.

The insurance industry experienced broad and deep impacts financially, operationally, strategically — as COVID-19 brought the future forward, accelerating many trends that had been long underway.

Covid-19 is accelerating the digitization of business and operating models across the front, middle and back office. Virtual interactions may open up new opportunities for servicing, selling and building customer relationships. It's time for insurers to develop new business strategies, prioritize investments, rethink what customer segments to target and develop products, services and pricing strategies for prioritized segments. Digital investments can improve agility and speed to market and provide data insights for new insurance products and services. Another crucial focus is to be data analytics for sharper insights into market trends, customer behaviors, fraud detection, underwriting risks and the profitability of different insurance lines. I therefore wish to reiterate that the industry must reassess its capabilities to invest more towards digitalization.

As we move forward, we remain committed to the Commission's mandate to provide robust industry oversight and protection of the interest of policyholders. The impact of the COVID-19 pandemic will continue to test the resilience of the insurance industry and likely be felt into 2021. Nevertheless, the Commission will closely monitor the situation with regards to the degree of uncertainty and risk on the performance of the insurance industry.

Challenges for the future

Along with the disruptions created by the pandemic, the interest of younger generations in life, health and other protections products has notably increased with the outbreak of the pandemic. Opportunities have emerged for insurers to reinvent themselves to provide insurance services fulfilling new social requirements and market needs, and to adopt digital channels in lieu of face-to-face sales, accelerate product developments to better align with public demand for protection.

Beyond the impact of COVID-19, the insurance industry is occupied with other key challenges such as rise in consumer expectations, cyber threats, increasing climate risk and catastrophe events, sustainability imperatives, and vast retirement savings and protection gaps, which will require insurers to think broadly and differently in the years to come.

In Appreciation

In conclusion, I wish to place on record my appreciation for the generous support accorded by my colleagues of the Commission, whose commitment in various policy measures towards achieving Commission's vision and mission.

I also wish to thank all industry stakeholders including all insurance companies, brokers and authorized intermediaries, the Insurance Association of Sri Lanka (IASL), the Sri Lanka Insurance Brokers Association, (SLIBA), the Sri Lanka Insurance Institute (SLII), and the Insurance Ombudsman for their continued support, excellent cooperation and cordial relationship that they continue to maintain with us.

I would also like to commend the commitment of the Director General, Senior Management Team and staff members for the professionalism and dedication they have displayed throughout the year in achieving the objectives of the IRCSL. Looking forward, I believe the team of the IRCSL will continue to execute the strategies to protecting consumers and maintaining strong insurance markets in the years to come.



Razik Zarook P.C.
Chairman

DIRECTOR GENERAL'S REVIEW

As the regulator, we need to strike a balance in the regulatory structure, to meet our utmost responsibility of safeguarding the interests of policyholders, whilst ensuring our reforms do not stifle the growth of industry. Innovation coupled with global best practices in regulatory environment will make the sector more vibrant and attractive to investors.

Damayanthi Fernando
Director General



DIRECTOR GENERAL'S REVIEW

It is an honor for me to report the achievements of the Insurance Regulatory Commission of Sri Lanka for the year 2020.

The insurance industry of Sri Lanka has experienced its fair share of ups and downs since the onset of the COVID-19 pandemic, similar to its global counterparts from beginning of year 2020. Although the Sri Lankan economy experienced a significant setback due to the outcomes of COVID-19 during the financial year 2020, the IRCSL continued to initiate and implement policies and issue directions aimed at enhancing policyholder confidence whilst ensuring that the rights of policyholders are protected.

The pandemic situation has brought about many financial issues among individuals and enterprises. To address this, the IRCSL issued directions to the industry to grant a concessionary period of time to its customers to settle insurance premium payments. The concessionary period existed from March to September 2020, where policyholders were given a period of three months extension to settle premium. The restricted imports of vehicles, limited mobility and financial constraints have led the motor insurance business as well as other general insurance classes of businesses development to decrease. However, the insurance industry was fortunate to be less affected by the pandemic due to the nature of the business of insuring risks. Life and health insurance needs have thus become extremely important to the public to possess, given the uncertainty of life and health expenses the pandemic has caused worldwide. The IRCSL also witnessed insurance products being developed to cater to the pandemic situation. Some products were travel insurance

with Covid cover, cover given due to health complications arising from Covid prevention vaccinations, motor insurance covers given for limited mileage usage or when the vehicle is been used etc. As a measure to provide relief to its policyholders, insurers considered intermediate covid care centers established by registered hospitals as hospitals and honored the health claim expenses.

As the regulator, we need to strike a balance in the regulatory structure, to meet our utmost responsibility of safeguarding the interests of policyholders, whilst ensuring our reforms do not stifle the growth of industry. Innovation coupled with global best practices in regulatory environment will make the sector more vibrant and attractive to investors.

Key Regulatory Initiatives

The Commission during the year 2020 carried out regulatory reforms, the salient features of which are included in the General Review of this report. They are:

1. Amendment to Direction # 2 – Delivery of Policy document
2. Amendment to Direction #19 - Compliance with minimum net capital requirement for brokers
3. Direction # 17- Corporate governance for Insurance Companies
4. Direction # 21 - Alleged unfair practices of banks, finance and leasing companies (BFL) towards insurance agents and brokers by forcefully changing existing codes.
5. Direction # 22 - Procedure to be followed when conducting inquiries in relation to insurance agents.



The pandemic situation has brought about many financial issues among individuals and enterprises. To address this, the IRCSL issued directions to the industry to grant a concessionary period of time to its customers to settle insurance premium payments

Performance of the Insurance Industry

Gross Written Premium (GWP) & Penetration

The COVID-19 outbreak combined with the control measures imposed to combat the same including lockdown, isolation and travel restrictions caused most of the economic activities to come to a standstill. Amidst this most challenging period, long term insurers have managed to record a 15.98% growth in 2020 with an overall GWP of LKR 102,974 million which is commendable when the unprecedented economic and social impact of COVID-19 pandemic is considered. The overall GWP growth rate of the industry has been experiencing a downward trajectory over the last few years. However, during the year under review, GWP of the life insurance industry grew at an accelerated rate recording the second highest GWP growth rate over the last five years. In terms of value, GWP has improved by 62.22% from 2016 to 2020. The general insurance business exhibited a negative premium growth of 2.24% in 2020 against 7.06% growth reported in last year.

DIRECTOR GENERAL'S REVIEW

Despite the low premium growth reported, the insurance penetration level of the country has risen to 1.39% in 2020 primarily induced by the declined Gross Domestic Product at current market price. The insurance penetration has marginally increased from 1.12% in 2015 to 1.39% in 2020. Penetration of the long-term insurance business in 2020 stood at 0.69% and the general insurance business was 0.70% recording a slight increase in long term insurance and slight decrease in general insurance businesses respectively. Over the last six years, consumer confidence on insurance and behavioral pattern to purchase insurance products have gradually increased due to increased public awareness and improved services & product developments introduced by insurance companies

Though the penetration level is relatively low, number of life policies in force as a percentage of the total population and number of life policies in force as a percentage of the labour force amounted to 16.39% and 42.60% respectively recording an upward trend emphasizing on the ability of life insurers to thrive in the market by innovating and adapting to emerging realities. As regards to the general insurance sector, the number of policies has decreased by 2.45% comparing to the previous year and stood at 6,539,589. The decline is significantly triggered by motor insurance policies.

Performance of Long-Term Insurance Business

Long term insurers have managed to record a 15.98% growth in 2020 compared to year 2019 which is commendable. It is the second highest growth rate over the last five years.

The top five contributors to the life GWP accounted for 81.72% of the total life GWP. The remaining ten life insurance companies held 18.28% of the total life GWP, decreased

from 19.40% recorded in year 2019. Ceylinco Life, SLIC, Softlogic Life, AIA Life and Union Life accomplished the top five positions in the market. Ceylinco Life continued to maintain its dominance in the long-term insurance market whilst SLIC and Softlogic Life achieved the second and third positions in the market. These three companies collectively contributed to 55.35% of the total market share.

The GWP of long-term insurance business comprised of 20.90% of participating business, 41.32% of non-participating business, 36.15% of universal life business and 1.63% of linked long-term business in 2020.

The IRCSL continued to measure and monitor the risk-based capital level of life insurers with the objective of ensuring effective management of capital levels of insurers, thereby protecting the interests of policyholders through a properly managed insurance sector. All life insurers have reported Capital Adequacy Ratio above the enforcement level of 160% except one insurer, though complied with minimum level of 120%.

The total life insurance policies in force escalated to 3,593,454 in 2020 exhibiting a growth rate of 6.21%. The new policies issued marked 739,784 in 2020 with a slight improvement compared to 2019 despite the challenges emanated from the pandemic.

On the other hand, total insurance policies lapsed as a percentage of total policies in force was 7.13% and new insurance policies lapsed as percentage of new policies issued was 9.51% demonstrating a declining trend compared to 2019.

Performance of General Insurance Business

The gross written premium (GWP) recorded by the general insurance industry demonstrated a negative

growth rate of 2.24% for the year 2020 compared to year 2019. Restriction on vehicle imports in to the country & shrinking of business operations with pandemic created challenges, such as limited access to customers amid social distancing measures & deterioration of affordability of insurance premium of consumers were the main explanations of this negative growth.

The general insurance sector dominated by five companies contributed to 72.09% whilst the remaining nine companies contributed to 27.91% of the market share. All general insurers, except 03 insurers showcased progress in performance in terms of GWP, namely Sri Lanka Insurance Corporation (SLIC), Ceylinco General and Fairfirst.

SLIC, Ceylinco General, Allianz General, NITF and Fairfirst achieved the top five market shares in the general insurance market in 2020. However, SLIC outpaced and became the market leader in the year 2020 who was placed second in the previous year. This was mainly driven by the health category of insurance business with the receipt of 'Suraksha' student insurance policy in the mid of year 2020.

Motor insurance contributed the higher proportion & held 58.13% of total general insurance business. A significant decline of growth rate of motor insurance business was visible with a negative growth rate of 3.90%, primarily due to the sharp decline in registering new motor vehicles during the year in consequent of the restriction imposed on the importation of motor vehicles effective from March 2020. Further, a declining trend of growth rate was prominent through the previous five years in respect of motor business category.

Health insurance business being the second largest business category exhibited a significant market

DIRECTOR GENERAL'S REVIEW

proportion of 17.76% of total general insurance business compared to the previous year. The increase was caused by the pandemic which enhanced the overall concern for personal health and the insurers were innovative enough to introduce new products covering the COVID-19 pandemic in order to grab the market opportunity. 'Suraksha' insurance scheme & 'Agrahara' medical insurance scheme also contributed to the growth of health insurance business.

Fire insurance business grew at a rate of 7.74% during the year 2020 compared to negative growth illustrated in 2019 and occupied 8.46% of market proportion in the general insurance industry. Marine insurance business negatively contributed to the GWP growth by recording a negative growth rate of 4.53% in the year 2020. Further, the miscellaneous category of business recorded a pronounced decline in terms of growth, marking a negative hit of 22.45% reflecting the discontinuation of 'National Natural Disaster Insurance Scheme' of NITF with effect from year 2020 by way of decision taken by the government. Further, the outbreak of COVID-19 severely impacted the travel and tourism industry & this led to a significant shrinkage in travel insurance & air craft cargo insurance which falls under the miscellaneous class of business.

SRCC & T premium represented 5.78% of the total GWP showcasing a contraction of growth rate of -3.47%.

The general insurance sector has incurred net claims amounting to LKR 41,517 million during the year and recorded a drop of -26.88%. Overall net claims ratio hit down to 49.16% which is the lowest recorded in the past five years. Moreover, it is notable that each & every sub class of general insurance sector exhibited contractions in net claims incurred during the year 2020. Major

factors behind this noticeable slump of net incurred claims are mobility restrictions implemented during the 1st and 2nd waves of COVID-19 which directly reduced the motor claims and sharp decline in travel and tourism industries in the wake of the pandemic.

Profitability

The insurance industry displayed a significant financial performance by posting a year-over-year profit growth of 29.26% during the year and reporting a profitability of LKR 41,767 million. The contribution of general insurers to overall profitability exceeded the long-term insurance companies during the year. The profits of long-term insurance business contracted by 17.89% in 2020 and this reduction was a result of decreased surplus transfers and enlarged claim provisions of major long-term insurers

The NITF commenced accepting the risk of reinsurance since 2008 with its primary objective of being a 'National Reinsurer' as per the Extra Ordinary Government Gazette Notification No. 1528/20 dated 19 December 2007.

During the year 2020, the NITF's reinsurance premium has decreased by 22.48% compared to year 2019. The reinsurance premium recorded for the year 2020 was LKR 3,235 million, out of which LKR 275 million has been ceded to reinsurers as retrocession premium by NITF which reduced by 38.75% year on year. The NITF has incurred claims amounted to LKR 1,567 million and recorded a notable decrease of 55.98% year on year. Major factors behind this noticeable decline of incurred claims are mobility restrictions implemented during the 1st & 2nd waves of COVID-19 which directly reduced the motor, fire and miscellaneous claims, and sharp decline in travel and tourism industries in the wake of the pandemic.

With the sharp decrease in claims incurred during the year 2020, reinsurance business of NITF had reported underwriting profit and profit before tax of LKR 990 million and LKR 1,170 million respectively compared to underwriting loss and net loss before tax of LKR 770 million and LKR 662 million respectively generated during the year 2019.

Key Regulatory Reforms underway

The Commission carries out reforms on the Risk Based Capital Rule, Risk Based Supervisory Framework, and many legal reforms for better protection of policyholders.

The Commission was selected as one of the key regulatory institutions in the financial sector by the Government under the Financial Sector Modernization Project, to enhance its efficiency towards financial sector growth. The project will continue till 2022 with phased out reforms planned for the sector. The Commission intends to focus on possible changes to its regulatory regime by reexamining its capital adequacy rules. A new Insurance Regulatory Act with wider powers in line with the Insurance Core Principles of the International Association of Insurance Supervisors, micro insurance regulation & supervision and enhanced rules on product development review are some of the key reforms considered.

Way forward increasing insurance penetration

Many factors affect the level of insurance penetration in a country. The disposable income level and the level of importance that the public places on insurance can affect a country's insurance penetration level significantly. Negative perception towards insurance, free insurance from the government to protect the public during catastrophic events are some factors that can have an impediment to the growth and increase in insurance penetration level.

DIRECTOR GENERAL'S REVIEW

There are a few important areas that the IRCSL needs to focus on to facilitate an increase in insurance penetration. Ensuring a conducive regulatory environment to achieve higher penetration and development is one of the most important factors. The regulatory environment should evolve with changes happening in the environment to support growth and development, whilst ensuring customer protection. In other words, the regulatory environment should be robust. This includes encouraging product innovation, new sales and distribution channels, comparative knowledge and skills among sales personnel, adequate capital to meet liabilities and expenses and a conducive tax regime to create a demand for insurance products.

Another important factor is to ensure that the industry stakeholders carry on business with integrity and in a professional manner to foster public confidence and trust. Carrying on professional sales, efficient after-sales care to policyholders in claim settlements and an efficient dispute redressing mechanism in the industry are some examples.

Increased awareness about insurance and adequate knowledge amongst the general public to purchase policies to meet day-to-day perils they face is the most important aspect for the growth and development of the sector. Most of the issues arise due to misconception and misunderstanding, hence more time and resources should be invested for greater awareness and knowledge. Awareness-creation and knowledge-enhancement are the responsibilities of the industry and the regulator,

and at the IRCSL, we have planned to conduct many awareness-creation and knowledge-enhancement programs at mass scale. As a measure of further improvement, the IRCSL intends to have more direct engagement with the Insurance Ombudsman, to give the insured public efficient redress of disputes.

In Appreciation

I take this opportunity to extend my gratitude to the Chairman and Commission Members for their support towards realization of the IRCSL's vision and mission. I also wish to place on record my appreciation to the insurance industry associations for providing constructive feedback on reforms, continued support to develop the industry. The IRCSL's success would also not be possible without the continued support of all our stakeholders.

Special recognition also goes to the senior management team and staff members whose support has been invaluable in achieving the objectives of the Commission.



Damayanthy Fernando
Director General



COMMISSION MEMBERS AND STAFF

MEMBERS OF THE COMMISSION



1. Mr. Razik Zarook - Chairman
2. Mr. R. M. P. Rathnayake
3. Mr. Sanjeewa Dissanayake
4. Mrs. Yvette Fernando
5. Mr. Haris Salpitikorala
6. Mr. Raja Goonaratne
7. Ms. Indra Baduge

PROFILES OF MEMBERS OF THE COMMISSION

Mr. Razik Zarook President's Counsel Chairman

Mr. Razik Zarook Lawyer, Diplomat and former Chairman of a number of Public Corporations, is a senior Attorney at Law in active practice.

He was Chairman of the Cooperative Wholesale Establishment (CWE) and under his tenure, from 1978 to 1989 the CWE was turned around into a model profitable and viable organization having diversified and acquired many assets developing real estates and establishing a number of public quoted companies such as Sathosa Motors Limited and Lanka Milk Foods Limited of which he was founder Chairman. He also held office as Chairman of the Agricultural Development Authority, The National Aquatic Research and Development Authority (NARA) and as Chairman Bank of Ceylon.

He served in the diplomatic service as Ambassador to the then Federal Republic of Yugoslavia and thereafter as the first Ambassador to Hungary. Subsequently, he was appointed as Sri Lanka's High Commissioner to Singapore.

He is an old boy of St. Servatius College, Matara and Zahira College, Colombo.

Mr. R.M.P. Rathnayake

Mr. R.M.P Rathnayake is a Special Grade officer of the Sri Lanka Planning Service and currently working as the Deputy Secretary to the General Treasury.

He holds a Master's Degree from Agriculture University of Norway and B.Sc. (Special) Degree from University of Peradeniya.

He joined the public service in 1994 and has been working for almost 27 years in various positions in the departments coming under the General Treasury including the Department of National Planning and Department of External Resources

(ERD). As the Director General of the ERD, he was responsible for coordinating with development partners, lending agencies and capital market to mobilize foreign financing for development projects and engage with the bilateral negotiations and facilitate timely disbursement of foreign financing.

He currently represents the Treasury as a member of the Board of Directors in several institutions, including Bank of Ceylon, Securities and Exchange Commission of Sri Lanka (SEC) and Insurance Regulatory Commission of Sri Lanka (IRCSSL).

Mr. Rathnayake has published many articles relating to various fields/ subject areas.

Mr. Sanjeewa Dissanayake

Mr. Sanjeewa Dissanayake holds a Master's Degree in Human Rights (LL.M) from the University of Hong Kong. He was admitted and enrolled as an Attorney-at-Law of the Supreme Court of Sri Lanka in December 1997. He is a Deputy Solicitor General attached to the Attorney General's Department of Sri Lanka and presently released by the Public Service Commission (PSC) to take up duties as the Registrar General of Companies.

Mr. Sanjeewa Dissanayake has experience both in the Criminal and Civil Divisions of the Attorney General's Department and has also worked as a prosecutor of the Fiji Independent Commission against Corruption. He is an ex-officio member of the Institute of Chartered Accountants of Sri Lanka, the Sri Lanka Accounting and Auditing Standards Monitoring Board and the Securities and Exchange Commission of Sri Lanka.

Mrs. Yvette Fernando

Mrs. Yvette Fernando currently serves as a Deputy Governor at the Central Bank of Sri Lanka in charge of the area of financial system stability. She has over 30 years of service in the Central Bank in the areas of supervision and regulation of banks,

foreign exchange management and currency management. During this period, Mrs. Fernando has served as the Director of Bank Supervision and the Controller of Exchange, and has held the position of Assistant Governor in-charge of the departments of Bank Supervision, Currency, Foreign Exchange and Employees' Provident Fund. Mrs. Fernando has participated in several local and international training programmes, seminars and other forums to enhance and update the knowledge on different aspects of bank supervision and regulation, general banking operations, good governance practices, resolution of weak banks, cash operations, currency management and leadership skills. She has been a resource person in several training programmes and panel discussions on work related subjects, both local and overseas. Mrs Fernando, currently functions as the Chairperson of the Financial System Stability Committee and National Payments Council of the Central Bank of Sri Lanka, Institute of Bankers of Sri Lanka and Credit Information Bureau of Sri Lanka, and as a member of the Insurance Regulatory Commission of Sri Lanka. She holds a Master of Financial Economics degree from the University of Colombo and a Bachelor of Commerce (Special) degree from the University of Sri Jayawardenepura.

Mr. Haris Salpitikorala

Mr. Haris Salpitikorala is a Fellow of the Chartered Institute of Management Accountants, UK and a Fellow of Life Management Institute, USA. He counts over 30 years of experience in life insurance industry as a District Manager and Vice President of American International Assurance Co. Ltd and has worked as a Consultant for insurance companies in Brunei, Singapore and Sri Lanka.

Mr. Raja Goonaratne

Mr. Raja Goonaratne is an Attorney-at-Law and holds a Master's Degree in Commercial Law from Monash University, Australia. Presently, he is serving as the Director General of National Secretariat for

PROFILES OF MEMBERS OF THE COMMISSION

Non-Governmental Organization.

Mr. Goonaratne is a Senior Lecturer at the Department of Legal Studies of the Open University of Sri Lanka.

He is also contributing to the State service as a Member of the Board of National Medicines Regulatory Commission and the Insurance Regulatory Commission of Sri Lanka.

Mr. Goonaratne is also a Life Member of Bar Association of Sri Lanka, a Member of Bio-Medical Association of Bangladesh and a Member of Medico-Legal Association of Sri Lanka.

Also, he is the former National Housing Commissioner, Director of National Housing Authority and Director of the Housing Development Finance Corporation Bank. In the university system, he has held many posts such as Head of Department of Legal Studies and Acting Dean of the Faculty of Humanities and Social Sciences of the Open University.

Ms. Indra Baduge

Ms. Indra Baduge is an Attorney at Law and holder of Master's Degree in Law. She has over 26 years of working experience in public and private sectors. During this period, she held senior management positions including Legal Consultant of Ministry of Highways and Chief Legal Officer at National Institute of Fisheries and Nautical Engineering.

SENIOR MANAGEMENT TEAM



1. Mrs. Damayanthi Fernando (Director General)
2. Mrs. Chamarie Ekanayake (Director Supervision)
3. Mr. Sathiesh Kumar (Director Finance and Administration)
4. Mrs. Prabhashini Samarakoon (Director Investigation)
5. Mr. Rajan Nirubasingham (Director Legal & Enforcement)
6. Mrs. Deepika Navaratna (Director Market Development and External Relations)
7. Mr. Bimsara Wijesinghe (Assistant Director Market Development and External Relations)
8. Mrs. Sarika Wattuhewa (Assistant Director Supervision)
9. Mr. Channa Kevitiyagala (Assistant Director Finance and Administration)
10. Mrs. Chamari Heenatigala (Assistant Director Investigation)
11. Mr. Priyantha Fernando (Assistant Director Information Technology)
12. Mr. Saumya Bandara (Assistant Actuary)

STAFF MEMBERS



- 1 Mr. Anushka Bandara
- 2 Miss. Chathuni Thalpavila
- 3 Mrs. Lasanthi Thotahewa
- 4 Mrs. Veena Senevirathne
- 5 Mrs. Pavithra Punchihewa
- 6 Mrs. Chandima Kamburugamuwa

- 7 Mr. Lakmina Pathiraja
- 8 Mr. Chaminda Lal Kumara
- 9 Mrs. Sujeewa Ranasinghe
- 10 Mrs. D. W. S. S. Supulee
- 11 Mr. Nayana Ravindra
- 12 Mrs. Priyangi De Silva

- 13 Mrs. Kaushali Dayaratne
- 14 Mr. Charitha Wickramasinghe
- 15 Mrs. Kokila Siriwardana
- 16 Mrs. Malhari Wickramasinghe
- 17 Mr. Saman Senadeera



- 18 Mrs. Nilanka Walisundara
- 19 Mr. Kalana Pushpakumara
- 20 Mrs. Shashini Premalal
- 21 Mrs. Natasha Keerthisinghe
- 22 Mrs. Thilini Wakista
- 23 Mrs. Thushari Wijegunawardana

- 24 Mrs. Prasadi Naotunna
- 25 Mrs. Decika Rathnayaka
- 26 Mrs. Ushani Ranatunga
- 27 Mr. Roshan De Costa
- 28 Miss. Subodha Weerasuriya
- 29 Mrs. Upendra Senevirathne

- 30 Mr. Ethirraj Srikanthan
- 31 Mr. Nalin Thalagala
- 32 Mrs. Sandamalie Karunathissa
- 33 Mrs. Ruvini Liyanage
- 34 Mr. Bhanuka Gamage
- 35 Mr. Sanath Udayanga



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GENERAL REVIEW

Administration of the Act and Regulatory Reforms

Legislation

The object and responsibility of the Insurance Regulatory Commission of Sri Lanka (hereinafter referred to as "the Commission") is to ensure that insurance business in Sri Lanka is transacted with integrity and in a professional and prudent manner with a view to safeguarding the interests of policyholders and potential policyholders.

The Regulation of Insurance Industry Act, No. 43 of 2000 (hereinafter referred to as "the Act") provides the relevant legal framework for the regulation and supervision of insurance companies, insurance brokering companies, insurance agents and loss adjusters.

The Act is amended by the Regulation of Insurance Industry (Amendment) Acts, Nos. 27 of 2007, 3 of 2011 and 23 of 2017.

Subordinate Legislation

Subordinate legislation made under the Act during the year is described below under Regulatory Reforms.

Regulatory Reforms

Directions issued under Section 96A of the Act

1. Amendment to Direction # 2 – Delivery of Policy document

Having considered the request of Insurance Association of Sri Lanka (IASL), the Commission has approved the different delivery methods of policy documents and valid proof of same under item (A) to Direction # 2. This Direction came into effect from 13th March 2020.

2. Amendment to Direction #19 - Compliance with minimum net capital requirement

The Commission having considered the continuous non-compliance with the minimum net capital requirement of Rs. 2.5 Mn of few Insurance Brokering Companies, has decided to include the following provisions to Direction # 19:

- If the company is suspended for a period of 6 months and the company has not demonstrated compliance with the minimum net capital requirement within this period of 6 months, the license granted to the said brokering company will be cancelled, without any further notice to the brokering company.
- If a brokering company is suspended for more than two times within the immediately preceding 4 quarters for non-compliance with the minimum net capital requirement, the IRCSL will cancel the license granted to the said brokering company if the said non-compliance is repeated, without any further notice to the brokering company.

The Direction came into effect from 3rd June 2020.

3. Direction # 17 - Corporate governance for Insurance Companies

In order to ensure greater transparency in the conduct of the affairs of Insurance Companies, the Commission issued Direction #17 to the industry. This Direction came into effect from 8th June 2020.

4. Direction # 21 - Alleged unfair practices of banks, finance and leasing companies (BFL) towards insurance agents and brokers by forcefully changing existing codes.

The Commission having considered the unfair practices of BFLs, has issued the said direction on 4th September 2020 to insurance companies not to change the existing agency codes, unless there is written consent of the agent who initiated the sale (the first agent). This Direction was replaced with Direction 2 of 2021, where insurance companies were required to refrain from changing of existing codes, unless there is written consent of the insurance agent or insurance broker who initiated the sale (the first agent/broker). However, such consent is not required if the policyholder wishes to change the insurance agent or insurance broker. This Direction came into effect from 23rd March 2021.

5. Direction # 22 - Procedure to be followed when conducting inquiries in relation to insurance agents.

The Commission has issued a procedure as a direction to all insurance companies and insurance brokering companies when conducting inquiries against insurance agents for which complaints have been received. This Direction came into effect from 05th October 2020.

Circular issued during the year

Circular # 42 - Loss Adjuster registration rules, published in Gazette Extra Ordinary No. 2026/27 dated 05th July 2017

Having noted that certain persons performing loss adjusters' role without duly registered with the IRCSL, the IRCSL has issued the said circular requiring all insurers refrain from obtaining loss adjusting services from unlicensed loss adjusters. This Circular came into effect from 25th February 2020.

Market Structure Insurers

Subject to the provisions of Section 12 of the Act, no person shall carry on insurance business in Sri Lanka unless such person is for the time being registered or deemed to be registered under the Act to carry on insurance business.

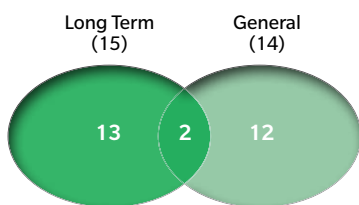
In terms of Section 13 of the Act, any person who desires to engage in insurance business in Sri Lanka, should incorporate a public company under the Companies Act, No. 7 of 2007 and register and obtain a license as an insurer under the Act after having fulfilled all statutory requirements specified.

27 companies were in operation as insurers as at the end of the year. Further, AIG Insurance Ltd. is no longer accepting any new insurance business and is in the process of exiting from Sri Lanka by appointing a liquidator in terms of the provisions of the Companies Act, No. 07 of 2007.

MBSL Insurance Company Ltd. has ceased to underwrite new life insurance business with effect from 1st June 2020.

Chart 1 depicts the classes of Insurance Business, Companies had been engaged in. Out of the 27 companies in operation, 2 companies were composite insurers carrying on both long term insurance business and general insurance business, 13 companies were carrying on long term insurance business and 12 companies were carrying on general insurance business.

Chart 1 – Classes of Insurance Business Carried on by Insurers



Insurance Brokers

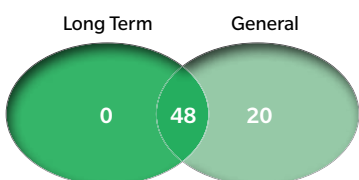
An insurance broker is a company incorporated under the Companies Act, No. 7 of 2007 and registered under the Act to carry on insurance brokering business. Insurance Brokers function as intermediaries for the placing of insurance business for or on behalf of an insurer, a policyholder or a proposer for insurance or reinsurance, with an insurance company or reinsurance company, in expectation of a payment by way of brokerage or commission.

At the end of the year, there were 68 companies registered as insurance brokers. Out of the said companies, 48 companies were registered in both long term and general insurance brokering business while 20 companies were registered only in general insurance brokering business.

Chart 2 depicts the classes of insurance brokering business, Insurance Brokers had carried on during the year.

Chart 2

Classes of Insurance Brokering Business Carried on by Insurance Brokers



Insurance Agents

Insurance Agents are persons registered with an Insurer or an Insurance Broker registered under the Act and who in consideration of a commission solicits or procures insurance business for such insurer or insurance broker. Qualifications for registration have been specified by the Commission.

As per Section 34 of the Act, Insurance Agents are an important distribution channel through which insurers procure insurance business.

As per information given by Insurers, the total number of individuals recruited as Insurance Agents during the year was approximately 15,913 which is a 1.17 % decrease from the previous year (16,101).

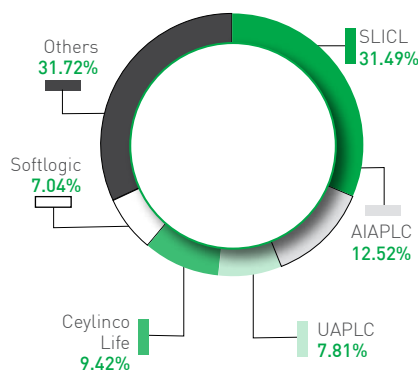
The total number of individual insurance agents representing insurers as at the end of year was approximately, 43,342 a 4.88 % decrease from the previous year (45,567).

Chart 3 depicts individual Insurance Agents registered with Insurance Companies.

Chart 3

Total Agents as at 31.12.2020

The total number of insurance agents representing insurance brokering companies as at the end of year was approximately 509.



Loss adjusters

There were 23 Loss Adjusters as at the end of the year.

The Loss Adjuster Registration Rules were published in Extraordinary Gazette Number 2026/27 dated 5th July 2017.

The Act was amended in 2011, by the Amendment Act, No. 3 of 2011, to prohibit any person from acting or holding out as a Loss Adjuster [as defined in Section 114(1) of the Act], unless registered as a Loss Adjuster by the Commission. There is a limited exception from the requirement to register in Section 89A [2] of the Act.

Under Section 89B of the Act, the Commission may make rules requiring applicants to have specified qualifications and experience to be eligible to be registered as Loss Adjusters. Under Section 89 C (1) of the Act, the Commission shall make rules specifying the documents, information, and fee that applicants for registration must provide.

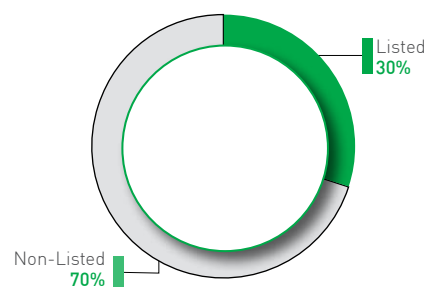
Accordingly, the Commission has specified in the aforesaid Rules the qualifications and/or experience required for a person to be registered as a Loss Adjuster.

Company Status and Changes in Capital

Of the insurers registered with the Commission, 08 companies were listed on the Colombo Stock Exchange as at 31st December 2020 namely: Union Assurance PLC, Softlogic Life Insurance PLC, HNB Assurance PLC, Amana Takaful PLC, Amana Takaful Life PLC, Janashakthi Insurance PLC, Arpico Insurance PLC and People's Insurance PLC.

Chart 4 depicts the percentage of listed and non-listed Insurers.

Chart 4 – Status on 'listed/non listed' insurers



The Amendment Act, No. 3 of 2011 requires insurers to be listed on a stock exchange licensed under the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987.

Composite insurance companies were required to segregate its business into two separate companies on or before February 2015 and obtain a listing on or before February 2016.

A new company registered as an insurer after the Amendment Act, No. 3 of 2011 came into effect, is required to be listed on a stock exchange licensed under the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987 within a period of three years of being issued a license by the Commission.

The stated capital of insurers registered prior to June 2011 has been required by the Commission to be increased to a minimum of LKR 500 million, for a particular class of insurance business on or before February 2015.

Insurance companies registered subsequent to June 2011 have a stated capital not less than LKR 500 million.

Levy of Cess from Insurers

In terms of Section 7 of the Act, an order was made by the Hon. Minister of Finance and Planning for the levy of Cess for the creation of the Policyholders' Protection Fund. By Gazette Notification No. 1244/5 on 9th July 2002 it has specified that 0.2% of the total net premium income of long term insurance business and 0.4% of the total net premium income of general insurance business be credited to the Policyholders' Protection Fund.

The collection of the Cess from insurers commenced with effect from January 2003 and the amount of Cess collected for the year 2020 was LKR 506 million. Chart 5 depicts the movement of the Cess and the Policyholders' Protection Fund.

Policyholders' Protection Fund

The Cess collected from insurers is deposited into the Policyholders' Protection Fund, established in terms of Section 103 of the Act.

This Fund may be utilized, for the general protection of policyholders

and for any other specific purposes, in so far as it would be for the benefit of the policyholders and potential policyholders -

- a) defraying the expenditure incurred in creating awareness of the insurance industry amongst the public and other expenditure incurred in the development of the insurance industry; and
- b) defraying the expenditure incurred by the Commission in the exercise, discharge and performance of its powers, functions and duties.

The amount lying to the credit of the Policyholders' Protection Fund is invested in government securities and in Fixed Deposits of Government Banks.

The accumulated amount in the Fund, as at 31st December 2020, is LKR 7,469 million; a 19.45 % increase from the previous year (LKR 6,253 million).

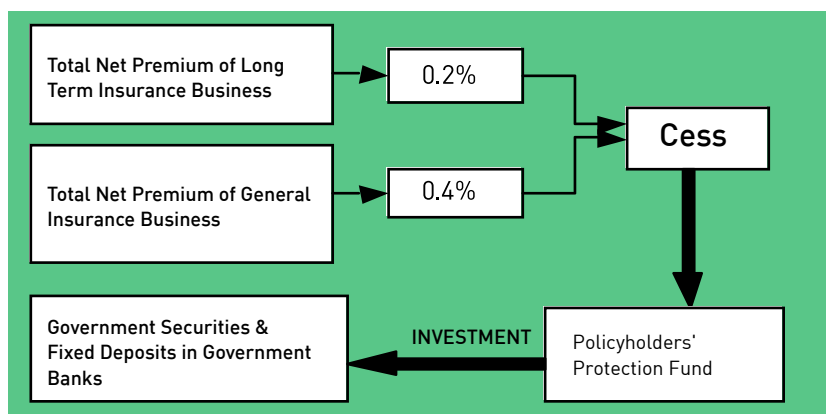
of 1999, the Sri Lanka Export Credit Insurance Corporation established by the Sri Lanka Export Credit Insurance Corporation Act, No. 15 of 1978 and the Social Security Board established under the Social Security Board Act, No. 17 of 1996.

National Insurance Trust Fund (NITF)

The National Insurance Trust Fund Board, established by the National Insurance Trust Fund Act, No. 28 of 2006 (NITF Act) was brought under the purview of the Commission by the Amendment Act, No. 3 of 2011.

In terms of the NITF Act, the NITF absorbed the Strike, Riot, Civil Commotion and Terrorism Fund maintained by the Ministry of Finance. Insurers issuing insurance covers against strike, riot, civil commotion and terrorism risks on behalf of the NITF are required to remit premiums collected on same to the NITF.

Chart 5 - Cess and the Policyholders' Protection Fund



Insurance Tariff

There are no tariffs at present on any class of general insurance business. Tariffs which existed for motor insurance, fire insurance and workmen's compensation insurance were removed with effect from 1st January 2002, 2005 and 2007 respectively.

Exemptions to the application of the Act

In terms of Section 12(3) of the Act, provisions of the Act do not apply to the Agriculture and Agrarian Insurance Board established under the Agriculture and Agrarian Insurance Act, No. 20

The Act, as amended by Act No. 27 of 2007, requires every insurer, who reinsures, to reinsure with the NITF a percentage, not exceeding 50%, as shall be determined by the Minister by Order published in the Gazette, of the liability sought to be reinsured. In terms of Gazette Notification No. 1791/4, dated 31st December 2012, every insurer is required, with effect from 1st January 2013, to reinsure 30%, on the total liability arising out of every general re-insurance policy, with the NITF, excluding long-term re-insurance contracts entered into by the insurer. Prior to this the percentage was 20%.

Other Related Matters

National Council for Road Safety (NCRS)

The National Council for Road Safety established under the Motor Traffic Act is under the purview of the Ministry of Transport and Civil Aviation. Every insurer providing motor insurance cover is required to contribute 1% of third-party insurance premium to the Road Safety Fund created under the NCRS. The Commission is represented on the Board of NCRS.

The contribution is used to compensate hit and run victims of motor vehicle accidents.

Financial System Oversight Council (FSOC)

The Financial System Oversight Council was set up by the Central Bank of Sri Lanka (CBSL) and Senior representatives of financial sector regulators are members of this Council. The Council is chaired by the Governor of the CBSL. This high-level committee was set up to ensure that appropriate policy directions are set out for the orderly development of the financial markets, and that all financial regulatory agencies co-ordinate and exchange information in the interests of the entire financial system. The Chairman and Director General represent the Commission on the FSOC.

Insurance Association of Sri Lanka (IASL)

The Insurance Association of Sri Lanka (IASL) was established in 1989 and every insurer registered under the Act is eligible for membership.

The Executive Committee of IASL, which comprises of CEOs of all insurance companies, is responsible for the overall management of activities, and is assisted by the following committees which make recommendations to the Executive Committee on subjects relating to their respective areas :

- Life Insurance Forum
- General Insurance Forum
- Finance Technical Sub-Committee
- Legal Advisory Forum
- HR Sub-Committee
- IT Sub-Committee
- Marketing and Sales Forum
- Actuarial Sub-Committee

Sri Lanka Insurance Brokers' Association (SLIBA)

The Sri Lanka Insurance Brokers' Association (SLIBA) represents insurance brokers registered with IRCSL and has been set up for the interest of the Insurance Brokers.

Sri Lanka Insurance Institute (SLII)

The Sri Lanka Insurance Institute (SLII), which was established in 1982, is a non-profit making organization whose main objective is to develop the skills and knowledge of persons who are in the insurance business. Funding for SLII is through contributions made by insurers and annual subscriptions from its members.

SLII is affiliated to the Chartered Insurance Institute of London and administers the examinations of professional bodies such as the Chartered Insurance Institute in London, Insurance Institute in India and the Institute of Actuaries of India. The Institute conducts short term diploma courses in insurance for persons employed in the insurance industry.

The Commission has entrusted the Institute with the responsibility for conducting the pre-recruitment tests for persons who wish to be appointed as Insurance Agents. The Institute continues to conduct the pre-recruitment test in respect of both classes of insurance business.

Insurance Ombudsman

The Insurance Association of Sri Lanka appointed Dr Ranjith Ranaraja as the Insurance Ombudsman with effect from February 2019. According to the MOU entered in with IASL, the Insurance Ombudsman and the Insurance Companies, who are members of IASL, will do their utmost to mediate and settle disputes brought to the notice of the Insurance Ombudsman by Policyholders.

International Association of Insurance Supervisors (IAIS)

As a member of the International Association of Insurance Supervisors (IAIS), the Commission regularly receives publications, guidelines such as insurance core principles, and information on the activities of IAIS. Some of the core principles

recommended by the IAIS are adopted by the Commission for effective supervision and monitoring of the Insurance Industry in Sri Lanka.

Asian Forum of Insurance Regulators (AFIR)

Asian Forum of Insurance Regulators (AFIR) is regional insurance regulatory cooperation mechanism which was founded in 2006 at the initiative from the China Insurance Regulatory Commission. The Commission is one of the members of AFIR.

AFIR has become a significant regional cooperation platform for Asian regional insurance regulators to strengthen cross-border supervision.

AFIR is expected to reinforce its role and be shaped into a key platform for promoting the exchange of regulatory information and technologies, the sharing of regulatory experiences, and exchange of industry professionals, a key platform for regulatory cooperation and coordination to prevent and respond to cross-border risks, a key platform for enhancing regulatory systems and capabilities, so as to participate in the global insurance regulatory reform in a more effective manner.

STATISTICAL REVIEW

Abbreviations for Insurance Companies

	Insurance Company Full Name	Abbreviation
1	AIA Insurance Lanka Ltd.	AIA Life
2	Allianz Insurance Lanka Ltd.	Allianz Gen.
3	Allianz Life Insurance Lanka Ltd.	Allianz Life
4	Amana Takaful PLC	Amana Gen.
5	Amana Takaful Life PLC	Amana Life
6	Arpico Insurance PLC	Arpico
7	Ceylinco General Insurance Ltd.	Ceylinco Gen.
8	Ceylinco Life Insurance Ltd.	Ceylinco Life
9	Continental Insurance Lanka Ltd.	Continental
10	Cooperative Insurance Company Ltd.	Cooperative Gen.
11	Cooplife Insurance Ltd.	Cooplife
12	Fairfirst Insurance Ltd.	Fairfirst
13	HNB Assurance PLC	HNB Life
14	HNB General Insurance Ltd.	HNB Gen.

	Insurance Company Full Name	Abbreviation
15	Janashakthi Insurance PLC	Janashakthi Life
16	Janashakthi General Insurance Ltd.	Janashakthi Gen.
17	Life Insurance Corporation (Lanka) Ltd.	LIC
18	LOLC General Insurance Ltd.	LOLC Gen.
19	LOLC Life Assurance Ltd.	LOLC Life
20	MBSL Insurance Company Ltd.	MBSL
21	National Insurance Trust Fund	NITF
22	Orient Insurance Ltd.	Orient
23	People's Insurance PLC	People's
24	Sanasa Life Insurance Company Ltd.	Sanasa Life
25	Sanasa General Insurance Company Ltd.	Sanasa Gen.
26	Softlogic Life Insurance PLC	Softlogic Life
27	Sri Lanka Insurance Corporation Ltd.	SLIC
28	Union Assurance PLC	Union Life

Following General Notes supplement when interpreting the data of Tables and Charts of the Statistical Review:

- Tables and Charts depicted in this report were based on the statistics provided by the Insurance Companies and Insurance Brokering Companies.
- AIA General Insurance Lanka Ltd. and Janashakthi General Insurance Ltd. have been amalgamated in 2016 and known as "Janashakthi General Insurance Ltd."
- Janashakthi General Insurance Ltd. was acquired by Allianz Insurance Lanka Ltd. in year 2018 and amalgamated with effect from 28th September 2018 and known as "Allianz Insurance Lanka Ltd."
- Softlogic Life Insurance PLC was known as Asian Alliance Insurance PLC prior to 2016.
- Union General Ltd. has been amalgamated with Fairfirst Insurance Ltd. with effect from 28th February 2017 and known as "Fairfirst Insurance Ltd."
- AIG Insurance Ltd. has withdrawn the business operation in year 2014 and is in the process of withdrawing from Sri Lanka.
- Seemasahitha Sanasa Rakshana Samagama has segregated its long term insurance business and general insurance business with effect from 01st July 2019. Accordingly, "Sanasa Life Insurance Company Ltd." and "Sanasa General Insurance Company Ltd." continue to carry on long term and general insurance businesses respectively.
- Data submitted by NITF with regard to the Risk Based Capital had not been considered in order to maintain the comparability since NITF handles both reinsurance and insurance business.
- Financial data of crop & loan protection scheme of NITF has been eliminated from statistics from 2014 onwards since the said operation has not been considered as 'Insurance'.
- Figures in some tables have been rounded off to the nearest final digit. Hence, there may be a slight discrepancy between the total as shown and the sum of its components.
- Differences as compared with previously published figures are due to subsequent revisions.
- Values indicated within parenthesis are negative values.
- The following symbols have been used throughout: -
 - = Reinstated and Audited figures
 - = Provisional figures
 - = nil

Overview of Sri Lankan Insurance Industry

Global Insurance Market at a Glance

The global insurance industry was heavily affected by the impacts of COVID-19 pandemic which spread across the globe rapidly during 2020. As many governments were urged to take preventive measures such as strict lockdowns and travel restrictions in order to control the spread of the virus, these circumstances have dramatically changed the routine activities of the people and businesses, thus influencing the insurance industry in many different ways. Along with the disruptions created by the pandemic, opportunities have emerged for insurers to reinvent themselves and provide insurance services fulfilling new social requirements and market needs.

Increased unemployment, business closures, hindered premium distribution, restricted travel and tourism have created unfavorable effects to the insurance premium growth across the world. As per Swiss Re publications, global insurance premiums were estimated to fall around 4% during the year 2020. In many markets in Europe and USA, long term premiums were largely affected by the decline in new business written and increasing lapses. Certain general insurance classes such as Travel Insurance, Marine Insurance, Aviation Insurance and Motor Insurance experienced larger drops. However, the emerging markets, especially in Asia are expected to maintain growth momentum backed by the increasing risk awareness and developments in distribution channels.

Financial market volatility and low interest rate environment continued to dampen the investment revenues of insurers. With the outbreak of pandemic and country lockdowns, equity prices fell sharply in the first half of 2020. Even though many markets have recovered subsequently, volatilities remain going forward due to uncertainty about the duration and

impact of COVID-19 crisis. Low interest rates put pressure on the profitability of insurance companies, in particular long term insurers with policy guarantees to cover, like guaranteed annuity rates and guaranteed investment returns. General insurers have also hit hard who rely heavily on investment returns to cover claims.

Claim experience relating to COVID-19 impacts could vary between countries and regions given that the number of cases and deaths reported and depending on the policy conditions and coverage differences. Hospital and medical benefits have increased in many developed markets, along with enlarged claim exposure from business lines such as event cancellation, business interruption, travel insurance, credit insurance, workmen compensation etc. In contrast, claims payment for motor insurance reported widespread decline as a result of reduced vehicle accidents due to restricted mobility.

In response to these unprecedented challenges, global insurance sector has demonstrated both operational and financial resilience, aided by supervisory measures providing operational relief and by monetary and fiscal support measures in financial markets in certain regions. Regulators in many jurisdictions have taken measures to limit or delay dividend payments of insurers. In addition, number of actions have been taken to ensure the fair treatment of customers (Source: Global Insurance Market Report – IAIS). Insurers have increased their focus on digitalizing the operations and customer services, and the requirement for sound IT infrastructures became vital in facilitating most of these transformations such as implementing remote working environment. Further, steps have been taken to adopt digital channels in lieu of face-to-face sales and accelerate product developments to better align with public demand for protection, as the interest of younger generations in life, health and other protections products has notably increased with the outbreak of the pandemic.

Beyond the impact of COVID-19, the insurance industry is occupied with other key challenges such as rise in consumer expectations, cyber threats, increasing climate risk and catastrophe events, sustainability imperatives and vast retirement savings and protection gaps which will require insurers to think bigger and differently in the years to come.

Sri Lankan Economy at a Glance

As the world is experiencing one of the deepest economic recessions driven by the COVID-19 pandemic, the Sri Lankan economy contracted by 3.6% in 2020, reporting the worst growth performance since independence. Control measures taken by the Government like suspending tourist arrivals and island-wide curfew hindered the economic activities in many sectors like tourism, manufacturing, construction and transportation. This was evidenced by the sharp declines observed in Industry activities and Services activities during the year by 6.9% and 1.5% respectively. Meanwhile, Agriculture sector also displayed a contraction of 2.4% due to the pandemic related disruptions, though the government policies supported the continuation of most agricultural activities even during the lockdown periods.

Due to the uncertainties surrounding the pandemic, many businesses and firms have permanently or temporarily shut down and as a result of loss of family incomes, the unemployment rate increased to 5.5% in 2020 (2019: 4.8%). A considerable drop was observed in female labour force participation alongside a sharp decline in departures for foreign employment. The contraction in Gross Domestic Product (GDP) at current market prices coupled with weakening of Sri Lankan rupee against the US dollar declined the GDP per capita to US dollars 3,682 in 2020 from US dollars 3,852 in the previous year.

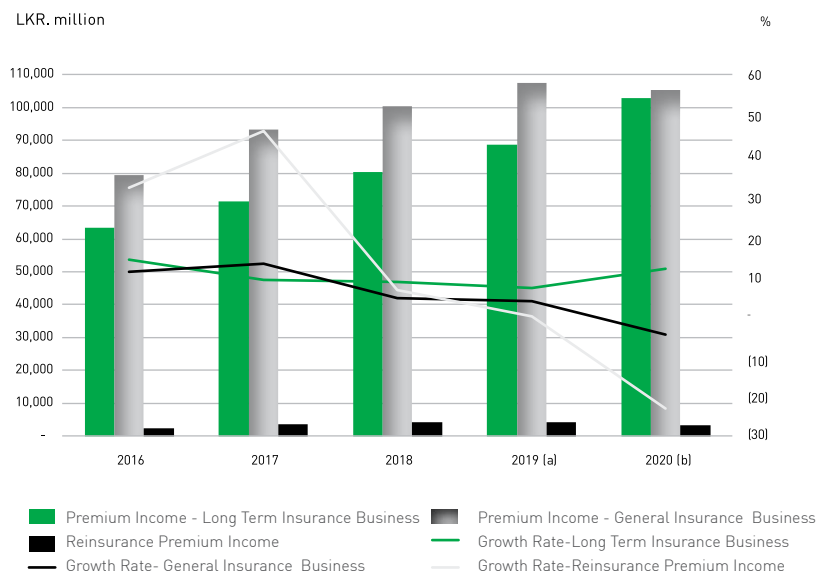
(Source – Central Bank Annual Report 2020)

Sri Lankan Insurance Market

A total of twenty-seven insurance companies operated in Sri Lankan insurance sector by the end of 2020 with thirteen companies providing long term insurance, twelve general insurance companies and two composite insurers who provide both long term and general insurance services. Eight companies are listed in Colombo Stock Exchange and six companies function with major foreign shareholdings. During the year, one prospective company applied for license to carryout long term insurance business.

As is the case in many countries, the economic and social impacts of the COVID-19 pandemic created numerous challenges and opportunities to Sri Lankan Insurance market. Lockdowns and other containment measures imposed by the Government subdued the demand for most general insurance products. In particular, insurance classes like motor, marine, travel and aviation have mainly affected and reported premium declines compared to previous year. Accordingly, general insurance business exhibited a negative premium growth of 2.24% in 2020 against 7.06% growth reported in last year. In contrast, the long term insurance business displayed a positive momentum as the total premium income increased by 15.98% (2019: 10.58%), surpassing the LKR 100 billion mark for the first time in the history. Product innovation, digitization of operations, remodeling distribution channels, and usage of customer-centric operating model were few of the key strategies used by long term insurers to achieve business growth during the year. Premium generated from Decreasing Term Assurance(DTA)/Mortgage Protection Policies showed a considerable rise during the year due to increased loan

Chart 1
Premium Income & Growth Rate of the Insurance Industry



grants by the banking and financial institutions, supported by monetary policy relaxation measures of Central Bank. At the same time, the public awareness on life protection was believed to be increased due to the circumstances evolved by the pandemic.

Overall, the insurance industry reported total Gross Premium Income (GWP) of LKR 208,250 million in 2020 compared to LKR 196,472 million reported in 2019 and demonstrated a subdued growth rate of 5.99% (2019: 8.62%). The reinsurance premium income which demonstrates the compulsory cession of reinsurance premiums of general insurers to NITF, has remarkably fallen in 2020 as a result of limited acceptance of reinsurance cession by NITF. As illustrated in Table 1 below, despite the low premium growth reported, the insurance penetration level of the country has risen to 1.39% in 2020 primarily induced by the declined

Gross Domestic Product at current market price. Nevertheless, it is still relatively below than the penetration levels of other countries in the region. Similar to previous years, the insurance density has improved marginally and reported as LKR 9,501 in 2020 (2019: LKR 9,011). Industry has undergone certain developments recently in order to enhance smooth functioning of its key operations. The need for robust information technology infrastructures became vital for insurers as many companies have shifted to remote working environment during the year. Usage of digital and virtual platforms enhanced the effectiveness of some of the functions like, customer servicing, premium collection and claims handling.

Table 1
Premium Income & Penetration

	2016	2017	2018	2019 (a)	2020(b)
Premium Income - Long Term Insurance Business (LKR million)	63,477	71,571	80,294	88,787	102,974
Growth Rate in Premium Income - Long Term Insurance Business (%)	18.23	12.75	12.19	10.58	15.98
Premium Income - General Insurance Business (LKR million)	79,590	93,389	100,586	107,685	105,276
Growth Rate in Premium Income - General Insurance Business (%)	14.90	17.34	7.71	7.06	[2.24]
Total Premium Income - Insurance Business (LKR million)	143,067	164,960	180,880	196,472	208,250
Growth Rate in Total Premium Income - Insurance Business (%)	16.35	15.30	9.65	8.62	5.99
Reinsurance Premium Income (LKR million)**	2,397	3,683	4,056	4,174	3,235
Gross Domestic Product at Current Market Price (LKR billions)*	11,996	13,328	14,291	15,013	14,973
GDP Growth Rate % *	4.5	3.6	3.3	2.3	[3.6]
Penetration % (Total Premium of Insurance Business as a % of GDP)	1.19	1.24	1.27	1.31	1.39
Penetration % (Premium of Long Term Insurance Business as a % of GDP)	0.53	0.54	0.56	0.59	0.69
Penetration % (Premium of General Insurance Business as a % of GDP)	0.66	0.70	0.70	0.72	0.70
Insurance Density - (Total Premium Income - Insurance Business/ Population) LKR	6,747	7,693	8,347	9,011	9,501
Population '000 (Mid Year) *	21,203	21,444	21,670	21,803	21,919

* Source: Central Bank of Sri Lanka and Department of Census and Statistics. Gross Domestic Product at current market price has updated from 2015 onwards based on the Annual Report of Central Bank of Sri Lanka 2019.

** Reinsurance premium income represents the compulsory cession of reinsurance premiums of General Insurance Business ceded to NITF.

Total Assets of Insurance Companies

Overall asset base of the insurance industry amounted to LKR 796,791 million as at 31st December 2020, demonstrating a fair growth of 14.33% in comparison to 10.55% growth recorded in 2019. As depicted in Table 2, this growth was predominantly driven by the increase in total assets of long term insurance business which grew at a pace of 16.21%. Unlike in previous

years, assets of general insurance business too have shown increasing growth pattern by recording a year-over-year growth of 10.15% in 2020 against the 4.66% growth reported in 2019. Expansion of business volumes and rising policyholder liabilities, demanded insurance companies to maintain adequate asset portfolio while maximizing investment returns and complying with regulatory requirements. Financial Investments were the main

contributor to asset growth in both long term insurance and general insurance business, while Premium Receivables also displayed a notable contribution to assets of general insurers. In terms of proactive capital management measures, IRCSL intervened to restrict dividend declaration and distribution during the year which also had a positive effect on the increase in asset balances of the companies.

Table 2
Total Assets of Insurance Companies

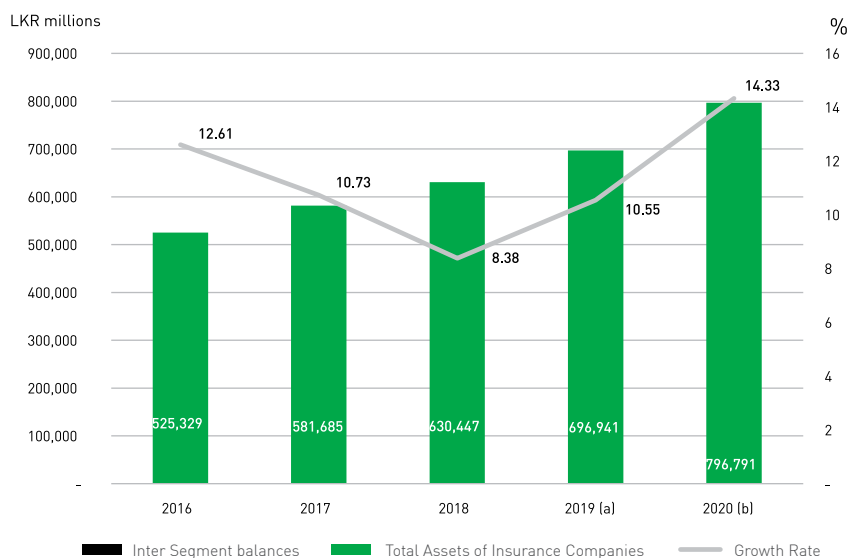
	2016	2017	2018	2019 (a)	2020 (b)
Long Term Insurance (LKR million)	345,589	391,890	430,759	485,121	563,769
Growth Rate - Long Term Insurance (%)	10.51	13.40	9.92	12.62	16.21
General Insurance (LKR million)	173,985	185,583	196,005	205,130	225,956
Growth Rate - General Insurance (%)	15.09	6.67	5.62	4.66	10.15
Reinsurance (LKR million)	5,755	4,212	3,683	6,690	7,066
Growth Rate - Reinsurance (%)	68.42	[26.82]	[12.54]	81.63	5.62
Total (LKR million)	525,329	581,685	630,447	696,941	796,791
Growth Rate - Total (%)	12.61	10.73	8.38	10.55	14.33

Similar to previous years, Government Securities, Corporate Debts, Deposits, and Equity Shares were the main asset categories which insurers have invested in. Meanwhile, a significant increase in Unit Trusts investments was observed in 2020 given the low interest rate environment prevailed

in the country and insurers shifting to more liquid, safe and high return investments. SLIC, a composite insurer, was the major contributor to total asset portfolio followed by long term insurers; Ceylinco Life, AIA Life, Union Life and general insurers; Ceylinco General and Allianz

General. NITF managed to maintain the growing trend in total assets of reinsurance business displaying a slight increase of 5.62% persuaded by the upturns in government securities and premium receivables.

Chart 2
Total Assets and Assets Growth Rate of the Insurance Industry



Distribution of Total Assets of Major Financial Sectors

Despite the challenging economic environment resulting from the COVID-19 pandemic, the financial sector exhibited a notable expansion in overall asset volume by reporting 17.44% growth in 2020. The growth was predominantly driven by Banking Sector and followed by Contractual Savings Institutions. However, increasing non-performing loans,

sovereign rating downgrades and decreased foreign remittances have adversely affected the operations of Banking Sector, Other Deposit Taking Financial Institutions and Specialized Financial Institutions during the year.

The Banking Sector comprised of 30 banks by end of 2020 and continued the dominance in financial sector by representing 72.5% of the total asset portfolio. Assets of Banking Sector grew by 18.32% year-on-year which

was primarily contributed by increased investments and loan portfolio. With the introduction of monetary policy relaxation measures by the Central Bank, re-scheduled loans, housing loans and term loans have reported higher growth rates during 2020. Investments made by the Banking Sector in Treasury Bonds and Treasury Bills have also grown noticeably during the year (Source – Central Bank Annual Report 2020).

Table 3
Distribution of Total Assets of Major Financial Sectors

Financial Sectors	2016		2017		2018		2019		2020	
	LKR billions	%	LKR billions	%	LKR billions	%	LKR billions	%	LKR billions	%
Banking Sector	10,575.8	69.5	11,897.4	69.7	13,711.4	72.2	14,442.1	71.9	17,087.9	72.5
Other Deposit Taking Financial Institutions	1,246.7	8.2	1,370.4	8.0	1,603.2	8.4	1,553.2	7.7	1,637.6	6.9
Specialized Financial Institutions	335.4	2.2	388.9	2.3	241.1	1.3	286.7	1.4	415.3	1.8
Contractual Savings Institutions	2,536.6	16.7	2,838.0	16.6	2,807.4	14.8	3,097.9	15.4	3,639.7	15.4
Insurance Companies*	525.3	3.5	581.7	3.4	630.4	3.3	696.9 (a)	3.5	796.8 (b)	3.4
Total	15,219.8	100	17,076.4	100	18,993.5	100	20,076.8	100	23,577.3	100

Source: Central Bank of Sri Lanka Annual Report - 2020

* Assets of insurance companies were reinstated based on data received from insurance companies.

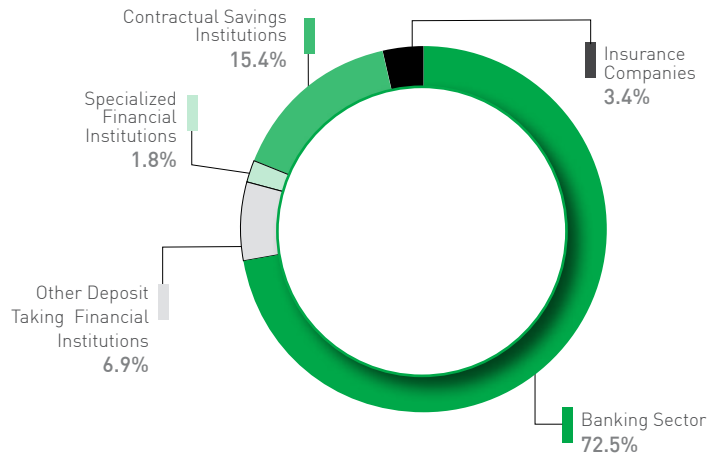
Licensed finance companies, rural banks and credit co-operative societies have represented the Other Deposit Taking Financial Institutions, and accounted for 6.9% of the total assets of financial sector in 2020 by reporting LKR 1,637.6 billion assets as at 31st December 2020. Though the sector has recovered its asset growth after the contraction experienced in year 2019, sluggish performance continued in licensed finance companies due to negative credit growth and high non-performing loans. Meanwhile, the Specialized Financial Institutions have displayed a remarkable asset growth of 44.86% in 2020, which was mainly contributed by the increased assets of Unit Trust Management Companies.

Employees' Provident Fund (EPF), Employees' Trust Fund (ETF) and Other Approved Pension and Provident Funds are the main components of Contractual Savings Institutions which accounted for total asset base of LKR 3,639.7 billion as at 31st December 2020 demonstrating a significant growth of 17.49%. This increase was mainly due to the combined effect of the net contributions of EPF and ETF members, and the income generated through investments of the funds. Majority of the asset portfolio of EPF and ETF consisted of Government Securities, whereas small proportions of investments placed on Equities, Fixed Deposits and Corporate Debentures.

Despite the increase in total value, the contribution made by Insurance Companies to the overall asset portfolio of the financial sector remained at the similar level as previous year, reporting 3.4% in 2020 (2019: 3.5%).

Chart 3

Distribution of Total Assets of Major Financial Sectors as at 31st December 2020



Profitability

During 2020, the insurance industry displayed a significant financial performance by posting a year-over-year profit growth of 29.26%. Accordingly, total profitability (profit before tax) of the industry reported as LKR 41,767 million for the year 2020, whereas same was amounted to LKR 32,311 million in 2019. Contrasting to previous years, the contribution of general insurers to overall profitability exceeded the long term insurance companies during the year, as a result of a remarkable profit growth demonstrated by general insurance business by recording a total profit amounting to LKR 23,040 million for the year 2020. NITF and Allianz General were the key drivers of profit growth while SLIC also remained among highest profit generators despite displaying a slight contraction in profits compared to last year. Allianz General incurred a substantial loss in 2019 particularly due to high claim exposure. However, discontinuation of 'Suraksha Scheme', coupled with low level of claims due to pandemic situation reduced the claim magnitude of the company during the year and increased the profitability by a notable margin. Profitability of NITF was largely due to decreased claims from almost all business segments,

specifically Agrahara scheme, National Natural Disaster Insurance Scheme (NNDIS), SRCC, Reinsurance business and Motor class. As a result of discontinuation of NNDIS scheme, over provisions of claims pertaining to NNDIS have been reversed by NITF during the year which also had a further effect on claims reduction and profit increase. Apart from SLIC and MBSL, all other general insurers have exhibited improved profitability during the year, largely due to the outcome of declined claim experience, specially in motor class, as the mobility was restricted by the lockdown measures imposed in the country.

The profits of long term insurance business contracted by 17.89% in 2020 and this reduction was a result of decreased surplus transfers and enlarged claim provisions of majority long term insurers. As illustrated in Table 4, nine companies engaged in long term insurance business have reported reduced profitability in 2020. Ceylinco Life was the highest contributor to overall long term profitability, reporting a profit of LKR 8,767 million while Softlogic Life, Union Life and SLIC exhibited subsequent highest profits respectively.

Table 4
Profitability of Insurance Companies

Insurer	2019(a)			2020(b)		
	Long Term Insurance (LKR '000)	General Insurance (LKR '000)	Total (LKR '000)	Long Term Insurance (LKR '000)	General Insurance (LKR '000)	Total (LKR '000)
AIA Life	3,167,396		3,167,396	724,428		724,428
Allianz Gen.		(1,959,390)	(1,959,390)		2,296,604	2,296,604
Allianz Life	47,369		47,369	80,926		80,926
Amana Gen.		(284,699)	(284,699)		50,145	50,145
Amana Life	(29,118)		(29,118)	(33,147)		(33,147)
Arpico	316,106		316,106	300,244		300,244
Ceylinco Gen.		1,734,516	1,734,516		1,862,479	1,862,479
Ceylinco Life	8,211,938		8,211,938	8,766,512		8,766,512
Continental		514,716	514,716		1,084,491	1,084,491
Cooperative Gen.		397,254	397,254		883,336	883,336
Cooplife	59,107		59,107	68,880		68,880
Fairfirst		614,175	614,175		765,688	765,688
HNB Life	1,106,535		1,106,535	999,363		999,363
HNB Gen.		354,826	354,826		631,133	631,133
Janashakthi Life	532,364		532,364	776,772		776,772
LIC	(245,381)		(245,381)	(380,835)		(380,835)
LOLC Gen.		730,808	730,808		1,584,907	1,584,907
LOLC Life	145,948		145,948	453,650		453,650
MBSL	32,115	(87,961)	(55,846)	36,696	(99,278)	(62,582)
NITF*		3,134,562	3,008,485		7,629,376	9,015,095
Orient		169,426	169,426		185,816	185,816
People's		912,032	912,032		1,670,799	1,670,799
Sanasa Life	45,953		45,953	(18,958)		(18,958)
Sanasa Gen.		99,742	99,742		148,127	148,127
Softlogic Life	2,603,557		2,603,557	2,130,347		2,130,347
SLIC	3,217,275	4,987,731	8,205,006	1,642,561	4,346,389	5,988,950
Union Life	1,908,463		1,908,463	1,793,841		1,793,841
Total	21,119,627	11,317,738	32,311,288	17,341,280	23,040,012	41,767,012

*Includes profit before tax of crop and reinsurance business amounting to LKR 216 million (2019: 536 million) and LKR 1,170 million (2019: 662 million profit) respectively.

Shareholders' Funds of Insurance Companies

During 2020, shareholders' funds of insurance industry expanded by 12.21% from LKR 209,924 million to LKR 235,547 million, which is mainly attributable to profits earned by insurers. Ceylinco Life, NITF and Allianz General are the main contributors to above growth as they have generated impressive profits for the year ended 31st December 2020. The overall retained earnings reported a steep upswing in 2020 as a result of restrained dividend distribution which was a prudent capital management measure taken amidst unprecedented risks of the pandemic situation.

Retained earnings are recorded under Total Other Reserves in Table 5 below, along with revaluation reserves and other general reserves, which altogether represented the major proportion of total shareholders' funds.

LIC has increased its share capital during the year and accordingly, total Stated Capital amount slightly expanded to LKR 43,696 million. One-off Surplus which is maintained as 'Restricted Regulatory Reserve' remained unchanged at LKR 16,248 million compared to last year.

By end 2020, SLIC reported the highest shareholders' funds in the industry

followed by Ceylinco Life, AIA Life and Union Life. Driven by increased profit reserves, NITF exceeded Ceylinco General and Allianz General, becoming the highest contributor to total shareholders' funds among general insurance companies. Though LIC has infused stated capital during the year, due to substantial losses incurred, the shareholder's funds have plummeted to LKR 87 million. Amana Life also reported a decrease in shareholder's funds due to losses reported for the year. Accordingly, LIC and Amana Life have positioned themselves as the companies with lowest shareholders' funds as at 31st December 2020.

Table 5
Total Shareholders' Funds of Insurance Companies

Insurer	2019 (a)		2020(b)				
	Total Shareholders' Funds (LKR'000)	%	Stated Capital (LKR'000)	Restricted Regulatory Reserve (LKR'000)	Total other Reserves (LKR'000)	Total Shareholders' Funds (LKR'000)	%
AIA Life	20,641,383	9.83	511,922	6,080,848	13,986,914	20,579,684	8.74
Allianz Gen.	9,656,605	4.60	8,619,972		3,108,340	11,728,313	4.98
Allianz Life	1,598,532	0.76	739,624		1,341,470	2,081,093	0.88
Amana Gen.	1,458,269	0.69	1,860,001		(351,596)	1,508,405	0.64
Amana Life	487,853	0.23	500,000		(40,458)	459,542	0.20
Arpico	1,660,447	0.79	675,565		1,285,126	1,960,691	0.83
Ceylinco Gen.	11,697,592	5.57	500,200		12,472,446	12,972,646	5.51
Ceylinco Life	31,492,076	15.00	500,001	3,456,184	34,188,848	38,145,032	16.19
Continental	2,047,880	0.98	750,000		2,147,707	2,897,708	1.23
Cooperative Gen.	2,646,419	1.26	1,515,757		1,903,101	3,418,858	1.45
Cooplif	904,937	0.43	544,260		514,890	1,059,150	0.45
Fairfirst	5,663,418	2.70	3,131,949		3,172,559	6,304,508	2.68
HNB Life	6,277,995	2.99	1,171,875	381,156	5,707,957	7,260,988	3.08
HNB Gen.	1,586,349	0.76	1,150,000		933,242	2,083,242	0.88
Janashakthi Life	9,566,634	4.56	4,853,752	1,795,829	3,078,757	9,728,337	4.13
LIC	241,760	0.12	650,000		(562,919)	87,081	0.04
LOLC Gen.	1,918,274	0.91	700,000		2,424,389	3,124,389	1.33
LOLC Life	1,324,760	0.63	1,250,000	256,134	291,122	1,797,256	0.76
MBSL	1,296,734	0.62	2,280,022		(1,035,613)	1,244,409	0.53
NITF	6,153,312	2.93			13,087,458	13,087,458	5.56
Orient	886,154	0.42	825,000		191,320	1,016,320	0.43
People's	3,642,649	1.74	1,350,000		3,248,573	4,598,573	1.95
Sanasa Life	1,170,406	0.56	1,044,846		2,850	1,047,695	0.44
Sanasa Gen	641,614	0.31	508,996		281,501	790,497	0.34
Softlogic Life	8,218,919	3.92	1,062,500	798,004	8,075,743	9,936,247	4.22
SLIC	62,380,498	29.72	6,000,000	98,237	55,422,571	61,520,808	26.12
Union Life	14,662,903	6.98	1,000,000	3,381,934	10,726,556	15,108,490	6.41
Total	209,924,370	100	43,696,240	16,248,326	175,602,854	235,547,420	100

Note: 2019 published figures have been revised in line with the audit adjustments.

Analysis of Branches, Employees and Agents of Insurers

Widespread branch network is a key to business growth and effective customer service since it can enhance the ability of insurers to reach new markets and more customers. Although the current pandemic environment has influenced insurance companies to automate most of their operations and interact with customers through digital platforms, the requirement of physical branches will remain vital for smooth functioning of key operations of insurers.

The branch network showcased a reduction during the year as certain insurers have restructured their

existing branches. Similar to previous years, the majority of the branches were located in Western Province, followed by Southern Province and North Western Province. By end 2020, the composition of total branches reported as 965 long term insurance branches, 837 general insurance branches and 151 composite insurance branches.

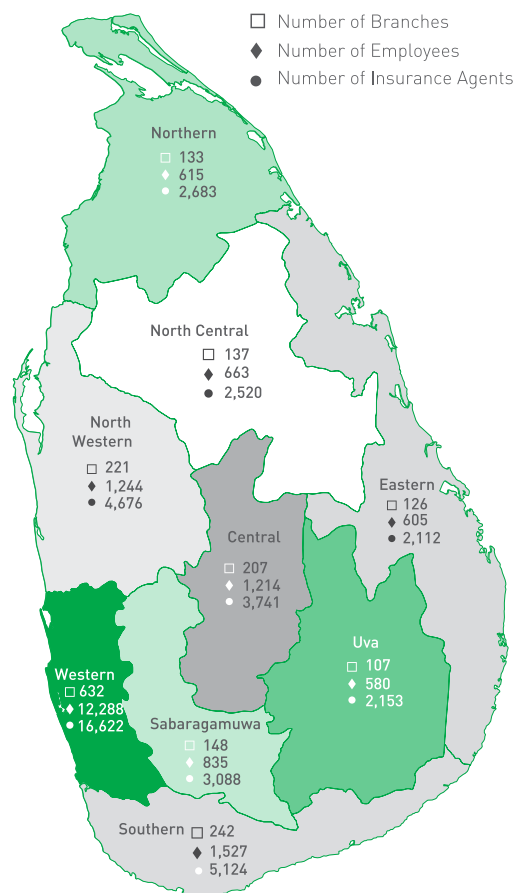
Employees of the insurance industry totalled to 19,571 in 2020 and out of them, 11,067 are employed at general insurers, 5,838 at long term insurers and 2,666 at composite insurance companies. Since the majority of branches and head offices are located in Western Province, it accounted for more than 60% of total employees of insurance sector.

As depicted in table 6, total number of agents servicing in the insurance industry reported as 42,719 by end 2020 demonstrating a slight decline compared to number of agents remained in 2019. Though many insurers like AIA Life, Ceylanco Life, Union Life and Softlogic Life have increased their agency force by new recruitments, one large composite insurer has terminated a significant number of agents during the year mainly on the grounds of non-qualification, poor performance, and financial misappropriation. By end of 2020, 59.40% of agency force was employed at long term insurance companies, 31.95% at composite insurers and 8.65% at general insurance companies.

Table 6
Number of Branches, Employees and Agents as at 31st December 2019 and 2020

Province	No. of Branches		No. of Employees		No. of Agents	
	2019	2020	2019	2020	2019	2020
Central Province	211	207	1,158	1,214	4,036	3,741
Eastern Province	134	126	682	605	2,151	2,112
North Central Province	146	137	725	663	2,478	2,520
North Western Province	221	221	1,263	1,244	4,212	4,676
Northern Province	144	133	613	615	2,805	2,683
Sabaragamuwa Province	171	148	872	835	3,347	3,088
Southern Province	250	242	1,559	1,527	4,848	5,124
Uva Province	122	107	634	580	2,430	2,153
Western Province	670	632	12,335	12,288	18,691	16,622
Total	2,069	1,953	19,841	19,571	44,998	42,719

Chart 4
Number of Branches, Employees and Agents as at 31st December 2020



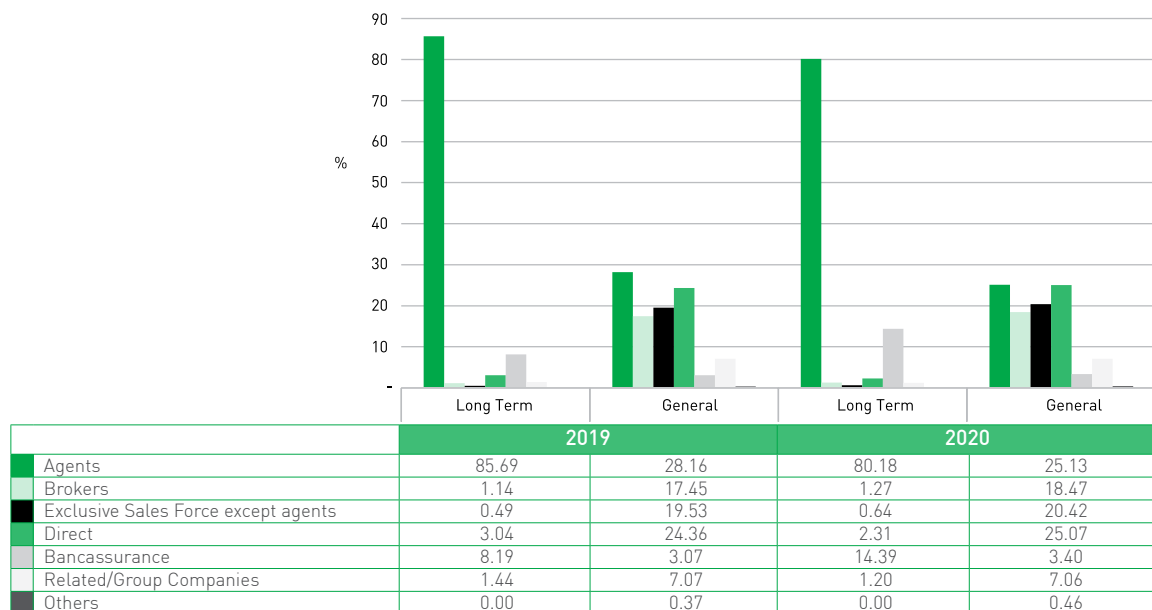
Distribution Channels of Insurance Companies

Sri Lankan insurance industry has recently experienced several developments in premium distribution modes as a result of rapidly changing business environmental factors. Advancement in information technology over the years has been a key factor which enhanced the usage of digitalized platforms by customers to purchase insurance products. Ongoing COVID-19 crisis has further influenced insurers to seek alternate channels instead of traditional distribution modes.

According to Chart 5, agents' contribution to GWP generation of both long term insurance business and general insurance business have experienced declines during the year, though they continue to be the dominant channel in overall premium distribution, particularly in long term insurance business. Concentration to bancassurance channel improved among long term insurers in recent past and the outcome is observable in Chart 5, as the contribution of bancassurance to long term premium distribution increased remarkably from 8.19% to 14.39% in 2020. Decreasing Term Assurance (DTA) policies were the main type of product distributed through bancassurance channel during the year.

Agents, direct channel, exclusive sales force and brokers are the main contributors to premium generation of general insurance business during 2020 and 2019 with moderate movements over the year. Direct channel consisted of premium generated through walking customers, mobile phone services, internet and government insurance schemes implemented through NITF. Same was accounted for 25.07% of total GWP of general insurance companies in 2020, whereas the premium distributed by related/group companies remained at similar level during the year.

Chart 5
Distribution Channels of Insurance Companies



Long Term Insurance Business

Gross Written Premium

The COVID-19 outbreak combined with the control measures imposed to combat the same including lockdown, isolation and travel restrictions caused most of the economic activities to come to a standstill. Amidst this most challenging period, long term insurers have managed to record a 15.98% (2019: 10.58%) growth in

2020 with an overall GWP of LKR 102,974 million (2019: LKR 88,787 million) which is commendable when the unprecedented economic and social impact of COVID-19 pandemic are considered. Technological developments and digitalization, enhanced operational efficiency through reengineering of operating models, product innovation etc. availed insurers to gain a competitive edge and sustain the drive in the positive direction in this turbulent

environment. In addition, the pandemic has improved the level of awareness on risks that can be mitigated through life insurance which again positively impacted the performance of the life insurers.

Sri Lankan long term insurance industry is highly competitive with 13 long term insurance companies and 02 composite insurers. Four companies have collaborations with foreign insurance companies.

The GWP growth rate of the industry was experiencing a downward trajectory over the last few years. However, during the year under review, GWP of the life insurance industry grew at an accelerated rate recording the second highest GWP growth rate over last five years. In terms of value, GWP has improved by 62.22% from 2016 to 2020.

Life insurance market still remains underpenetrated giving strong upside potentials. Addressing emerging trends of the market segments, leveraging on technological advancements, digitalization accompanied with the success of containing COVID-19 and the paced economic rebound will provide insurers with immense amount of

opportunities for expansion. However, shocks and challenges emanating from COVID-19 pandemic are likely to continue in the next few years to come.

Table 7 illustrates the company-wise GWP and Market share of long term insurance companies.

Table 7
Company - wise Gross Written Premium and Market Share - Long Term Insurance Business

Insurer	2016		2017		2018		2019 (a)		2020 (b)	
	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)
AIA Life	10,103,915	15.92	11,510,581	16.08	12,739,351	15.87	13,848,283	15.60	14,049,559	13.64
Allianz Life	1,040,269	1.64	1,178,817	1.65	1,301,254	1.62	1,403,858	1.58	1,476,069	1.43
Amana Life	820,727	1.29	792,174	1.11	827,948	1.03	851,293	0.96	767,232	0.75
Arpico	745,386	1.17	1,038,085	1.45	1,387,432	1.73	1,633,156	1.84	1,863,046	1.81
Ceylinco Life	15,027,600	23.67	15,765,484	22.03	17,812,774	22.18	18,718,553	21.08	22,076,250	21.44
Cooplif	466,997	0.73	626,972	0.88	619,881	0.77	772,782	0.87	774,517	0.75
HNB Life	3,554,078	5.60	3,963,642	5.54	4,420,513	5.51	5,175,044	5.83	5,487,039	5.33
Janashakthi Life	2,943,963	4.64	2,902,873	4.06	3,008,842	3.75	3,511,660	3.96	3,767,023	3.66
LIC	473,867	0.75	582,114	0.81	522,698	0.65	598,896	0.67	714,127	0.69
LOLC Life	1,896,558	2.99	2,467,166	3.45	2,610,785	3.25	2,682,522	3.02	3,236,480	3.14
MBSL	235,533	0.37	123,732	0.17	65,839	0.08	54,757	0.06	40,996	0.04
Sanasa Life	367,637	0.58	454,056	0.62	521,193	0.65	537,171	0.61	694,455	0.67
SLIC	11,893,640	18.74	12,517,119	17.49	13,205,802	16.45	14,820,025	16.69	19,257,997	18.70
Softlogic Life	5,635,701	8.88	7,530,935	10.52	10,005,733	12.46	12,531,283	14.11	15,660,116	15.21
Union Life	8,270,751	13.03	10,117,630	14.14	11,243,915	14.00	11,647,757	13.12	13,108,605	12.73
Total	63,476,622	100	71,571,380	100	80,293,960	100	88,787,041	100	102,973,511	100
Growth Rate(%)	18.23		12.75		12.19		10.58		15.98	

Similar to previous years, Ceylinco Life continued to maintain its dominance in the long term insurance market by generating GWP of LKR 22,076 million (2019: LKR 18,719 million) which accounted for 21.44% (2019: 21.08%) of the total GWP of the industry. The company managed to slightly overcome the deteriorating trend in market share whilst recording the highest growth in

GWP over last five years enabled by the improvement in group life business and retirement planning segment.

SLIC and Softlogic Life achieved the second and third positions in the market by recording GWP of LKR 19,258 million (2019: LKR 14,820 million) and LKR 15,660 million (2019: LKR 12,531 million) respectively with market shares of 18.70% (2019: 16.69%) and 15.21%

(2019: 14.11%). SLIC demonstrated a strong growth momentum during the year under review with a revenue growth of 29.95% year on year mainly due to increase in new business driven by Mortgage Protection policies.

Similarly, Softlogic Life continued to maintain its exponential growth momentum by surpassing AIA and becoming the third in the market in

terms of GWP. The company constantly maintained a double digit growth over last five years and improved its GWP by 24.97% similar to last year despite the headwinds arose from COVID-19. Optimization of distribution channels coupled with digital transformation predominantly enabled the company to navigate through difficult times to deliver growth.

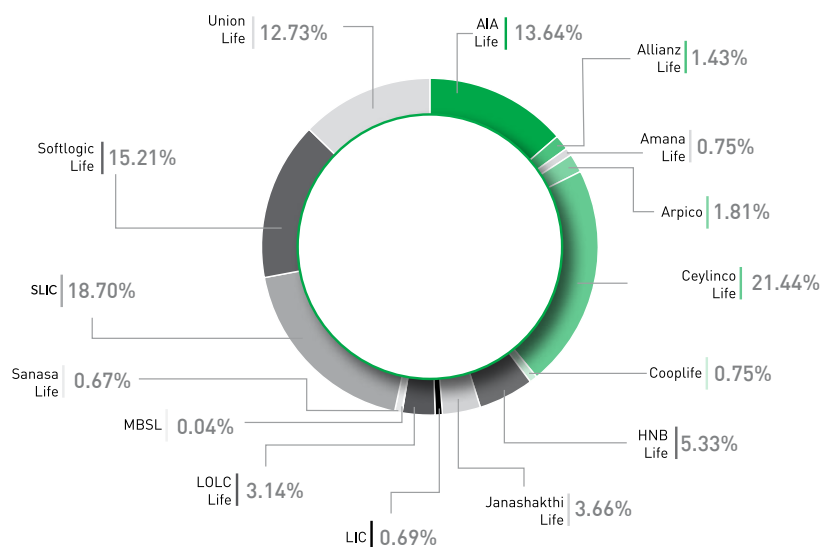
These three companies collectively contributed to 55.35% (2019: 51.89%) of the total market share which is an attestation to their resilience.

AIA ranked at fourth in the market with GWP of LKR 14,050 million (2019: LKR 13,848 million) and a market share of 13.64% (2019: 15.60%). Even though the company has slightly expanded in terms of GWP, that was not sufficient to secure its market position at third which they maintained for last few years but continued in further contraction in market share and GWP growth rate. Union Life posted a significant growth compared to 2019 and recorded GWP worth of LKR 13,109 million (2019: LKR 11,648 million) largely boosted by universal life category. Similar to

previous year, Union Life proclaimed the fifth position in the market with a market share of 12.73% (2019: 13.12%). Significant growth rates of 29.28%, 20.65%, 19.24% and 14.08% respectively were noted from Sanasa Life, LOLC Life, LIC and Arpico. Further, all life insurers exhibited growth in terms of GWP except Amana Life and MBSL indicating the ability to withstand crisis and the effectiveness of their business continuity planning.

Chart 6 illustrates market share in terms of GWP of each long term insurer.

Chart 6
Company - wise Market Share of Gross Written Premium - Long Term Insurance Business for the Year ended 31st December 2020



Top Five Contributors to GWP and Other Insurers – Long Term Insurance Business

Market share of top five contributors to GWP and other insurers during 2016 to 2020 are depicted in Chart 7. The top five GWP generators have collectively accounted for 81.72% (2019: 80.60%) of the market with a collective GWP of LKR 84,153 million (2019: LKR 71,566 million) whilst the remaining ten insurers jointly have generated GWP of LKR 18,821 million (2019: LKR 17,221 million) by holding a market share of 18.28%

(2019: 19.40%). Ceylinco Life, SLIC, Softlogic Life, AIA Life and Union Life accomplished the top five positions in the market.

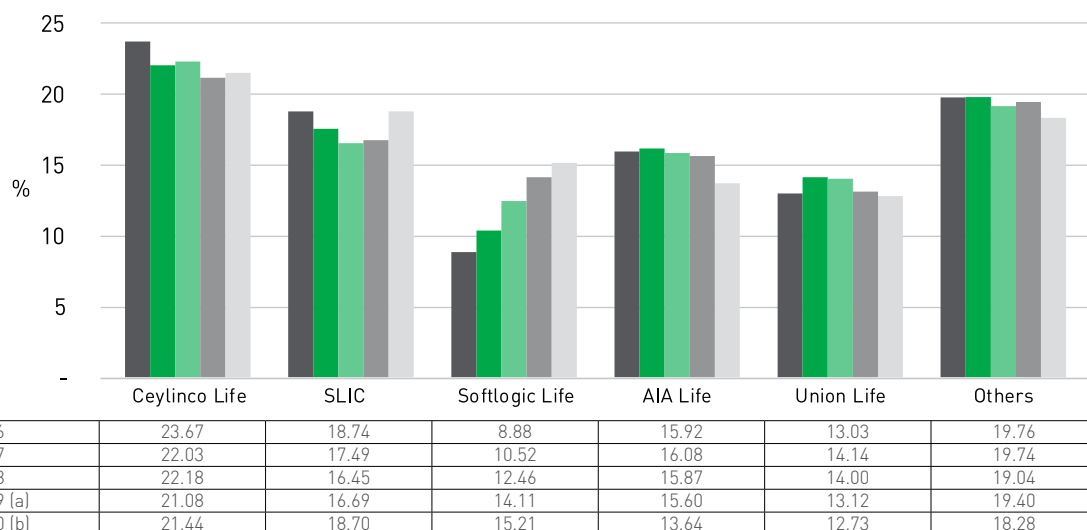
Ceylinco Life secured its top position in the market for several years consistently creating and delivering value to its stakeholders and the company slightly overcame the challenge of diminishing trend in market share during the year under review. SLIC, with their remarkable revenue growth in 2020 managed to expand the share significantly and reaffirmed its position at second.

Softlogic Life, repeating its success year after year outpaced AIA and Union Life in 2020 and 2019 respectively and gained market share continually to become third in the market. Accordingly, AIA and Union Life ranked at fourth and fifth position respectively in 2020.

These five players collectively improved their market share slightly by 1.12% in 2020 compared to 2019 as a result of the enriched market share growth displayed by the top three performers resulting in a dilution of the share of remaining ten players which hovered over 19% during last few years.

Chart 7

Top Five Contributors to GWP and Other Insurers for the years 2016 to 2020 - Long Term Insurance Business



Category-wise Analysis of Gross Written Premium, Premium Ceded to Reinsurers and Retention Ratio - Long Term Insurance Business

In the year 2020, the GWP of long term insurance business comprised of 20.90% (2019:24.10%) of participating business 41.32% (2019:36.46%) of non-participating business, 36.15% (2019:37.31%) of universal life

business and 1.63% (2019:2.13%) of linked long term business in 2020. SLIC and Ceylinco Life dominated in the participating business by owning portfolios worth of 48.51% and 28.12% respectively and collectively accounting for 76.63% of the market. Softlogic Life, Ceylinco Life and SLIC jointly possessed 73.16% of the non-participating portfolio whilst universal life business was led by AIA, Union Life and Ceylinco

Life with a combined share of 74.30%. The premium ceded to reinsurers was LKR 4,716 million (2019: LKR 3,692 million) with an increment of 27.73% year on year in 2020 predominantly due to non-participating business which is in line with the GWP growth of the same. Overall retention ratio of life insurance business stood at 95.42% (2019: 95.84%)

Table 8

Category-wise Analysis of Gross Written Premium, Premium Ceded to Reinsurers and Retention Ratio - Long Term Insurance Business

Class	2018			2019 (a)			2020 (b)		
	Gross Written Premium (LKR '000)	Premium ceded to Reinsurers (LKR '000)	Retention Ratio (%)	Gross Written Premium (LKR '000)	Premium ceded to Reinsurers (LKR '000)	Retention Ratio (%)	Gross Written Premium (LKR '000)	Premium ceded to Reinsurers (LKR '000)	Retention Ratio (%)
Participating	20,560,064	152,573	99.26	21,394,970	156,759	99.27	21,521,712	165,184	99.23
Non Participating	30,922,561	2,214,357	92.84	32,370,493	2,977,659	90.80	42,549,552	3,994,144	90.61
Universal Life	26,751,609	900,185	96.64	33,129,499	473,575	98.57	37,227,884	484,876	98.70
Linked Long Term	2,059,725	98,671	95.21	1,892,079	84,245	95.55	1,674,363	71,743	95.72
Total	80,293,960	3,365,786	95.81	88,787,041	3,692,237	95.84	102,973,511	4,715,946	95.42

Assets of Long Term Insurance Business

Long term insurers have added further value to their asset portfolio which is evident from the growth in total assets of the life insurance industry by 16.21% (2019: 12.62%) and the total asset value amounted to LKR 563,769 million (2019: LKR 485,121 million) as depicted in Table 9.

As illustrated in Table 9, SLIC claimed the highest share of assets in the long term insurance industry followed by Ceylinco Life which together stood at 55.15% (2019: 56.50%) out of the total assets in the industry. Total assets of SLIC improved steadily amounting to LKR 160,110 million (2019: LKR 140,882 million) with a share of 28.40% (2019: 29.04%) whilst total assets of Ceylinco Life consistently grew by 13.20% to reach LKR 150,801 million (2019: LKR 133,211 million) by owning a share of 26.75% (2019: 27.46%) of the market. AIA and Union Life possessed significant portions and reaffirmed third and fourth positions in the market in terms of total assets by recording LKR 72,389 million (2019: LKR 61,973 million) and LKR 62,600 million (2019: LKR 55,249 million) respectively. These four companies collectively owned 79.09% (2019: 80.66%) of the total assets which has slightly reduced from 2019.

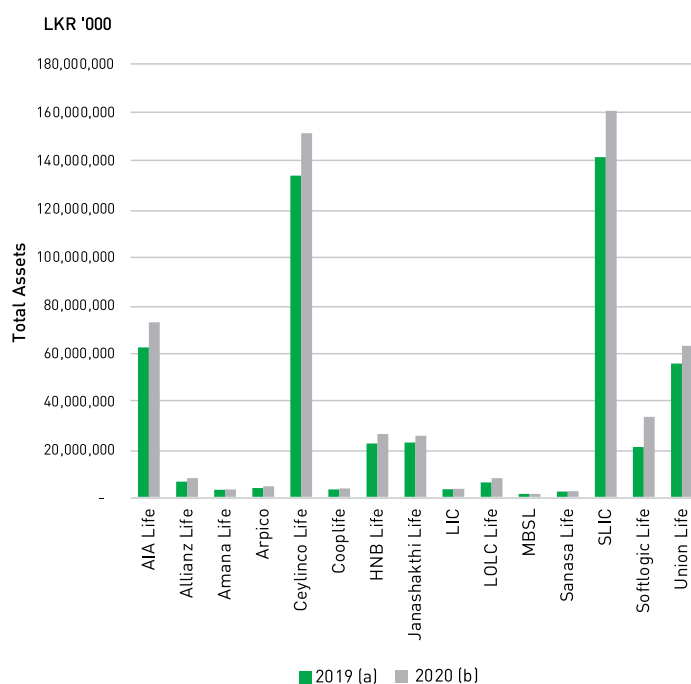
Softlogic Life substantially grew its asset portfolio by recording a 60.55% year on year growth in 2020 mainly driven by proceeds from financial reinsurance scheme and subordinate debt infusion. The company surpassed HNB Life and Janashakthi Life to rank at fifth in the market in terms of total assets.

HNB Life and Janashakthi Life acquired the sixth and seventh positions by reaching total assets worth of LKR 26,043 million (2019: LKR 22,152 million) and LKR 25,314 million (2019: LKR 22,502 million) respectively. It is noteworthy that all the life insurers have managed to add further value to their asset portfolio except MBSL which has planned to have a portfolio run off only by servicing existing clients without underwriting new business. LOLC Life and Allianz Life posted growth rates over 20% despite the challenges prevailed. Chart 8 demonstrates company-wise analysis of total assets.

Table 9
Company-wise Analysis of Total Assets - Long Term Insurance Business

Insurer	2019 (a)		2020 (b)	
	(LKR '000)	%	(LKR '000)	%
AIA Life	61,973,402	12.77	72,388,786	12.84
Allianz Life	6,311,049	1.30	7,757,708	1.38
Amana Life	2,924,488	0.60	3,078,357	0.55
Arpico	3,647,798	0.75	4,356,605	0.77
Ceylinco Life	133,211,402	27.46	150,801,381	26.75
Cooplif	3,065,143	0.63	3,497,823	0.62
HNB Life	22,152,377	4.57	26,042,871	4.62
Janashakthi Life	22,502,244	4.64	25,314,226	4.49
LIC	3,114,846	0.64	3,345,474	0.59
LOLC Life	5,985,833	1.23	7,752,075	1.38
MBSL	1,233,715	0.25	1,190,121	0.21
Sanasa Life	2,185,160	0.45	2,326,417	0.41
SLIC	140,881,506	29.04	160,110,048	28.40
Softlogic Life	20,682,874	4.26	33,206,203	5.89
Union Life	55,249,152	11.39	62,600,409	11.10
Total	485,120,989	100	563,768,504	100

Chart 8
Company - wise Analysis of Total Assets as at 31st December 2019 & 2020 - Long Term Insurance Business



Concentration of Assets as at 31st December 2019 & 2020 - Long Term Insurance Business

Table 10 and Chart 9 detail out concentration of assets of long term insurers among different asset categories as at 31st December 2019 and 2020.

As depicted in Table 10, investments in Government Securities amounted to LKR 243,561 million (2019: LKR 192,163 million) and remained the largest portion of the asset spread occupying 43.20% (2019: 39.61%) of the total asset base which showcases the prominence insurers have given to invest in Government Securities predominantly to maintain liquidity and to ensure compliance with regulatory requirements. Almost all the insurers except few have improved their investments in Government Securities which overall resulted in a significant growth rate of 26.75% year on year in 2020 which can be attributable to measures taken to mitigate the increasing risk in the market.

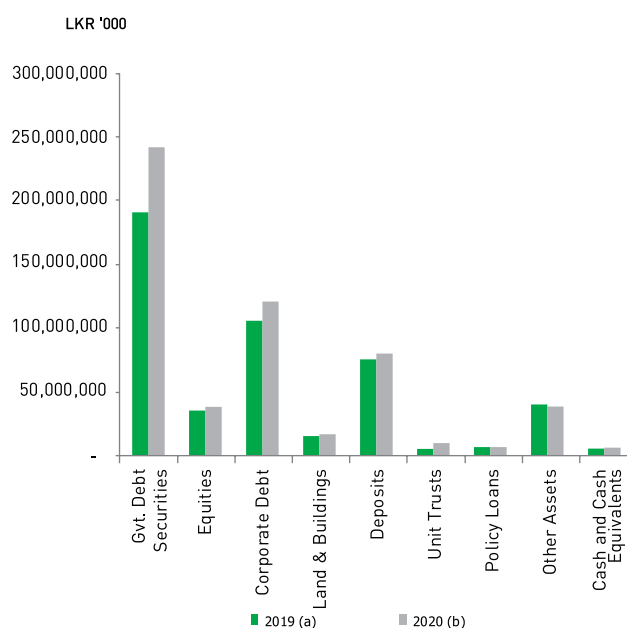
Investments in Corporate Debt represented the second largest asset category amounting to 21.59% (2019: 21.97%) of the total asset base reaching LKR 121,707 million (2019: LKR 106,578 million) primarily driven by the increase in volume of one life insurer. Investments in Deposits being the third largest increased to LKR 80,634 million (2019: LKR 76,073 million) with a 14.30% (2019: 15.68%) asset allocation which was again boosted by one life insurer. However, there was a reduction in growth rate of Deposits compared to 2019 reflecting the impact of prevailed low interest rate market.

Investments in Equity increased to LKR 38,722 million (2019: LKR 35,860 million) amounting to 6.87% (2019: 7.39%) of the total asset base indicating the attractiveness and progression of the equity market towards the latter part of the year. The above four asset categories being the main investment types held 85.96% (2019: 84.65%) of the total asset base of the industry.

Table 10
Concentration of Assets as at 31st December 2019 and 2020 - Long Term Insurance Business

Type of Asset	2019 (a)		2020 (b)	
	LKR '000	%	LKR '000	%
Government Debt Securities	192,163,331	39.61	243,561,027	43.20
Equities	35,860,358	7.39	38,721,989	6.87
Corporate Debt	106,577,870	21.97	121,706,551	21.59
Land & Buildings	15,670,406	3.23	16,903,643	3.00
Deposits	76,072,984	15.68	80,633,987	14.30
Unit Trusts	5,584,810	1.15	9,991,046	1.77
Policy Loans	6,822,801	1.41	6,944,985	1.23
Other Assets	40,610,985	8.37	38,832,156	6.89
Cash and cash equivalents	5,757,443	1.19	6,473,120	1.15
Total	485,120,989	100	563,768,504	100

Chart 9
Concentration of Assets as at 31st December 2019 & 2020 - Long Term Insurance Business



Other assets which mainly comprised of Deferred Tax Asset, Property Plant and Equipment, Intangible Assets, Premium Receivable from Policyholders, Reinsurance Receivable etc. slightly declined in share and reached LKR 38,832 million (2019: LKR 40,611 million). In order to mitigate

the downside risk of low interest rates, investments in Unit Trusts were enriched by most of the companies during the year under review which is evident from the substantial growth of the same.

Investment Income – Long Term Insurance Business

Despite the low interest rate environment and volatile financial markets stemmed from both the Easter Sunday attack and the COVID-19 pandemic, the overall investment income considerably enriched to LKR 46,942 million in 2020 from LKR 43,882 million in 2019 reporting a 6.97% growth. The average investments in long term business reached LKR 480,521 million (2019: LKR 414,387 million) posting a growth rate of 15.96% over 2019. Recording an investment income of LKR 21,851 million (2019: LKR 19,947 million) and LKR 13,087 million (2019: LKR 10,422 million) Government Debt Securities and Corporate Debt

possessed the highest shares of the overall investment income whilst improving their average investments to LKR 217,862 million (2019: LKR 184,625 million) and LKR 114,142 million (2019: LKR 93,879 million) respectively. These two categories collectively held 74.43% (2019: 69.21%) of the overall investment income and the investment yield of the same hovered around 10% and 11% respectively in both years. Deposits, being the next largest category in terms of volume recorded an investment income of LKR 8,265 million (2019: LKR 9,718 million) against the average investments of LKR 78,353 million (2019: LKR 71,463 million) indicating the dampening investment returns resulted by the

downward trajectory of interest rates prevailed during 2020. The above three, Government Debt Securities, Corporate Debt and Deposits, jointly held 92.03% (2019: 91.35%) of the total investment income which remains almost the same compared to 2019 level manifesting the diminishing interest rates of deposits in the market.

Investment income of Equity amounted to LKR 2,659 million (2019: LKR 2,895 million) whilst Unit Trusts generated an investment income of LKR 547 million (2019: LKR 356 million) in 2020. The overall investment yield averaged to 9.77% which is displaying a reduction from 10.59% recorded in 2019.

Table 11
Breakup of Investment Income and Average Investments - Long Term Insurance Business

Category	2019 (a)		2020 (b)	
	Investment Income (LKR '000)	Average Investments (LKR '000)	Investment Income (LKR '000)	Average Investments (LKR '000)
Government Debt Securities	19,946,639	184,624,538	21,850,617	217,862,179
- Treasury Bonds	18,777,013		20,379,416	
- Treasury Bills	225,989		49,721	
- Others (REPO)	943,637		1,421,480	
Equity	2,894,988	35,486,239	2,658,670	37,291,174
- Capital Gain/Losses	1,758,695		1,600,473	
- Dividend	1,136,294		1,058,197	
Corporate Debts	10,422,441	93,879,273	13,086,596	114,142,211
- Bonds and Debentures	9,888,815		12,878,534	
- Commercial Papers	533,625		208,062	
- Other Similar Financial Instruments				
Land and Buildings	85,313	14,638,275	89,669	16,287,025
Deposits	9,717,566	71,463,073	8,264,835	78,353,485
- Bank	9,010,752		7,033,581	
- Finance Companies	706,814		1,231,254	
Unit Trust	355,936	6,234,848	546,577	7,787,928
Policy Loans	322,789	6,435,561	383,803	6,883,893
Others	136,517	1,625,558	61,265	1,913,594
Total	43,882,190	414,387,366	46,942,032	480,521,489
Average Investment Yield	10.59%		9.77%	

Note:

Note: Considered Investment in Subsidiaries and the Associates. Considered all the above categories to compute yield.

Solvency Position of Insurance Companies -Long Term Insurance Business

The IRCSL continued to measure and monitor the risk based capital level of life insurers with a motive of effective management of capital levels of insurers, thereby protecting the interests of policyholders through a properly managed insurance sector. Under Solvency Margin (Risk Based Capital) rules, the insurers are required to maintain minimum Total Available Capital (TAC) of LKR 500 million and Capital Adequacy Ratio

(CAR) of 120% in order to satisfy its conformity with the Rules. However, taking into account the nature, size and complexity of the insurance business and the risks its exposed to insurers must maintain prudent CAR and adequate TAC. Table 12, 13 and 14 demonstrate details of TAC, RCR and CAR of long term insurance business as at 31st December 2020 and 2019.

The CAR which measures the adequacy of Total Available Capital to support the Risk Based Capital required was on average 366% (2019: 298%) as at the end of year 2020. All

life insurers have reported CAR above the enforcement level of 160% except one insurer. The TAC of the industry, in total amounted to LKR 250,023 million (2019: LKR 220,364 million) as at 31st December 2020.

Surrender Value Capital Charge (SVCC) which addresses the risk of extreme adverse scenario if all life insurance contracts are surrendered simultaneously, amounted to LKR 2,612 million (2019: LKR 3,853 million) by the end of 2020.

Table 12
Company-wise Analysis of Solvency Position - Long Term Insurance Business as at 31st December 2019 and 2020

Insurer	As at 31st December 2019 (a)				As at 31st December 2020 (b)			
	TAC (LKR '000)	RCR (LKR '000)	SVCC (LKR '000)	CAR (%)	TAC (LKR '000)	RCR (LKR '000)	SVCC (LKR '000)	CAR (%)
AIA Life	23,479,214	3,674,691	121,861	639	27,361,515	5,601,570		488
Allianz Life	1,447,524	223,007	471,435	307	2,028,498	216,924	286,007	709
Amana Life	508,242	267,470		190	535,106	261,775		204
Arpico	1,800,995	484,802	349,731	371	1,908,449	459,409	97,174	415
Ceylinco Life	61,948,169	17,865,001	10,631	347	72,111,874	17,133,081	3,930	421
Cooplife	885,437	469,593		189	1,473,028	589,124		250
HNB Life	7,921,589	2,461,800	416,272	322	8,966,667	2,653,681		338
Janashakthi Life	9,376,364	3,125,593	119,593	300	10,132,233	3,331,694		304
LIC	395,312	275,015		144	485,940	338,702		143
LOLC Life	1,280,311	588,513		218	2,325,089	1,258,535		185
MBSL	542,477	199,262		272	556,357	76,062		731
Sanasa Life	711,479	390,784	19,312	182	747,344	377,961		198
SLIC	83,505,746	19,148,373	1,046,379	436	79,654,571	17,370,300		459
Softlogic Life	8,151,141	4,489,448	1,041,915	182	19,940,660	6,610,593	2,203,854	302
Union Life	18,409,499	5,002,806	255,663	368	21,795,969	6,396,436	20,587	341
Total/Overall	220,363,500	58,666,156	3,852,790	298	250,023,301	62,675,847	2,611,552	366

Note:

Figures recorded for 2020 were obtained from the Annual Returns submitted for the IRCSL for year ended 31st December 2020.

Total Available Capital (TAC) Requirement of Insurance Companies – Long Term Insurance Business.

According to Solvency Margin (Risk Based Capital) Rules, TAC is the total of 'Tier 1' and 'Tier 2' capital of an insurer, subtracting the items specified under 'Deductions'. Table 13 details out the composition of TAC of long term insurers as at 31st December 2020. As depicted in Table 13, TAC of the industry accumulated to LKR 250,023 million (2019: LKR 220,364 million) whilst posting a growth of 13.46% largely driven by the overall improvement in Tier 1 capital of the industry. TAC of Softlogic Life and Ceylinco Life substantially increased in 2020 driven by the growth

in 'unallocated valuation surplus maintained in the insurance funds' and 'adjusted retained earnings' of Tier 1 capital respectively. Further, AIA Life, Union Life, LOLC Life and HNB Life showcased considerable growth in their TAC primarily driven by Tier 1 capital. Furthermore, all long term insurers expanded their TAC excluding SLIC compared to previous year.

Tier 1 capital which comprises of share capital and capital reserves, paid-up non-cumulative irredeemable preference shares, adjusted retained earnings, unallocated valuation surplus maintained in the insurance funds and 50% of net future bonuses in respect of participating business are considered as the permanent capital fully available to cover the losses of

insurers. The Tier 1 capital amounted to LKR 258,922 million (2019: LKR 234,901 million) with a growth of 10.23%.

Tier 2 capital, which lacks some characteristics of high quality capital compared to Tier 1 capital, includes of restricted regulatory reserve, cumulative irredeemable preference shares, redeemable preference shares, revenue reserves etc., amounted to LKR 22,382 million (2019: LKR 19,232 million) posting a considerable growth of 16.38%. Deductions, comprises largely of intangible or illiquid assets reached LKR 31,281 million in 2020 compared to LKR 33,769 million recorded in 2019.

Table 13
Total Available Capital (TAC) Requirement of Insurance Companies - Long Term Insurance Business

Insurer	As at 31st December 2019 (a) - (LKR '000)	As at 31st December 2020 (b) - (LKR '000)			
	TAC	Tier 1	Tier II	Deductions	TAC
AIA Life	23,479,214	24,652,959	6,297,084	3,588,528	27,361,515
Allianz Life	1,447,524	2,453,590		425,092	2,028,498
Amana Life	508,242	491,439	94,921	51,253	535,106
Arpico	1,800,995	2,262,480		354,031	1,908,449
Ceylinco Life	61,948,169	78,160,246	3,890,031	9,938,403	72,111,874
Cooplife	885,437	1,557,224	138,774	222,969	1,473,028
HNB Life	7,921,589	11,434,880	381,156	2,849,370	8,966,667
Janashakthi Life	9,376,364	10,095,154	1,795,829	1,758,750	10,132,233
LIC	395,312	380,920	161,899	56,879	485,940
LOLC Life	1,280,311	2,242,075	256,134	173,120	2,325,089
MBSL	542,477	563,737		7,379	556,357
Sanasa Life	711,479	1,343,306		595,961	747,344
SLIC	83,505,746	83,153,107	155,614	3,654,150	79,654,571
Softlogic Life	8,151,141	18,674,630	3,742,958	2,476,928	19,940,660
Union Life	18,409,499	21,456,239	5,467,624	5,127,894	21,795,969
Total	220,363,500	258,921,986	22,382,024	31,280,707	250,023,301

Note:

Figures recorded for 2020 were obtained from the Annual Returns submitted for the IRCSL for year ended 31st December 2020.

Comparisons of Risk Based Capital Required (RCR) by Insurance Companies – Long Term Insurance Business.

RCR, which is the aggregate of capital charges determined for material risk categories includes of credit risk, concentration risk, market risk, reinsurance risk, liability risk and

operational risk. Table 14 illustrates the company-wise analysis of RCR with main risk categories computed under the RBC rule.

The RCR before diversification posting a growth rate of 11.66% compared to 2019 reached LKR 85,511 million (2019: LKR 76,580 million) whilst the RCR after diversification accumulated to LKR 62,676 million (2019: LKR

58,666 million) displaying a growth rate of 6.83%. Similar to previous year, market risk, liability risk and concentration risk were the major types of risks encountered by long term insurers accounting for 50.91%, 26.92% and 8.39% of the total RCR before diversification whilst collectively being accountable for 86.22% (2019: 86.91%) of the total RCR before diversification.

Table 14
Company - wise Analysis of Risk Capital Required (RCR) as at 31st December 2019 and 2020 – Long Term Insurance Business

Insurer	As at 31st December 2019 (a) (LKR '000)							
	Credit Risk	Concentration Risk	Market Risk	Reinsurance Risk	Liability Risk	Operational Risk	RCR before diversification	RCR after diversification
AIA Life	470,921	677,436	1,394,906		2,580,737	612,344	5,736,344	3,674,691
Allianz Life	2,563	5,057	104,964	1,105	184,830	51,426	349,945	223,007
Amana Life	20,138	148,814	95,430	449	23,613	29,118	317,560	267,470
Arpico	42,371	139,405	194,481	211	303,370	35,654	715,492	484,802
Ceylinco Life	1,563,802	1,051,504	14,986,895	4,878	2,708,943	1,345,605	21,661,627	17,865,001
Cooplif	87,808	13,345	331,666		179,742	29,625	642,186	469,592
HNB Life	336,655	356,165	1,662,346	1,617	677,346	217,332	3,251,461	2,461,800
Janashakthi Life	355,358	131,977	2,535,244	2,433	757,422	211,997	3,994,432	3,125,593
LIC	38,898	40,181	183,824	27	74,306	31,308	368,543	275,015
LOLC Life	21,935	63,311	259,741	5,399	469,213	58,451	878,049	588,513
MBSL	5,781	150,936	40,484	17	25,653	12,335	235,207	199,262
Sanasa Life	24,066	268,721	94,441	220	46,149	21,596	455,192	390,784
SLIC	1,604,482	2,340,302	14,480,502		5,011,022	1,434,825	24,871,132	19,148,373
Softlogic Life	202,984	847,336	1,688,459		3,551,671	199,656	6,490,106	4,489,448
Union Life	385,195	633,902	3,794,651	158	1,243,261	555,585	6,612,752	5,002,806
Total	5,162,954	6,868,391	41,848,035	16,514	17,837,278	4,846,856	76,580,028	58,666,156

Insurer	As at 31st December 2020 (b) (LKR '000)							
	Credit Risk	Concentration Risk	Market Risk	Reinsurance Risk	Liability Risk	Operational Risk	RCR before diversification	RCR after diversification
AIA Life	405,929	837,779	3,083,121		3,484,467	717,372	8,528,668	5,601,570
Allianz Life	3,780	4,965	38,894	1,357	201,431	63,885	314,311	216,924
Amana Life	20,623	145,518	93,121	692		30,819	290,773	261,775
Arpico	43,003	24,935	268,971	48	309,600	40,799	687,356	459,409
Ceylinco Life	1,788,403	936,699	13,906,140	6,752	3,771,492	1,579,705	21,989,191	17,133,081
Cooplif	84,122	11,727	300,427	1,936	432,752	34,918	865,882	589,123
HNB Life	453,841	300,384	1,697,310	806	980,410	258,531	3,691,282	2,653,680
Janashakthi Life	460,431	250,364	2,479,801	2,220	922,572	234,465	4,349,854	3,331,694
LIC	40,735	65,364	206,213	43	126,036	35,598	473,991	338,702
LOLC Life	33,484	72,585	1,068,704	6,006	428,801	76,159	1,685,739	1,258,535
MBSL	8,245	25,398	38,938	22	20,022	10,646	103,271	76,062
Sanasa Life	26,138	181,540	157,429	17	95,106	22,215	482,445	377,961
SLIC	1,722,707	2,410,946	12,072,062		6,011,473	1,721,707	23,938,896	17,370,300
Softlogic Life	305,146	920,645	3,508,957	2,067	4,599,898	321,649	9,658,362	6,610,593
Union Life	550,837	982,231	4,614,727	184	1,633,884	668,703	8,450,567	6,396,436
Total	5,947,425	7,171,080	43,534,817	22,150	23,017,944	5,817,171	85,510,587	62,675,845

Note:

Figures recorded for 2020 were obtained from the Annual Returns submitted for the IRCSL for year ended 31st December 2020.

Number of Insurance Policies Issued and Policies in Force – Long Term Insurance Business

The total life insurance policies in force escalated to 3,593,454 in 2020 (2019: 3,383,290) exhibiting a growth rate of 6.21%. The new policies issued marked 739,784 in 2020 (2019: 734,896) with a slight improvement compared to 2019 despite the challenges emanated from the pandemic.

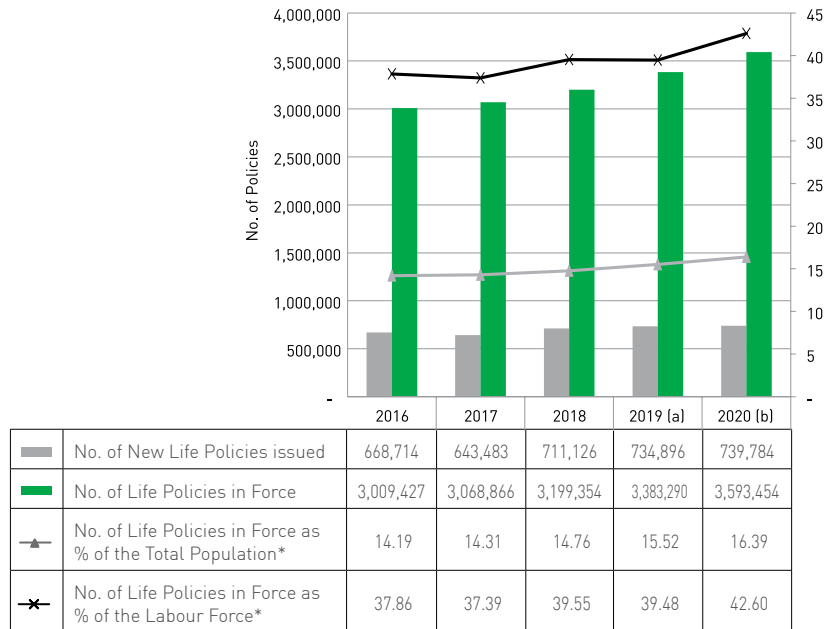
Number of life policies in force as a percentage of the total population and number of life policies in force as a percentage of the labour force amounted to 16.39% (2019: 15.52%) and 42.60% (2019: 39.48%). The upward trend depicted by above two ratios during the past few years continued to maintain during the year under review emphasizing on the ability of life insurers to thrive in the market by innovating and adapting to emerging realities.

Product-wise Policies in Force and Sum Insured - Long Term Insurance Business

Product-wise details of policies in force for both 2020 and 2019 are summarized in Table 15 under term insurance, universal life, whole life insurance, endowments and others. The 'Other' category mainly includes healthcare plans, unit linked, annuity, group life, single premium products etc. The total policies in force with a 6.21% year on year growth rose up to 3,593,454 (2019: 3,383,290) whilst the sum insured totaled up to LKR 5,037 billion (2019: LKR 3,845 billion) showcasing an expansion of 31.01% by end of 2020.

Similar to previous year, endowments represented the largest category of policies in force with 1,286,181 policies in force in 2020 (2019: 1,227,237) claiming 35.79% of the

Chart 10
Number of Insurance Policies Issued and Policies in Force - Long Term Insurance Business



*Source:

mid-year labour force and population – Department of Census and Statistics & Central Bank of Sri Lanka

total policies in force. Sum insured of the same category amounted to LKR 717 billion (2019: LKR 450 billion) with a year on year improvement of 59.18% predominantly driven by one life insurer. Universal life policies escalated to 991,023 (2019: 944,088) whilst the sum insured pertaining to the same reached LKR 517 billion (2019: LKR 431 billion) recording a growth of 19.97% in 2020.

In terms of sum insured, term insurance represented the second largest category with a year on year improvement of 34.26% accounting for LKR 1,558 billion in 2020 (2019: LKR 1,160 billion) predominantly due to increase in Decreasing Term Assurance (DTA) business under Group DTA policies of one life insurer. Conversely, policies in force of term

insurance experienced a drop by recording 429,128 policies in 2020 (2019: 478,488) which can be largely attributable to two life insurers.

Policies in force and sum insured of 'Other' category significantly ascended to 863,630 (2019: 709,696) and LKR 2,244 billion (2019: LKR 1,802 billion) respectively, with growth rates over 20% greatly boosted by increase in demand experienced for Single Premium and Group Life products including group hospitalization, group term policies, postal products, per day insurance etc. of one life insurer. Further, the decline recorded in both policies in force and sum insured of whole life insurance products is a reflection of the drop in demand for the same.

Table 15

Product-wise Policies in Force and Sum Insured for 2019 and 2020 - Long Term Insurance Business

Type of Product	2019		2020	
	No. of Policies in Force	Sum Insured (LKR '000)	No. of Policies in force	Sum Insured (LKR '000)
Term Insurance	478,488	1,160,294,632	429,128	1,557,867,393
Universal Life	944,088	430,823,797	991,023	516,864,887
Whole Life Insurance	23,781	1,608,526	23,493	1,564,967
Endowments	1,227,237	450,188,733	1,286,181	716,589,973
Others	709,696	1,801,837,578	863,630	2,244,253,057
Total	3,383,290	3,844,753,266	3,593,454	5,037,140,278

Insurance Policy Lapses – Long Term Insurance Business

Insurance policy lapses, which is policies terminated at the end of the grace period because of nonpayment of premium, amounted to 256,202 policies (2019: 265,256) with a slight reduction of 3.41% during the year under review. The new insurance policies lapsed stood at 70,337 (2019: 83,547) with a significant drop by 15.81% and claimed for 27.45% of the total insurance policies lapsed.

Total insurance policies lapsed as a percentage of total policies in force and new insurance policies lapsed as percentage of new policies issued were 7.13% (2019: 7.84%) and 9.51% (2019: 11.37%) respectively demonstrating a decline compared to 2019. It is noteworthy to mention that above two ratios were experiencing a downward trend over last five years with 2020 being the least.

Chart 11

Product-wise Policies in Force for 2019 and 2020 - Long Term Insurance Business

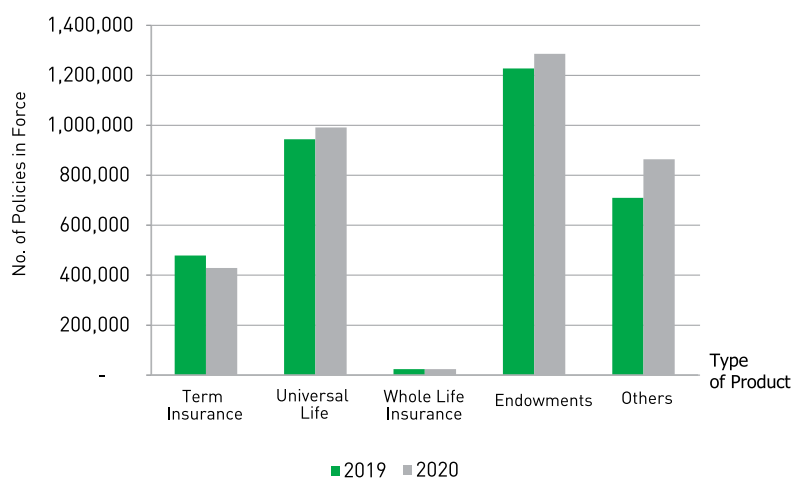
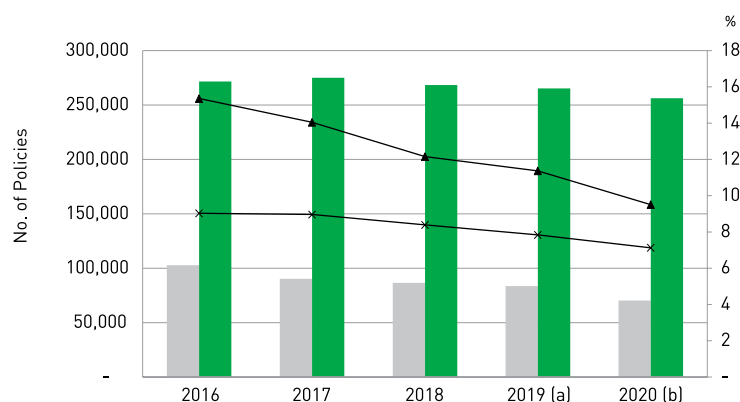


Chart 12

Insurance Policy Lapses – Long Term Insurance Business



■	New Insurance Policies Lapsed	102,697	90,350	86,484	83,547	70,337
■	Total Insurance Policies Lapsed	271,586	275,039	268,339	265,256	256,202
▲	New Insurance Policies Lapsed as a % of New Policies Issued	15.36	14.04	12.16	11.37	9.51
✱	Total Insurance Policies Lapsed as a % of Total Policies in Force	9.02	8.96	8.39	7.84	7.13

Claims Incurred by Insurance Companies – Long Term Insurance Business

Total claims incurred by life insurers continued to grow accounting to LKR 37,903 million in 2020 (2019: LKR 35,139 million) displaying a growth rate of 7.86%. Chart 13 illustrates the composition of claims incurred which includes disability benefits, death benefits, surrenders, maturity benefits and other benefits paid to policyholders.

Posting a growth rate of 17.21%, maturity benefits amounted to LKR 21,668 million (2019: LKR 18,485 million) and represented 57.17% (2019: 52.61%) of the total claims incurred in 2020. Surrenders holding a significant portion of the total claims incurred and displaying a slight reduction in terms of value, recorded LKR 6,952 million (2019: LKR 7,142 million) in 2020 which accounted for 18.34% of the total claims incurred.

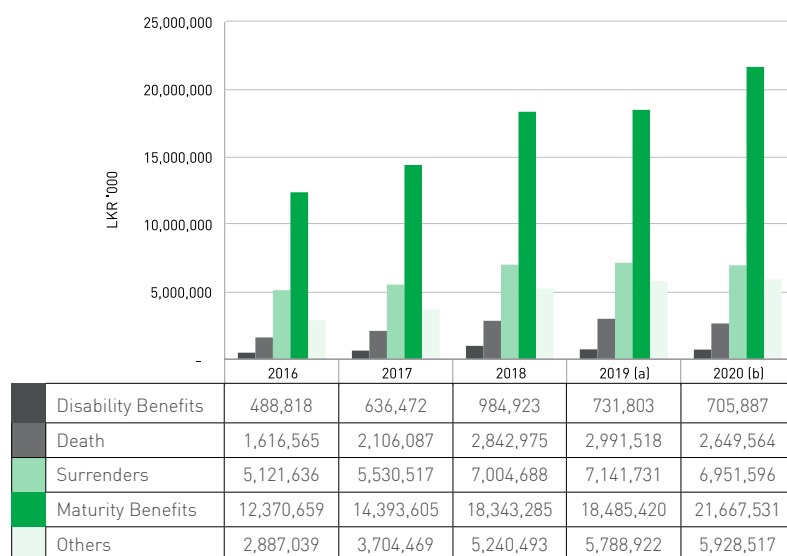
Claims incurred under Others category which includes hospitalization benefits, advance payments, interim payments, cash and loyalty bonus expenses, cancellations

etc. was LKR 5,929 million (2019: LKR 5,789 million) posting a slight growth of 2.41% and claiming for 15.64% of the total claims incurred.

The above three categories collectively accounted for 91.15% (2019: 89.40%)

of the total claims incurred whilst death benefits and disability benefits amounted to LKR 2,650 million (2019: LKR 2,992 million) and LKR 706 million (2019: LKR 732 million) respectively in 2020.

Chart 13
Claims Incurred by Insurance Companies – Long Term Insurance Business



Number of Insurance Claims - Long Term Insurance Business

Total number of insurance claims of long term insurance industry reached 503,675 (2019: 436,484) with an overall growth rate of 15.39%. Other benefits accounted for the largest number of claims out of the total even with a reduction of 15.34% compared to 2019 and amounted to 173,183 (2019: 204,564) in volume.

Surrenders and maturity benefits being the next two largest categories reached 155,709 (2019: 75,988) and 151,696 (2019: 130,723) in number respectively. It is noteworthy to mention that surrenders posted a sharp growth of more than 100% in

Table 16
Number of Insurance Claims - Long Term Insurance Business

	2016	2017	2018	2019 (a)	2020 (b)
Disability Benefits	9,521	10,749	10,737	12,251	11,036
Death	8,418	11,247	11,935	12,958	12,051
Surrenders	46,484	47,191	70,412	75,988	155,709
Maturity Benefits	108,680	128,266	153,856	130,723	151,696
Other benefits	143,336	145,452	166,745	204,564	173,183
Total	316,439	342,905	413,685	436,484	503,675

2020. This was mainly observable in DTA policies where customers have rescheduled the loans taken from financial institutions due to decrease in interest rates. Hence, the existing

DTA policies were surrendered and new DTA policies were taken for the new loans. Further, death and disability benefits slightly reduced in number amounting to 12,051 (2019: 12,958) and 11,036 (2019: 12,251) in 2020.

General Insurance Business

Unlike previous exogenous shocks, COVID-19 has produced an unprecedented economic tremor and strike the general insurance sector with substantial disrupting effects all along the year 2020.

While battling the novel coronavirus pandemic, Sri Lanka has been tasked with the challenge of preserving the foreign reserves and on the ground of that, restrictions on many imports including vehicles were imposed with effect from March 2020. Therefore, new registrations of motor vehicles declined by 44.8% in 2020 & notable reductions in new registrations were

observed across all vehicle categories of motor cars, buses and three wheelers declining by 45.0%, 64.2%, and 53.8% respectively as per the annual report 2020 of Central Bank of Sri Lanka. Releasing the limited new vehicle stocks into the market & significant rise in vehicle prices were insufficient to offset the contraction in new business premiums. Growth in the general insurance business fell to a negative of 2.24% in 2020 from 7.06% in 2019 and this restrained performance was mainly due to the sharp decline in motor vehicle imports.

The COVID-19 outbreak had a knock-on effect on financial markets and

consequently affected the investment performance of general insurers. The low interest rate environment and high volatile stock market has posed challenges to the performance of general insurance market.

The sluggish market growth exacerbated the competition among general insurers and 12 general insurance companies and 02 composite insurers competed during the year 2020. Three companies have collaborations with foreign insurance companies.

It is noteworthy to mention that the general insurance sector had satisfactory capital buffers in order to

Table 17
Company - wise Gross Written Premium and Market share - General Insurance Business

Insurer	2016		2017		2018		2019 (a)		2020 (b)	
	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)	GWP (LKR '000)	Market Share (%)
Allianz Gen.	4,247,691	5.34	5,956,142	6.38	17,983,748	17.88	18,095,258	16.80	13,852,829	13.16
Amana Gen.	1,474,186	1.85	1,686,270	1.81	1,841,067	1.83	1,621,461	1.51	1,639,021	1.56
Ceylinco Gen.	15,265,433	19.18	17,012,087	18.22	18,137,933	18.03	18,401,405	17.09	18,680,545	17.74
Continental	3,088,064	3.88	3,892,780	4.17	4,545,405	4.52	5,002,548	4.65	4,808,965	4.57
Cooperative Gen.	2,420,130	3.04	2,966,679	3.18	3,692,397	3.67	4,192,960	3.89	4,274,397	4.06
Fairfirst	2,361,614	2.97	9,610,990	10.29	10,980,850	10.92	11,247,669	10.44	11,937,480	11.34
HNB Gen.	2,982,385	3.75	3,662,008	3.92	4,062,171	4.04	4,394,457	4.08	4,583,235	4.35
Janashakthi Gen.	10,137,864	12.74	11,740,185	12.57						
LOLC Gen.	3,096,834	3.89	3,795,106	4.06	4,318,721	4.29	4,954,896	4.60	5,612,895	5.33
MBSL	972,976	1.22	260,806	0.28	[512]	0.00	95,979	0.09	250,976	0.24
NITF	6,420,822	8.07	8,114,412	8.69	9,644,901	9.59	13,358,203	12.40	12,051,251	11.45
Orient	810,728	1.02	1,179,000	1.26	1,376,398	1.37	1,564,902	1.45	1,628,153	1.55
People's	4,166,727	5.24	4,587,432	4.91	5,354,368	5.32	5,694,164	5.29	5,686,757	5.40
Sanasa Gen.	384,481	0.48	569,509	0.61	732,379	0.73	898,079	0.83	898,724	0.85
SLIC	15,198,381	19.10	18,355,361	19.65	17,916,274	17.81	18,162,766	16.87	19,370,895	18.40
Union Gen.	6,561,571	8.23								
Total	79,589,889	100	93,388,766	100	100,586,101	100	107,684,747	100	105,276,123	100
Growth Rate (%)	14.90		17.34		7.71		7.06		-2.24	

absorb the heavy shock emerged with the COVID-19 pandemic throughout the year 2020 except two insurers.

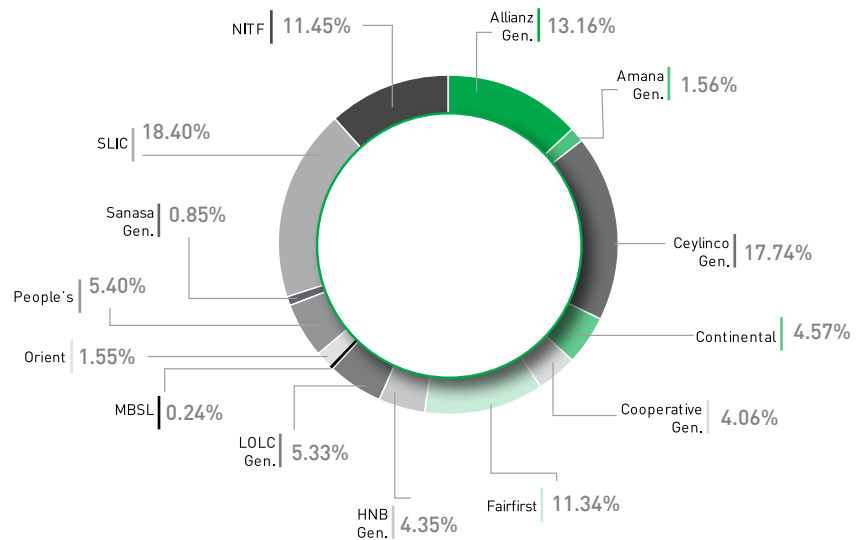
Amidst such, it is a positive note that many advancements ensued within the general insurance industry, where most of the insurers re-engineered operating models to stay efficient & competitive in the COVID-19 era while providing uninterrupted service to their valuable customers. Various new insurance products were launched in order to cater the prevailing situation in the country such as 'Nagaraja' an exclusive medical insurance cover to provide protection for Buddhist clergy and their family members. The 'Suraksha' free medical and personal accident cover is being implemented to benefit some 4.2 million students in all government schools, pirivenas and private schools as well as international schools also contributed to the premium income of general insurance business during the year 2020.

Green Written Premium

The detrimental consequences of the pandemic and the high-pressure economic environment was perceptible in the gross written premium recorded by the general insurance industry with a negative hit of 2.24% growth rate with a premium income of LKR 105,276 million against the premium income of LKR 107,685 million recorded in 2019. Restriction on vehicle imports in to the country & shrinking of business operations with pandemic created challenges such as limited access to customers amid social distancing measures & deterioration of affordability of insurance premium of consumers were the main explanations of this negative growth.

SLIC attained the largest market share of the general insurance market in the year 2020 who was the second largest in the preceding year by gaining 18.40% of the total GWP (2019: 16.87%) which amounted to LKR 19,371 million (2019: LKR 18,163

Chart 14
Company-wise Market Share of Gross Written Premium - General Insurance Business for the year ended 31st December 2020



million). SLIC recorded a significant boost in the market share as it grew by 1.53% which is the largest growth rate in market share recorded among general insurers. This was mainly driven by the health category of insurance business with the receipt of 'Suraksha' student insurance policy in the mid of year 2020.

Ceylinco General moved in to the second position of the general insurance market with a market share of 17.74% (2019: 17.09%) and generated GWP worth of LKR 18,681 million (2019: LKR 18,401 million). Allianz General reaffirmed the third position in terms of GWP by recording totaled to LKR 13,853 million (2019: LKR 18,095 million) with the market share of 13.16% (2019: 16.80%). Market share of Allianz General has dropped notably by 3.65% mainly due to loss of premium income from Suraksha insurance scheme of government which they had in 2019 and impact of COVID-19 pandemic to operation of the business. The reduction in GWP of Allianz General

worth to LKR 4,242 million comparing to prior year 2019.

NITF and Fairfirst accomplished the fourth and the fifth positions by recording GWP worth LKR 12,051 million (2019: LKR 13,358 million) and LKR 11,937 million (2019: LKR 11,248 million) respectively with the market share of 11.45% and 11.34%. NITF reflects a contraction of GWP generated approximately by LKR 1.3 billion which affected the overall industry picture of the performance mainly due to the decision taken by the Government to discontinue the 'National Natural Disaster Insurance Scheme' with effect from year 2020.

Amidst such enormous challenges, all general insurers except 03 insurers could showcase progresses in performance in terms of GWP.

Table 17 & Chart 14 illustrate the company-wise GWP and market share of general insurance companies.

Market Share of Top Five Contributors to Gross Written Premium and Other Insurers – General Insurance Business

The overall contribution from the top five players of general insurance business accounts to GWP worth LKR 75,893 million (2019: LKR 79,265 million) and captures 72.09% (2019: 73.61%) of total market share while the remaining 09 players hold 27.91% worth to LKR 29,383 million (2019: LKR 28,419 million) collectively. SLIC, Ceylinco General, Allianz General, NITF and Fairfirst achieved the top five market shares in the general insurance market in 2020. However, SLIC outpaced and become the market leader in the year 2020 who had the second place in previous year. It is précised that the leading position of the general insurance market was exchanging between SLIC & Ceylinco General during the last five years. It is noteworthy to mention that remaining players had widened their market share by 1.52% during the year 2020 while top players had loosened the grip, namely Allianz General (-3.65%) & NITF (-0.96%). The remaining players indicated a continuous progress & demonstrated an upward trend acquiring the market share during the last three years.

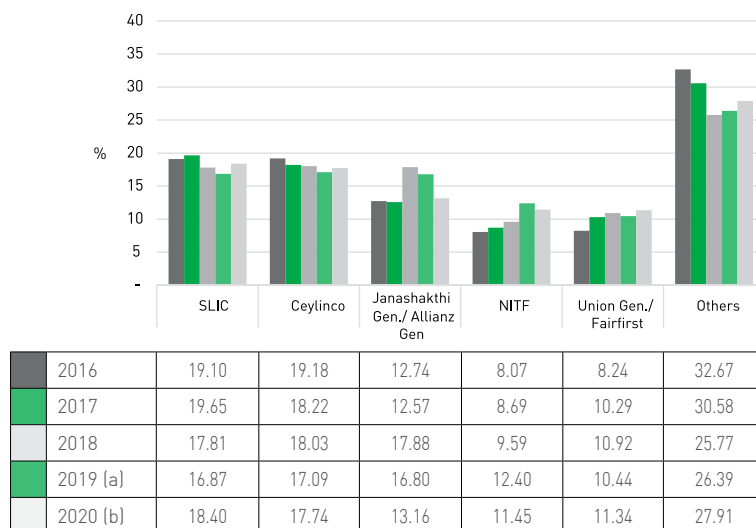
The dominant player, SLIC could attain 1.53% growth in the market share while second & fifth leading players, Ceylinco General & Fairfirst achieved a marginal growth of 0.66% and 0.89% respectively.

Chart 15 stylizes the market share of top five contributors to GWP and other insurers during 2016 to 2020.

Class - wise Analysis of Gross Written Premium - General Insurance Business

As accustomed, motor insurance contributed the higher proportion of general insurance industry's premium & recorded LKR 61,202 million (2019: LKR 63,686 million) and held 58.13% (2019: 59.14%) of total general insurance business. Yet, a significant decline of growth rate of motor insurance business was visible

Chart 15
Market Share of Top Five Contributors to GWP and Other Insurers for the Years 2016 to 2020 - General Insurance Business



with a negative growth rate of 3.90% primarily due to the sharp decline in registering new motor vehicles during the year in consequent of the restriction imposed on the importation of motor vehicles effective from March 2020. Despite motor insurance being the most vital class of the general insurance sector, motor premiums decreased approximately by LKR 2.5 billion corresponding to the previous year 2019. Further, a declining trend of growth rate was prominent all the way through the previous five years in respect of motor business category.

On the contrary, health insurance business being the second largest business category exhibits a significant growth approximately worth to LKR 2.1 billion during the year 2020, recording GWP amounting to LKR 18,701 million (2019: LKR 16,594 million) & the market proportion of 17.76% (2019: 15.41%) of total general insurance business. The upsurge was caused by the pandemic which enhanced the overall concern for personal health and the insurers were innovative enough to introduce new products covering the COVID-19 pandemic in order to grab the market opportunity. 'Suraksha' insurance scheme & 'Agrahara' medical insurance scheme also contributed the growth of health insurance business. Yet, the recorded growth rate 12.70% was far

behind the previous year growth of 17.17% in terms of GWP written under the health insurance business.

Despite the fact that the growth was mainly driven by few insurers, the category of fire insurance business grew at a rate of 7.74% (2019: -6.25%) and occupied 8.46% (2019: 7.68%) of market proportion in the general insurance industry and stated GWP as LKR 8,910 million (2019: LKR 8,270 million)

Further, the miscellaneous category of business recorded a pronounced decline in terms of growth marking a negative hit of 22.45% (2019: 26.51%) and GWP stood at LKR 8,098 million (2019: LKR 10,443 million) reflecting the discontinuation of 'National Natural Disaster Insurance Scheme' of NITF with effect from year 2020 by way of decision taken by the government. Further, the outbreak of COVID-19 severely impacted the travel and tourism industry & this led to a significant shrinkage in travel insurance & air craft hull insurance which falls under the miscellaneous class of business.

The category of marine insurance business also negatively contributed to the GWP growth by recording a negative growth rate of 4.53% (2019: -0.74%)

and marked GWP as LKR 2,277 million (2019: LKR 2,386 million) for the year 2020.

Premiums collected to cover the risk from Strike, Riot, Civil Commotion and Terrorism (SRCC & T) of NITF totaled to LKR 6,088 million (2019: 6,307 million) in the year 2020. SRCC & T premium represented 5.78% of the total GWP showcasing a contraction of growth rate as -3.47%.

Table 18 and Chart 16 depict gross written premium generated from the main sub-classes of general insurance business and premiums pertaining to SRCC & T cover provided by NITF along with their growth rates and percentage share from the total GWP of general insurance business for the period from 2016 to 2020.

Chart 16
Class-wise Analysis of GWP from 2016 to 2020 - General Insurance Business

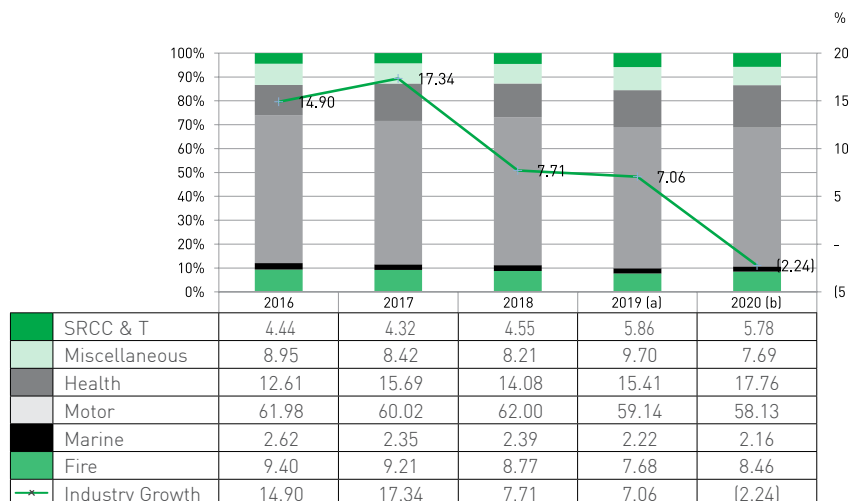


Table 18
Class-wise Analysis of Gross Written Premium - General Insurance Business

Class	Gross Written Premium (LKR '000)				
	2016	2017	2018	2019 (a)	2020 (b)
Fire	7,479,910	8,597,489	8,821,655	8,269,991	8,909,833
Marine	2,086,394	2,191,654	2,403,366	2,385,566	2,277,465
Motor	49,333,000	56,047,640	62,363,476	63,685,555	61,201,801
Health	10,036,518	14,649,440	14,161,542	16,593,661	18,700,747
Miscellaneous	7,120,742	7,866,260	8,254,421	10,442,624	8,097,780
Sub Total	76,056,564	89,352,484	96,004,460	101,377,397	99,187,627
SRCC & T	3,533,324	4,036,283	4,581,641	6,307,350	6,088,496
Total	79,589,888	93,388,766	100,586,101	107,684,747	105,276,123

Class	Growth (%)				
	2016	2017	2018	2019 (a)	2020 (b)
Fire	13.26	14.94	2.61	(6.25)	7.74
Marine	4.48	5.05	9.66	(0.74)	(4.53)
Motor	15.74	13.61	11.27	2.12	(3.90)
Health	17.60	45.96	(3.33)	17.17	12.70
Miscellaneous	9.63	10.47	4.93	26.51	(22.45)
Sub Total	14.80	17.48	7.44	5.60	(2.16)
SRCC & T	17.06	14.23	13.51	37.67	(3.47)
Total	14.90	17.34	7.71	7.06	(2.24)

Class	Percentage Share (%)				
	2016	2017	2018	2019 (a)	2020 (b)
Fire	9.40	9.21	8.77	7.68	8.46
Marine	2.62	2.35	2.39	2.22	2.16
Motor	61.98	60.02	62.00	59.14	58.13
Health	12.61	15.69	14.08	15.41	17.76
Miscellaneous	8.95	8.42	8.21	9.70	7.69
Sub Total	95.56	95.68	95.45	94.14	94.22
SRCC & T	4.44	4.32	4.55	5.86	5.78
Total	100.00	100.00	100.00	100.00	100.00

Category –wise Analysis of GWP of Miscellaneous Insurance Business

Table 19 exhibits the split up of broad miscellaneous insurance grouping for the year 2020 and 2019 elaborating the sub categories included in same. As aforementioned, the dip recorded in the miscellaneous insurance class of business recorded as -22.45% and total GWP generated from miscellaneous insurance excluding SRCC & T was LKR 8,098 million (2019: LKR 10,443 million). The major sub categories of miscellaneous insurance business; Personal Accident & Air Craft Hull indicated a decay of -10.56% & -23.07% respectively in the year 2020 corresponding to the previous year 2019, mainly driven by adverse influence caused by the outbreak of the pandemic. The sub category 'Personal Accident' recorded the GWP of LKR 1,515 million (2019: LKR 1,694 million) while Air Craft Hull category of business recorded LKR 1,204 million (2019: LKR 1,565 million).

National Natural Disaster Insurance Scheme was withdrawn with effect from year 2020 and same is demonstrated in the Table 19. While the world was battling the novel coronavirus pandemic, travel and tourism industries were severely impacted & consequently the biggest falls in GWP under miscellaneous insurance business can be seen in Air Craft Hull & Travel Insurance. Moderate growth was noticeable in Contractor's All Risk whereas slight increase was visible in few miscellaneous insurance business categories such as Professional Indemnity and Banker's Indemnity. All the other sub categories illustrated a decline of the business written for the year 2020.

The businesses carried out in terms of other categories were grouped as 'Other business' which mainly represented employee benefit, weather index policies, livestock, performance bond etc.

Table 19
Category - wise Analysis of GWP of Miscellaneous Insurance premium for 2019 & 2020

Category	GWP LKR '000	
	2019 (a)	2020 (b)
Title	399,180	320,719
Personal Accident	1,694,374	1,515,364
Contractors' All Risk	510,730	684,871
Professional Indemnity	441,896	457,580
Travel Insurance	477,128	200,359
Fidelity Guarantee	92,779	85,470
Burglary	401,421	360,929
Cash in transit including cash in safe	433,594	429,730
Goods in Transits	115,912	89,883
Products Liability	167,535	166,807
Public Liability	528,473	444,852
Bankers' Indemnity	413,314	468,987
Air Craft Hull	1,564,606	1,203,656
WCI	592,126	556,269
National Natural Disaster Insurance Scheme	1,500,000	
Others	1,879,634	1,829,357
Subtotal	11,212,702	8,814,833
Less: Total of SRCC & T due to NITF	(711,516)	(647,525)
Coinsurance Premium	(58,558)	(69,524)
Total	10,442,627	8,097,784

Gross Written Premium, Reinsurance Premium and Retention by Insurers-General Insurance Business

The overall retention ratio of the general insurance sector stood at 81.38% (excluding SRCC & T) and slightly declined by 1.05% corresponding to previous year and retention premium amounted to LKR 86,788 million (2019: LKR 89,819 million) in the year 2020. On the whole, the overall retention level in terms of value, has marginally deteriorated during the year 2020.

Total reinsurance premium slightly improved to LKR 18,488 million (2019: LKR 17,866 million) and same upturns can be seen from each class of sub category independently except the miscellaneous class of business which recorded a significant dip in gross written premium too.

Substantial amount of risk is generally retained by insurers in the motor insurance business which is the major sub class of general insurance

sector and retention ratio of same was stood at 92.99%. However, marginally declining trend of retention ratio during the past five years is perceptible which is corresponding to the declining growth rate of motor business category.

Health insurance business recorded the second highest retention ratio of 91.21% in 2020 (2019: 91.08%) and indicated a slight increase of 0.13% which is corresponding to the considerable increase recorded in health insurance class of business in terms of GWP.

The retention ratio of fire, marine & miscellaneous classes of business stick up at 25.74%, 40.45% & 43.64% respectively which shows slight contractions corresponding to previous year 2019.

Table 20 and Chart 17 illustrate details of reinsurance and level of retention of GWP for main sub classes of general insurance business from 2016 to 2020.

Table 20

Gross Written Premium, Reinsurance Premium and Retention by Insurers - General Insurance Business

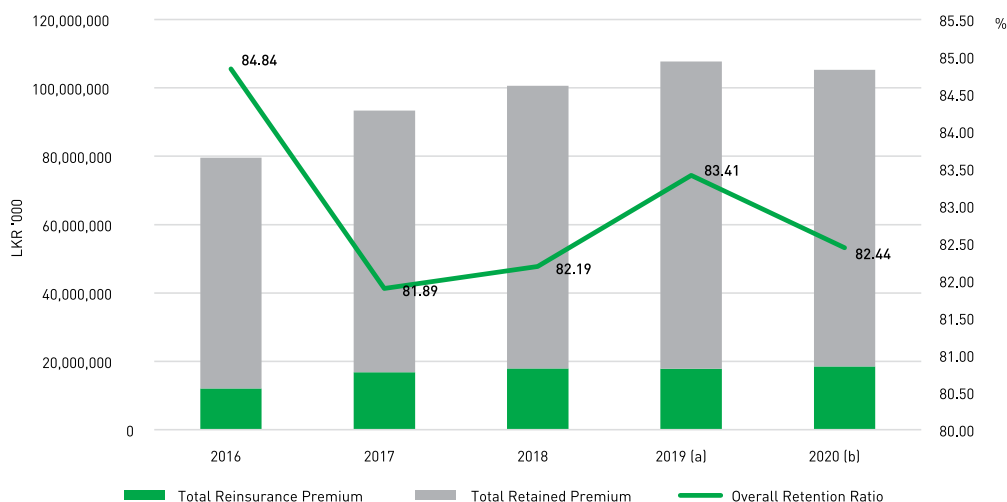
Class	GWP (LKR '000)				
	2016	2017	2018	2019 (a)	2020 (b)
Fire	7,479,910	8,597,489	8,821,655	8,269,991	8,909,833
Marine	2,086,394	2,191,654	2,403,366	2,385,566	2,277,465
Motor	49,333,000	56,047,640	62,363,476	63,685,555	61,201,801
Health	10,036,518	14,649,440	14,161,542	16,593,661	18,700,747
Miscellaneous	7,120,742	7,866,260	8,254,421	10,442,624	8,097,780
Sub Total	76,056,563	89,352,484	96,004,460	101,377,397	99,187,627
SRCC & T	3,533,324	4,036,283	4,581,641	6,307,350	6,088,496
Total	79,589,888	93,388,766	100,586,101	107,684,747	105,276,123

Class	Reinsurance Premium (LKR '000)				
	2016	2017	2018	2019 (a)	2020 (b)
Fire	5,959,242	6,947,675	6,103,609	6,061,855	6,616,475
Marine	1,174,266	1,177,400	1,200,069	1,224,829	1,356,136
Motor	1,233,466	2,152,508	4,296,451	4,229,915	4,290,568
Health	486,984	2,682,617	1,771,091	1,480,482	1,644,291
Miscellaneous	3,213,645	3,840,459	4,462,894	4,813,310	4,564,149
Sub Total	12,067,604	16,800,660	17,834,113	17,810,391	18,471,618
SRCC & T		108,750	81,656	55,564	16,014
Total Reinsurance Premium	12,067,604	16,909,410	17,915,770	17,865,954	18,487,632

Class	Retention (LKR '000)				
	2016	2017	2018	2019 (a)	2020 (b)
Fire	1,520,667	1,649,814	2,718,046	2,208,136	2,293,358
Marine	912,129	1,014,254	1,203,297	1,160,737	921,330
Motor	48,099,534	53,895,132	58,067,024	59,455,641	56,911,233
Health	9,549,533	11,966,823	12,390,451	15,113,179	17,056,456
Miscellaneous	3,907,097	4,025,800	3,791,528	5,629,314	3,533,631
Sub Total	63,988,960	72,551,823	78,170,347	83,567,006	80,716,008
SRCC & T	3,533,324	3,927,533	4,499,984	6,251,787	6,072,482
Total Net Written Premium	67,522,284	76,479,356	82,670,331	89,818,793	86,788,490

Class	Retention as a Percentage of GWP (%)				
	2016	2017	2018	2019 (a)	2020 (b)
Fire	20.33	19.19	30.81	26.70	25.74
Marine	43.72	46.28	50.07	48.66	40.45
Motor	97.50	96.16	93.11	93.36	92.99
Health	95.15	81.69	87.49	91.08	91.21
Miscellaneous	54.87	51.18	45.93	53.91	43.64
Sub Total	84.13	81.20	81.42	82.43	81.38
SRCC & T	100.00	97.31	98.22	99.12	99.74
Overall Retention Ratio	84.84	81.89	82.19	83.41	82.44

Chart 17
Reinsurance Premium and Retention by Insurers - General Insurance Business



Company wise Analysis of Total Asset- General Insurance Business

The general insurance sector exhibits a pronounced resilience recording a modest growth rate of 10.15% surpassing the previous year growth rate of 4.66% & growth was approximately LKR 21 billion in terms of value. Weathering a tough economic climate, all the insurers except one insurer could showcase progresses in total assets ensuring the absorption level of exogenous shocks despite the enormous challenges took place during the year 2020. Above and beyond, the reduction in claims incurred during the initial lockdown period of the year 2020 & restrictions imposed on distribution of dividends by the regulator indirectly affected the surge in asset base of the insurers. Total asset base of the sector stood at LKR 225,956 million as at the end of year 31st December 2020 (2019: LKR 205,130 million).

Table 21 depicts the distribution of assets among general insurance companies as at 31st December 2020 and 2019.

More than half of total assets of general insurance sector is concerted around three insurers, precisely top three general insurers SLIC, Ceylinco General & Allianz General holding

Table 21
Company wise Analysis of Total Assets - General Insurance Business

Insurer	2019 (a)		2020 (b)	
	LKR '000	%	LKR '000	%
Allianz Gen.	30,216,643	14.73	28,088,105	12.43
Amana Gen.	2,877,004	1.40	2,938,912	1.30
Ceylinco Gen.	28,586,500	13.94	32,061,287	14.19
Continental	6,632,569	3.23	7,862,336	3.48
Cooperative Gen.	6,669,316	3.25	7,934,154	3.51
Fairfirst	16,266,580	7.93	18,046,123	7.99
HNB Gen.	5,644,112	2.75	6,855,077	3.03
LOLC Gen.	7,560,191	3.69	9,121,703	4.04
MBSL	1,452,561	0.71	1,517,295	0.67
NITF	14,679,797	7.16	20,487,170	9.07
Orient	2,208,665	1.08	2,612,380	1.16
People's	9,764,575	4.76	10,757,596	4.76
Sanasa Gen.	1,145,811	0.56	1,390,287	0.62
SLIC	71,425,305	34.82	76,283,847	33.76
Total	205,129,630	100	225,956,271	100

33.76%, 14.19% and 12.43% of total assets, worth to LKR 76,284 million, LKR 32,061 million and LKR 28,088 million respectively. However, Allianz General exhibits a significant drop of -7.04% corresponding to previous year 2019 specially driven from decrease in premium receivables and deferred income tax assets.

NITF posted an outstanding growth of 39.56% and growth was recorded as LKR 5,807 million and same was detectable from financial investments. Similarly, SLIC reported a growth of 6.80% and growth was stated as LKR 4,859 million majorly driven by financial investments and premium receivables from policyholders.

Ceylinco General recorded the third most noticeable growth in assets in terms of value, which reported as LKR 3,475 million and perceptible from financial investments.

10 general insurers out of 14 presented improved performance in their balance sheets reaching double digit growth in terms of total assets ensuring stability in unprecedented times.

Chart 18 visualizes company - wise analysis of total assets as at 31st December 2020 & 2019.

Concentration of Assets of General Insurance Business

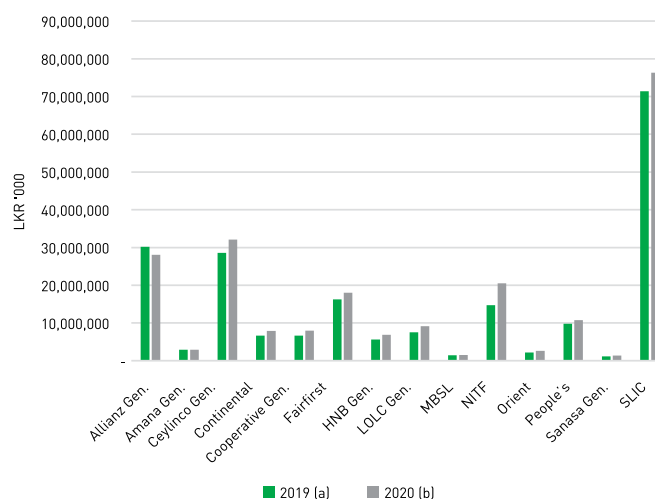
The majority of the total assets of general insurance sector allotted to the financial investments occupying 65.64% of total assets & slightly grown by 2.50% comparing to previous year 2019. The growth of financial investments majorly driven by Government Debt Securities & Unit Trusts.

Similar to previous years, higher composition of the total asset portfolio was invested in Government Debt Securities mainly considering the regulatory requirements and risk factors. A substantial rise on same was noticeable primarily due to a large investment made by a single insurer. Thus, Government Debt Securities amounting to LKR 65,699 million (2019: LKR 54,795 million) continues to be the main fragment, occupying 29.08% (2019: 26.71%) of total assets followed by Equity Investments.

With the rapid recovery of Colombo Stock Exchange towards the end of year aftermath the significant decline in March 2020 with the first wave of COVID-19, Equity investments become the second most significant fragment of total assets standing at LKR 32,553 million (2019: LKR 32,207 million) presented a slight increase of 1.07%.

Premium Receivables from policyholders and intermediaries occupied an extensive share of insurers' balance sheet since the COVID -19 pandemic made it difficult the collection of premium and insurers provided relief to policyholders who were suffering hardships with the direction of the Regulator. Premium Receivables amounting to LKR 27,735 million (2019: LKR 23,580 million) in 2020 representing 12.27% (2019: 11.49%) of total assets

Chart 18
Company wise Analysis of Total Assets - General Insurance Business



and turned into the third largest percentage of total assets of general insurance sector.

Investments in Deposits amounted to LKR 25,709 million (2019: LKR 23,949 million) and accounted for 11.38% (2019: 11.68%) of total assets & exhibited a marginal growth of 7.35%. Along with the low interest rate regime prevailed, insurers' interest shifted to other investment options with the purpose of higher return from investments.

An accelerated growth in investments in Unit Trusts was clearly visible by unveiling the highest growth rate of 233% amounting to LKR 6,534 million

(2019: LKR 1,962 million). The trend towards Unit Trusts was primarily due to slashing interest rates prevailed throughout the year 2020 which made the insurers to give primacy to short term investments with better investment yields.

On the flip side, investments in Property Plant & Equipment, Other Assets, Reinsurance Receivables & Land & Buildings showcased contractions during the year 2020.

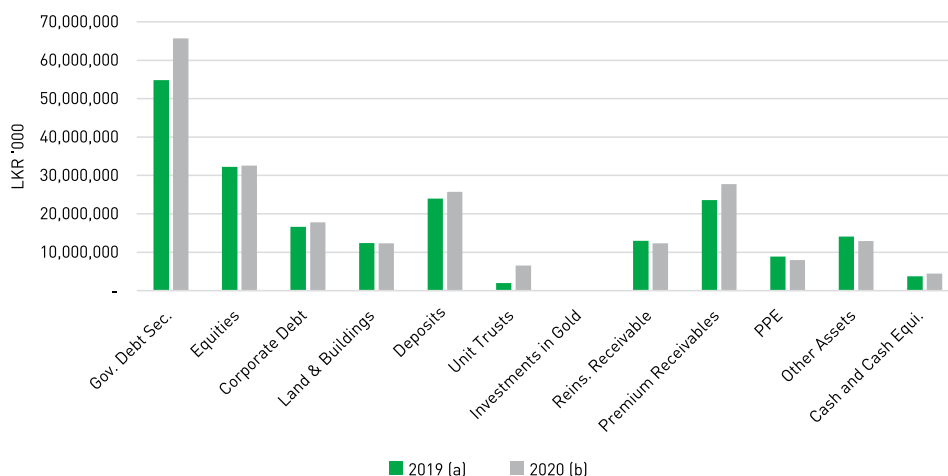
Table 22 & Chart 19 provide the information on concentration of assets as at 31st December 2019 & 2020.

Table 22
Concentration of Assets as at 31st December 2019 & 2020
- General Insurance Business

Type of Asset	2019 (a)		2020 (b)	
	LKR '000	%	LKR '000	%
Government Debt Securities	54,795,217	26.71	65,699,037	29.08
Equities	32,207,442	15.70	32,552,694	14.41
Corporate Debts	16,604,684	8.09	17,812,378	7.88
Land & Buildings	12,408,469	6.05	12,293,551	5.44
Deposits	23,949,316	11.68	25,708,734	11.38
Unit Trusts	1,962,072	0.96	6,533,782	2.89
Reinsurance receivables	12,986,745	6.33	12,320,408	5.45
Premium receivable from policyholders and intermediaries	23,579,600	11.49	27,735,241	12.27
Property Plant and Equipment	8,889,450	4.33	7,929,111	3.51
Other Assets	14,044,362	6.85	12,911,818	5.71
Cash and cash equivalents	3,702,273	1.80	4,459,520	1.97
Total	205,129,630	100	225,956,273	100

Chart 19

Concentration of Assets as at 31st December 2019 & 2020 - General Insurance Business



Investment Income – General Insurance Business

The COVID-19 outbreak and related intermittent lockdowns dampened the progress of the economy and contracted by 3.6% in real terms in 2020 as per the annual report of Central Bank. Amidst such, the Central Bank of Sri Lanka maintained an extremely accommodative monetary policy stance to support the recovery of the economy, which the overall interest rate structure of the economy adjusted downwards.

Therefore, the overall investment income of general insurance sector presented an attentive decline of -18.29% (2019: 34.15%) and amounted to LKR 10,282 million compared to LKR 12,583 million reported in 2019. On the contrary, average investments expanded by 9.54% to LKR 151,937 million (2019: LKR 138,708 million). The decline of the investment income largely driven by the category of Equity since one single insurer earned LKR 2.7 billion dividend income approximately during the year 2019.

The yields on government securities recorded a notable decline during the year 2020 & exhibited a decay of investment income by -11.41% to LKR 4,397 million (2019: LKR 4,963 million). In contrast, average amount of investment in government debt securities which represented the largest section of total average investments elevated & totaled to LKR 60,247 million (2019: LKR 53,992 million).

Capital gains on equity aggregated to LKR 391 million (2019: LKR 91 million) revealing a momentous growth, reflecting the improvement of stock market in mid May 2020 aftermath the first wave of COVID-19. However, dividend income presented an excessive decline which mainly raised from a single insurer as aforementioned and totaled to LKR 522 million (2019: LKR 2,781 million).

Corporate debt had generated investment income of LKR 2,080 million (2019: LKR 1,708 million) and grew by 21.74% year on year

on account of active corporate debt securities market prevailed even in the pandemic era. On the flip side, return on deposits notably declined by -7.76% in response to the lower interest rates existed throughout the year 2020. Deposits generated an investment income of LKR 2,406 million (2019: LKR 2,609 million) counting interest income from banks and finance companies.

Meanwhile, general insurers favored investing in unit trusts & witnessed an improvement of investment returns amounted to LKR 160 million (2019: 58 million) where the average investments also increased compatibly and stood at LKR 4,248 million (2019: 1,596 million). This evident the reallocation within the investment portfolio of insurers' and this trend may reflect an attempt to earn higher investment income in a prolonged lower interest rate environment.

The overall investment yield dropped to 6.77% in 2020 from 9.07% in 2019.

Table 23

Breakup of Investment Income and Average Investments - General Insurance Business

Category	2019 (a)		2020 (b)	
	Investment Income (LKR '000)	Average Investments (LKR '000)	Investment Income (LKR '000)	Average Investments (LKR '000)
Government Debt Securities	4,963,331	53,992,112	4,396,953	60,247,127
- Treasury Bonds	2,360,768		2,157,967	
- Treasury Bills	1,363,360		999,323	
- Others (REPO)	1,239,202		1,239,663	
Equity	2,872,003	33,233,311	912,911	32,380,068
- Capital Gain/Losses	90,712		390,749	
- Dividend	2,781,291		522,162	
Corporate Debts	1,708,324	15,054,751	2,079,730	17,208,531
- Debentures	1,608,661		1,991,433	
- Commercial Papers	99,663		88,297	
Land and Buildings		12,196,276		12,351,010
Deposits	2,608,567	22,150,354	2,406,024	24,829,025
- Banks	1,931,593		1,900,784	
- Finance Companies	676,974		505,239	
Unit Trusts	58,203	1,595,773	159,812	4,247,927
Others	372,772	485,262	326,797	673,313
Total	12,583,201	138,707,840	10,282,227	151,937,000
Average Investment yield	9.07%		6.77%	

Solvency Position of Insurance Companies - General Insurance Business

In the wake of COVID-19 pandemic, sudden concern on solvency standing of insurance sector was stemmed out with the huge uncertainties raised from sternly impacted economy with recession. As such, IRCSL took several measures to closely monitor the insurers in order to preserve the capital levels. Further, temporary restrictions on dividend distributions and other discretionary payments were imposed in order to safeguard the insurers and maintain capital buffers to ensure the stability of insurers.

With all the exertions, general insurance companies remained well-capitalized and the average Capital Adequacy Ratio (CAR) and Total Available Capital (TAC) of general insurers recorded as 249% (2019: 215%) and LKR 65,043 million (2019: LKR 54,744 million) respectively at the end of year 2020 excluding NITF, exhibiting 18.81% growth rate in overall TAC. Further, all the insurers recorded CAR above the enforcement level of 160%.

Under RBC Rules, insurers are required to maintain a minimum TAC of LKR 500 million and CAR

of 120% in order to comply capital adequacy requirements. Accordingly, all the insurers except one were able to comply with the minimum requirements as at the end of year 2020.

National Insurance Trust Fund recorded CAR as 562% (2019: 263%) & TAC as LKR 13,010 million (2019: LKR 5,559 million) which is not included to the Table 24.

Tables 24, 25 and 26 demonstrate details relating to Risk Based Capital (RBC) of general insurers for the years 2019 & 2020.

Table 24

Company-wise Analysis of Solvency Position - General Insurance Business as at 31st December 2019 & 2020

Insurer	As at 31 st December 2019 (a)			As at 31 st December 2020 (b)		
	TAC (LKR'000)	RCR (LKR'000)	CAR (%)	TAC (LKR '000)	RCR (LKR'000)	CAR (%)
Allianz Gen.	6,515,992	3,901,094	167	8,426,064	3,978,744	212
Amana Gen.	493,293	247,534	199	525,369	279,610	188
Ceylinco Gen.	5,978,705	3,220,685	186	7,472,104	4,081,902	183
Continental	1,836,265	721,772	254	2,629,220	904,617	291
Cooperative Gen.	1,698,652	907,055	187	2,550,823	1,024,217	249
Fairfirst	3,960,926	2,187,118	181	5,057,218	2,692,147	188
HNB Gen.	1,391,752	616,879	226	1,840,729	722,199	255
LOLC Gen.	1,742,118	832,159	209	2,946,390	978,112	301
MBSL	520,039	244,949	212	422,154	135,852	311
Orient	768,495	255,346	301	941,383	334,423	281
People's	3,141,246	1,264,299	248	4,162,922	1,369,045	304
Sanasa Gen.	533,062	256,532	208	628,444	247,000	254
SLIC	26,163,057	12,350,481	212	27,440,331	12,307,698	223
Total/Average	54,743,602	27,005,903	215	65,043,150	29,055,565	249

Note: Figures recorded for 2020 were obtained from the Annual Returns submitted for the IRCSL for year ended 31st December 2020.

Total Available Capital (TAC) Requirement of Insurance Companies - General Insurance Business.

The total available capital of the general insurance sector posted an enriched growth of 18.81% and piled up to LKR 65,043 million (2019: LKR 54,744 million) as at 31st December 2020 excluding NITF.

TAC is computed by adding 'Tier 1' and 'Tier II' capital and subtracting items specified as 'Deductions'. Tier 1 capital includes permanent capital fully available to cover losses whereas Tier II capital is the supplementary capital which is less reliable than Tier 1 capital, but still provides some degree of loss absorbency on going-concern basis. Deductions from TAC are made in respect of intangible or illiquid assets that are not generally available to cover losses.

The growth of TAC was basically driven by Tier 1 capital which primarily nurtured by adjusted retained earnings. Tier 1 capital amounted to LKR 90,870 million as at 31st December 2020 compared to LKR 81,278 million as at 31st December 2019 and grew by 11.80%.

Tier II capital almost remained unchanged and exhibited a slight increase of 1.75% and totaled to LKR 8,640 million (2019: LKR 8,491 million). Deductions exposed a slight contraction of -1.60% and stood at LKR 34,467

Table 25

Company-wise Analysis of Total Available Capital (TAC) as at 31st December 2019 & 2020 - General Insurance Business

Insurer	TAC as at 31 st December 2019 (a) (LKR'000)	As at 31 st December 2020 (b)			
		Tier 1 (LKR'000)	Tier II (LKR'000)	Deductions (LKR '000)	TAC (LKR '000)
Allianz Gen.	6,515,992	11,119,590		2,693,527	8,426,064
Amana Gen.	493,293	1,412,806	291,574	1,179,011	525,369
Ceylinco Gen.	5,978,705	12,319,057	468,226	5,315,180	7,472,104
Continental	1,836,265	2,764,647		135,427	2,629,220
Cooperative Gen.	1,698,652	3,018,797	565,770	1,033,744	2,550,823
Fairfirst	3,960,926	6,606,952		1,549,734	5,057,218
HNB Gen.	1,391,752	2,026,427		185,698	1,840,729
LOLC Gen.	1,742,118	3,163,229		216,839	2,946,390
MBSL	520,039	502,438	13,114	93,397	422,154
Orient	768,495	991,243		49,860	941,383
People's	3,141,245	4,642,070		479,149	4,162,922
Sanasa Gen.	533,062	721,356		92,912	628,444
SLIC	26,163,057	41,580,952	7,301,747	21,442,367	27,440,331
Total	54,743,601	90,869,564	8,640,431	34,466,845	65,043,150

Note: Figures recorded for 2020 were obtained from the Annual Returns submitted for the IRCSL for year ended 31st December 2020.

million (2019: LKR 35,026 million). Allianz General presented a spike in TAC from Tier 1 capital backed by retained earnings and growth was reached to LKR 1,910 million. In addition, Ceylinco General, LOLC General, Fairfirst and Peoples' recorded expansions in TAC basically arrived from Tier 1 capital. All the general insurers could widen

their capital base during the year 2020 except one insurer who is undergoing a restructuring of the business.

NITF showcased a significant increase in TAC which was raised from retained earnings and totaled to LKR 13,010 million (2019: LKR 5,559 million) which was not included in the Table 25.

Comparisons of Risk Based Capital Required (RCR) by Insurance Companies – General Insurance Business

Risk-based Capital Required (RCR) can be defined as the cumulative of the capital required to address all relevant and material categories of risks explicitly credit risk, concentration risk, market risk, reinsurance risk, liability risk and operational risk.

Total risk capital charges after diversification were reflective of a marginal increase during the year 2020

and elevated by a rate of 7.59% to LKR 29,056 million compared to LKR 27,006 million in 2019. The increase was basically emerged from concentration risk and liability risk which are the largest compositions of the RCR in the general insurance sector.

Similar to preceding years, general insurance sector commonly exposed to the concentration risk and occupied 33.14% of total risk charges amounting to LKR 13,237 million prior diversification. Liability risk continues to be the second major

risk encountered by the general insurers, occupying 30.41% of total RCR before diversification and equaled to LKR 12,146 million. Market risk occupied 26.65% of total RCR before diversification. Thereupon, these three risk categories represented 90.19% (2019: 90.51%) of total risk capital charges prior to diversification.

NITF which is not included to the Table 26, reported LKR 2,316 million (2019: LKR 2,114 million) RCR after diversification for the year ended 31st December 2020.

Table 26
Company-wise Analysis of Risk Capital Required (RCR) as at 31st December 2019 and 2020 - General Insurance Business

Insurer	As at 31st December 2019 (a) (LKR '000)							
	Credit Risk	Concentration Risk	Market Risk	Reinsurance Risk	Liability Risk	Operational Risk	RCR before Diversification	RCR after Diversification
Allianz Gen.	150,270	2,112,929	809,124	56,456	2,314,253	271,122	5,714,154	3,901,094
Amana Gen.	20,821	155,490	14,344	8,341	144,798	26,585	370,379	247,534
Ceylinco Gen.	251,653	1,434,138	889,040	196,997	1,621,495	246,035	4,639,358	3,220,685
Continental	101,481	106,767	258,939	26,567	523,304	57,573	1,074,631	721,772
Cooperative Gen.	98,794	235,237	379,357	14,822	537,405	60,446	1,326,061	907,055
Fairfirst	50,803	942,834	880,683	141,810	839,011	121,529	2,976,670	2,187,118
HNB Gen.	60,806	211,162	119,661	12,983	463,003	49,564	917,179	616,879
LOLC Gen.	22,708	136,823	352,249	39,798	619,815	63,866	1,235,259	832,159
MBSL	7,592	188,155	30,141	4,380	82,290	14,315	326,873	244,949
Orient	25,556	147,984	15,740	3,229	166,580	19,821	378,910	255,346
People's	170,641	241,118	504,659	17,730	847,603	85,957	1,867,709	1,264,300
Sanasa Gen.	7,875	173,878	66,600	1,284	57,945	11,500	319,082	256,532
SLIC	187,158	5,313,217	6,432,786	67,442	2,832,715	704,002	15,537,320	12,350,481
Total	1,156,158	11,399,733	10,753,323	591,839	11,050,218	1,732,314	36,683,586	27,005,904

Insurer	As at 31st December 2020 (b) (LKR '000)							
	Credit Risk	Concentration Risk	Market Risk	Reinsurance Risk	Liability Risk	Operational Risk	RCR before Diversification	RCR after Diversification
Allianz Gen.	102,501	2,665,343	502,633	32,584	2,202,872	259,886	5,765,820	3,978,744
Amana Gen.	19,703	181,769	17,185	11,074	157,238	26,107	413,076	279,610
Ceylinco Gen.	262,027	2,240,028	943,650	221,688	1,770,939	275,549	5,713,881	4,081,902
Continental	98,013	317,117	314,862	24,340	494,275	70,767	1,319,374	904,617
Cooperative Gen.	156,866	173,732	493,406	14,530	583,482	73,693	1,495,708	1,024,217
Fairfirst	52,320	1,253,312	833,750	348,916	1,016,716	149,376	3,654,390	2,692,147
HNB Gen.	78,508	224,018	168,735	24,755	521,326	61,308	1,078,650	722,199
LOLC Gen.	27,268	229,491	393,645	38,397	689,523	82,542	1,460,867	978,112
MBSL	10,548	53,429	13,849	6,112	105,870	14,198	204,006	135,852
Orient	11,381	238,859	2,319	4,153	213,025	23,620	493,357	334,423
People's	192,721	523,220	327,517	19,335	857,117	100,517	2,020,428	1,369,045
Sanasa Gen.	12,223	141,767	79,877	1,647	73,370	12,598	321,482	247,000
SLIC	162,613	4,994,508	6,552,587	77,164	3,460,241	758,831	16,005,944	12,307,698
Total	1,186,693	13,236,593	10,644,017	824,693	12,145,994	1,908,992	39,946,982	29,055,564

Note : Figures recorded for 2020 were obtained from the Annual Returns submitted for the IRCSL for year ended 31st December 2020.

Net Earned Premium, Net Claims Incurred, Net Claims Ratio, Net Expenses, Net Expense Ratio and Net Combined Ratio - General Insurance Business

Net earned premium generated from main sub classes of general insurance business including SRCC & T contracted by -1.44% and the negative growth recorded in GWP hindered the growth in net earned premium backed by the ailing economy prevailed throughout the year 2020. Net earned premium recorded as LKR 86,480 million (2019: 87,748 million) as at the year ended 2020.

The biggest fall in net earned premium witnessed from the category of motor insurance business in terms of value and the reduction amounted to LKR 867 million followed by miscellaneous insurance business which recorded the drop as LKR 596 million. On the flip side, net earned premium of SRCC & T and fire insurance business moderately grew by 10.62% & 7.13% and amounted to LKR 6,160 million and LKR 2,339 million respectively. Further, the net earned premium figures related to fire insurance business illustrate an upward trend when considering the past five years from 2016 to 2020.

Overall net claims incurred by the general insurance sector unveiled a drop of -26.88% to LKR 41,517 million (2019: LKR 58,149 million). Hence, overall net claims ratio hit down to

49.16% which is the lowest recorded in the past five years. Moreover, it is notable that each and every sub class of general insurance sector exhibited contractions in net claims incurred during the year 2020.

Major factors behind this noticeable slump of net incurred claims are mobility restrictions implemented during the 1st and 2nd waves of COVID-19 which directly reduced the motor claims and sharp decline in travel and tourism industries in the wake of the pandemic.

Most obviously, motor insurance claims declined heavily in terms of value due to intermittent lockdowns imposed throughout the year and drop recorded approximately LKR 7.6 billion. Secondly, net claims incurred under health insurance business dropped noticeably in terms of value and stood at LKR 12,122 million (2019: LKR 16,760 million). The decline was basically earmarked to single insurer relating to claims posted regarding Suraksha Insurance Scheme. Consequently, net claims ratio of health insurance category decelerated to 81.86% in year 2020 comparing to 110.60% recorded in year 2019.

Net claims ratio of miscellaneous insurance business narrowed sharply to 28.26% from 63.70% recorded in previous year 2019 with the absence of claims incurring from NNDIS business of NITF due to discontinuation of said insurance scheme with effect from year 2020.

Meanwhile, other business categories of fire and marine also presented momentous drop-off in claims incurred and net claims ratio, and both categories posted as 87.26% & 26.48% respectively.

Unlike the previous year, expenses incurred by general insurers increased in a slower phase of 2.62% (2019: 9.67%) and stood at LKR 34,138 million (2019: LKR 33,268 million). The overall net expense ratio of general insurance business elevated by 1.56% and stood at 39.47% in 2020 compared to 37.91% recorded in 2019. Insurers could proactively adapt to the challenges posed by the pandemic and ensured the uninterrupted service from virtual connectivity, may have impacted the lower growth in expenses incurred during the year 2020.

Net combined ratio which is the summative of net claims ratio and net expense ratio had decelerated to below 100% in the year 2020 and stood at 88.64% (2019: 104.18%) reporting the lowest combined ratio for the past 05 years.

Table 27

Net Earned Premium, Net Claims Incurred, Net Claims Ratio, Net Expenses, Net Expense Ratio and Net Combined Ratio - General Insurance Business

Class	Net Earned Premium (LKR'000)				
	2016	2017	2018	2019 (a)	2020 (b)
Fire	1,213,542	1,721,160	1,957,237	2,183,650	2,339,266
Marine	903,170	991,573	1,104,376	1,175,289	966,785
Motor	44,593,900	50,580,010	56,891,349	58,724,480	57,857,937
Health	9,349,093	11,435,476	12,386,134	15,153,049	14,809,578
Miscellaneous	3,306,901	3,891,564	4,492,033	4,942,850	4,346,801
Sub Total	59,366,606	68,619,783	76,831,128	82,179,319	80,320,367
SRCC & T	3,274,297	3,734,321	4,031,846	5,568,739	6,159,888
Total	62,640,903	72,354,104	80,862,975	87,748,058	86,480,255

Class	Net Claims Incurred (LKR '000)				
	2016	2017	2018	2019 (a)	2020 (b)
Fire	1,024,290	1,640,062	1,696,698	2,546,301	2,041,356
Marine	266,057	345,331	453,917	500,555	255,979
Motor	28,966,019	31,134,209	34,681,762	34,501,309	26,881,280
Health	8,065,476	10,511,212	12,148,224	16,759,694	12,122,437
Miscellaneous	2,121,221	4,186,860	3,457,623	3,148,570	1,228,258
Sub Total	40,443,063	47,817,674	52,438,224	57,456,428	42,529,310
SRCC & T	33,677	[10,519]	76,068	692,927	[12,232]
Total	40,476,740	47,807,154	52,514,292	58,149,354	42,517,078

Class	Net Claims Ratio (%)				
	2016	2017	2018	2019 (a)	2020 (b)
Fire	84.40	95.29	86.69	116.61	87.26
Marine	29.46	34.83	41.10	42.59	26.48
Motor	64.96	61.55	60.96	58.75	46.46
Health	86.27	91.92	98.08	110.60	81.86
Miscellaneous	64.15	107.59	76.97	63.70	28.26
Sub Total	68.12	69.68	68.25	69.92	52.95
SRCC & T	1.03	[0.28]	1.89	12.44	[0.20]
Total	64.62	66.07	64.94	66.27	49.16

Description	Net Expenses (LKR'000)				
	2016	2017	2018	2019 (a)	2020 (b)
Net Expenses for all classes of General Insurance Business except SRCC & T	21,421,928	24,491,746	29,490,544	31,855,625	33,153,452
SRCC & T	653,706	732,786	842,515	1,411,974	984,128
Total	22,075,634	25,224,532	30,333,059	33,267,599	34,137,580

Description	Net Expense Ratio (%)				
	2016	2017	2018	2019 (a)	2020 (b)
Net Expenses Ratio for all classes of General Insurance Business except SRCC & T	36.08	35.69	38.38	38.76	41.28
Net Expense Ratio of General Insurance Business	35.24	34.86	37.51	37.91	39.47

Description	Net Combined Ratio (%)				
	2016	2017	2018	2019 (a)	2020 (b)
Net Combined Ratio for all classes of General Insurance Business except SRCC & T	104.21	105.38	106.63	108.68	94.23
Net Combined Ratio of General Insurance Business	99.86	100.94	102.45	104.18	88.64

Number of Policies representing Gross Written Premium - General Insurance Business

The restrained performance of the general insurance sector reflected through the reduction of number of policies representing gross written premium by -2.45% comparing to the previous year and stood at 6,539,589 (2019: 6,704,144). Each and every sub class of general insurance business exhibited the same downturned trend during the year 2020 except health class of insurance business. With the awake of COVID-19 pandemic, more consumers tend towards health insurance policies and some general insurers introduced new health insurance products with the coverage of COVID-19 grabbing the market opportunity. However, the health insurance policies represented a minimal portion as 0.44% of total insurance policies as at the end of year 2020.

Number of motor insurance policies occupied 90.49% of total insurance policies and posted a declined growth of -0.35% comparing to previous year. Nevertheless, 3rd party motor insurance policies presented an upsurge of 5.07% in contrast to comprehensive policies posted a decay of -5.59% interpreting that consumer preference stirred towards minimum level of protection with lower premiums to fulfil the compulsory regulatory requirement, triggered by the adverse consequences of pandemic. Policyholders were switching to 3rd party insurance and moreover allowing policies to lapse due to the economic stress caused by the pandemic, which impeded business growth.

Similarly, number of policies representing gross written premium of miscellaneous insurance & marine insurance also contracted by -28.40% & -23.41% respectively. In spite of the pandemic situation emerged during the year 2020, the decreasing trend line of number of policies under miscellaneous & fire insurance categories continuously fell from year 2018 onwards.

Table 28 reflects the number of insurance policies pertaining to different sub classes of general insurance business which had contributed to generate GWP from year 2016 to 2020.

Chart 20
Net Earned Premium, Net Claims Incurred, Net Claims Ratio, Net Expenses, Net Expense Ratio and Net Combined Ratio - General Insurance Business

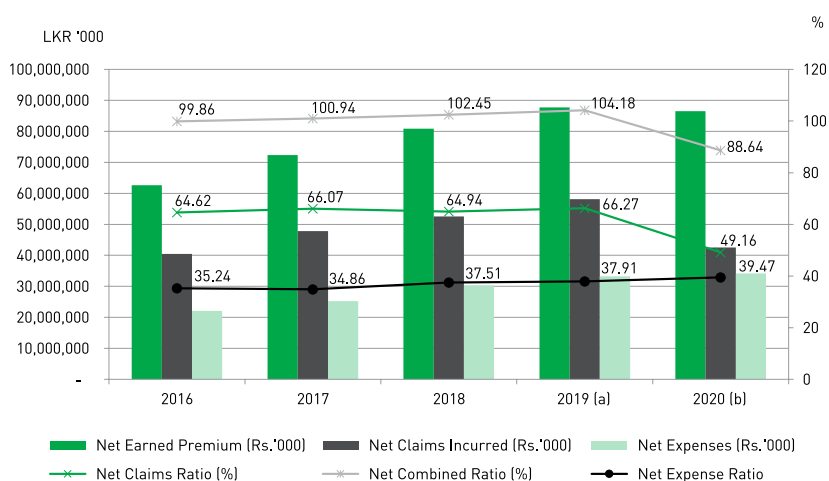


Table 28
Number of Policies representing Gross Written Premium - General Insurance Business

Class	No. of policies				
	2016	2017	2018	2019 (a)	2020 (b)
Fire	246,058	241,884	245,027	234,408	220,196
Marine	191,966	172,733	187,338	179,001	137,093
Motor	5,075,622	5,390,222	5,614,901	5,937,989	5,917,348
3rd Party Only	2,628,255	2,784,920	2,821,529	2,919,884	3,067,955
Comprehensive	2,447,367	2,605,302	2,793,372	3,018,105	2,849,393
Health	16,040	11,893	17,267	23,237	29,019
Miscellaneous	238,921	311,084	427,470	329,509	235,933
Total	5,768,607	6,127,816	6,492,003	6,704,144	6,539,589

Details of New, Renewed and Policies in Force - General Insurance Business

Table 29 and Chart 21 illustrate detailed information on new, renewed and policies in force as at the end of years 2019 and 2020.

New policies issued during the year 2020 reduced by -13.90% comparing to previous year and totaled to 2,850,308. The decline was majorly triggered by motor insurance policies. As aforementioned, new comprehensive policies reduced and oppositely 3rd party policies increased and all together new policies issued under the category of motor stood at 2,471,051. In addition, new policies under health

insurance business also presented an increase of 3,725 policies.

On the flip side, number of renewed policies by the policyholders with the same insurer presented a moderate growth of 8.39% and recorded as 3,663,655 which was exclusively driven by motor and health insurance policies. Number of policies in force at the end of year 2020 halved by -2.82% and stood at 6,474,623. During the year, policies in force for miscellaneous, marine, fire and comprehensive motor have decreased by -24.23%, -24.19%, -6.92% and -6.29% respectively compared to previous year hindering the growth prospects of the general insurance sector.

Table 29

Details of New, Renewed and Policies in Force - General Insurance Business

Category	2019			2020		
	New policies	Renewed Policies	Policies inforce at year end	New policies	Renewed Policies	Policies inforce at year end
Fire	86,023	151,104	232,968	71,135	149,084	216,847
Marine	176,083	4,087	172,571	134,232	3,726	130,828
Motor	2,814,187	3,126,583	5,925,551	2,471,051	3,424,277	5,863,856
3rd party only	1,463,297	1,456,199	2,922,586	1,531,788	1,515,051	3,049,795
Comprehensive	1,350,890	1,670,384	3,002,965	939,263	1,909,226	2,814,061
Health	15,574	7,794	23,392	19,299	9,642	29,636
Miscellaneous	218,653	90,538	308,107	154,591	76,926	233,456
Total	3,310,520	3,380,106	6,662,589	2,850,308	3,663,655	6,474,623

Reinsurance Business

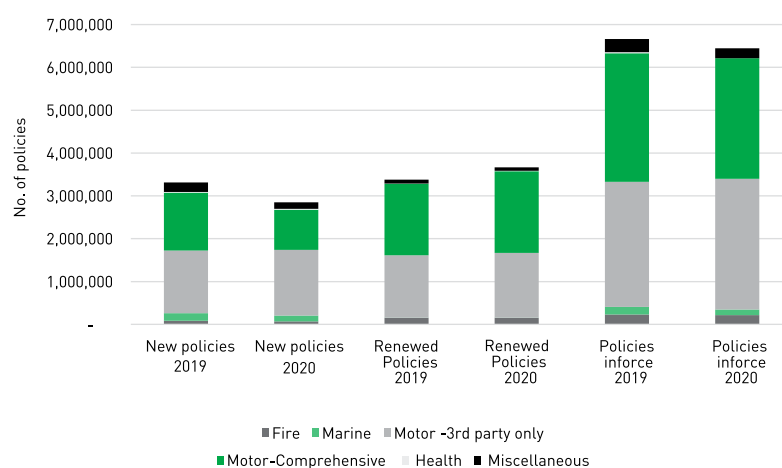
The Extra Ordinary Government Gazette Notification No. 1528/20 dated 19 December 2007, empowers the National Insurance Trust Fund (NITF) to accept compulsory reinsurance cession from the local general insurance market and NITF has fixed the compulsory cession at twenty percent of the general reinsurance program (subject to provisions to be specified) of each insurance company transacting general insurance business. Following the said Gazette, NITF commenced accepting the risk of reinsurance since 2008 with its primary objective of being a 'National Reinsurer'.

In terms of the Government Gazette Notification No. 1791/4 of 31st December 2012, all primary insurers are required to cede thirty percent of their total liability arising out of every general reinsurance business to NITF since 2013.

During the year 2020, NITF has reported LKR 3,235 million as reinsurance premium income, decreased by 22.48% compared to LKR 4,174 million recorded in 2019. In 2020, LKR 275 million (2019: LKR 449 million) had been ceded to reinsurers as retrocession premium by NITF which reduced by 38.75% year on year. This lower performance was mainly due to the decision taken by NITF to discontinue the acceptance of

Chart 21

Details of New, Renewed and Policies in Force - General Insurance Business



30% Facultative share with effect from 31st March 2020 due to unavailability of retrocession cover. However, NITF re commenced accepting 30% compulsory Facultative reinsurance share from 1st of August 2020 with retrocession cover for 30% compulsory session bound from 1st August 2020 to 31st January 2022.

The NITF has incurred claims amounted to LKR 1,567 million in 2020 compared to LKR 3,560 million in 2019 which showed a notable decrease of 55.98% year on year. Major factors behind this noticeable decline of incurred claims are mobility restrictions implemented during the 1st & 2nd waves of COVID-19 which directly reduced the motor, fire and miscellaneous

claims, and sharp decline in travel and tourism industries in the wake of the pandemic.

With the sharp decrease in claims incurred during the year 2020, reinsurance business of NITF had reported underwriting profit and profit before tax of LKR 990 million and LKR 1,170 million respectively compared to underwriting loss and net loss before tax of LKR 770 million and LKR 662 million respectively generated during the year 2019.

Total assets of reinsurance operation had showed a slight growth of 5.62% to LKR 7,066 million in 2020 compared to 2019 amounting to LKR 6,690 million. Investments in government debt securities

reported under NITF's reinsurance business has an improvement of 19.16% to LKR 2,960 million as at 31st December 2020 compared to LKR 2,484 million reported as at 31st December 2019. Accordingly, out of total assets under reinsurance business, government debt securities represented 42%. Further premium receivables and receivables from retrocession arrangements represented 18% and 16% of the total assets respectively. However, there is no adequate financial instruments to support the reinsurance business where only 96% of the reinsurance liability has been covered via financial instruments.

Insurance Brokering Companies

Insurance brokering companies as intermediaries help customers to procure suitable insurance policies as per their differential needs. Also they may focus on one particular type of insurance solution or they could provide advice on many different types of insurance solutions. While performing many of the same functions as insurance agents, they differ from agents in that they act in the interest of policyholders. Insurance brokers sell policies under one or many insurance companies

they represent as enforced by the Section 82 of the Regulation of Insurance Industry Act, No.43 of 2000.

By the end of 2020, 68 insurance brokering companies operated in the market and generated Gross Written Premium (GWP) amounting to LKR 28,912 million (2019: LKR 29,317 million). This total GWP consisted of premium income generated through long term insurance business and general insurance business which amounted to LKR 1,422 million (2019: LKR 1,095 million) and LKR 27,490 million (2019: LKR 28,222 million) respectively. Out of the total GWP generated, 95.08% represented GWP of general insurance business and only 4.92% represented GWP of long term insurance business.

Even though the total GWP generated through insurance brokering business recorded a decline of 1.38% in 2020 compared to LKR 29,317 million generated in 2019, a noticeable increase in the GWP of long term insurance business, amounting to 29.85% was noticed during the year mainly due to the increased demands for life insurance policies with the pandemic situation of the country.

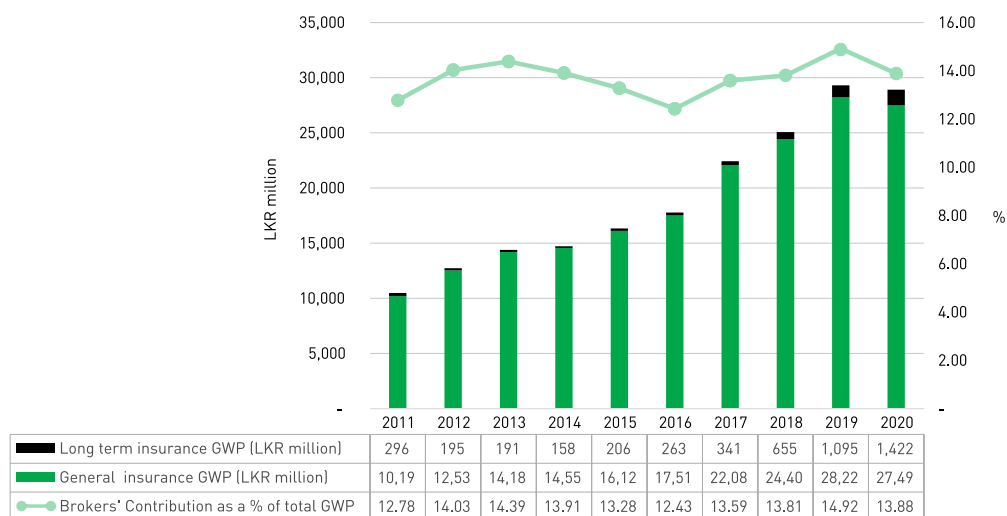
As intermediaries, insurance brokering companies have contributed in generating a considerable GWP of general insurance business (LKR 105,276 million) including SRCC & T premium. Similar to previous years, the contribution of insurance brokering companies towards long term insurance business during 2020 was insignificant. As per the details provided by the brokering companies, only 1.38 % of the total GWP of long term insurance business (LKR 102,974 million) was generated through them.

In 2020, 31 insurance brokering companies procured GWP exceeding LKR 100 million each and these insurance brokering companies collectively generated GWP amounting to LKR 27,462 million. The remaining 37 insurance brokering companies generated LKR 1,450 million as depicted in Table 30.

In addition, Insurance Brokering companies have extended their arms functioning as intermediaries to re-insurance brokering services and accordingly few brokering companies have earned considerable premiums and commissions during year 2020 which accumulated to LKR 463 million. (2019: LKR 1,551 million)

Chart 22

Gross Written Premium generated through insurance brokering companies from 2011 to 2020



Note : Figures recorded for 2020 were obtained from the Annual Returns submitted for the IRCSL for year ended 31st December 2020.

Table 30

Gross Written Premium generated through Insurance Brokering Companies - 2020

No.	Name of the Broker	Gross Written Premium					
		Long Term Insurance Business		General Insurance Business		Total	
		LKR ('000)	Market Share (%)	LKR ('000)	Market Share (%)	LKR ('000)	Market Share (%)
1	ADZ Insurance Brokers (Pvt) Ltd.	14,905	1.05	1,156,453	4.21	1,171,358	4.05
2	Aitken Spence Insurance Brokers (Pvt) Ltd.		0.00	818,501	2.98	818,501	2.83
3	Alfinco Insurance Brokers (Pvt) Ltd.	130	0.01	1,026,480	3.73	1,026,610	3.55
4	Allion Insurance Brokers (Pvt) Ltd.	746	0.05	126,499	0.46	127,246	0.44
5	AMTRUST Insurance Brokers (Pvt) Ltd.	46	0.00	121,174	0.44	121,220	0.42
6	Aseki Insurance Brokers (Pvt) Ltd.		0.00	2,220,592	8.08	2,220,592	7.68
7	Assetline Insurance Brokers Ltd.	30,037	2.11	1,647,531	5.99	1,677,568	5.80
8	Ceynergy Insurance Brokers (Pvt) Ltd.	50,398	3.54	128,396	0.47	178,795	0.62
9	CF Insurance Brokers (Pvt) Ltd.	210	0.01	2,815,501	10.24	2,815,711	9.74
10	Colombore Insurance Brokers (Pvt) Ltd.	8,523	0.60	356,517	1.30	365,040	1.26
11	Commercial Insurance Brokers (Pvt) Ltd.	30,998	2.18	2,407,293	8.76	2,438,291	8.43
12	Delmege Insurance Brokers (Pvt) Ltd.	344,392	24.22	1,308,859	4.76	1,653,250	5.72
13	Equity Insurance (Pvt) Ltd.		0.00	107,173	0.39	107,173	0.37
14	Essajee Carimjee Insurance Brokers (Pvt) Ltd.	95,501	6.72	418,928	1.52	514,429	1.78
15	Finlay Insurance Brokers (Pvt) Ltd.	22,035	1.55	1,008,910	3.67	1,030,944	3.57
16	George Steuart Insurance Brokers (Pvt) Ltd.	37,571	2.64	1,476,707	5.37	1,514,278	5.24
17	Global Insurance Brokers and Services (Pvt) Ltd.	12,141	0.85	117,824	0.43	129,965	0.45
18	InsureMe Insurance Brokers (Pvt) Ltd.	102,620	7.22	1,023,455	3.72	1,126,075	3.89
19	Life & General Ins. Brokers Ceylon (Pvt) Ltd.	54,279	3.82	372,229	1.35	426,508	1.48
20	Mercantile Fortunes Insurance Brokers (Pvt) Ltd.	15,942	1.12	893,304	3.25	909,246	3.14
21	Mercantile Insurance Brokers (Pvt) Ltd.	12,718	0.90	394,521	1.44	407,239	1.41
22	Nations Insurance Brokers Ltd.	108,255	7.61	1,651,080	6.01	1,759,335	6.09
23	Procure Insurance Brokers (Pvt) Ltd.	15,558	1.09	223,515	0.81	239,073	0.83
24	Protection & Assurance Ins. Brokers (Pvt) Ltd.	172	0.01	491,089	1.79	491,261	1.70
25	Protection & Utmost Insurance Brokers (Pvt) Ltd.	143,590	10.10	84,644	0.31	228,234	0.79
26	Reliance Insurance Brokers (Pvt) Ltd.	42,000	2.95	1,064,890	3.87	1,106,890	3.83
27	Senaratne Insurance Brokers (Pvt) Ltd	41,771	2.94	1,203,868	4.38	1,245,639	4.31
28	Senkadagala Insurance Brokers (Private) Ltd.		0.00	1,002,716	3.65	1,002,716	3.47
29	Strategic Insurance Brokers (Pvt) Ltd.	40,985	2.89	104,043	0.38	145,028	0.50
30	Volanka Insurance Services (Pvt) Ltd.	17,926	1.26	90,202	0.33	108,128	0.37
31	Zenith Insurance Brokers (Pvt) Ltd.	44,141	3.12	311,890	1.13	356,032	1.23
	Other Insurance Brokering Companies (37)	134,230	9.44	1,315,386	4.78	1,449,616	5.01
	Grand Total	1,421,821	100.00	27,490,169	100.00	28,911,989	100.00

REVIEW OF OPERATIONS

SUPERVISORY REVIEW

Insurance Companies

1. Review of Returns

a) Annual Statutory Returns, Audited Financial Statements and Actuarial Reports

Insurance companies are required to submit their Annual Statutory Returns and Audited Financial Statements to the IRCSL within four months following the end of the respective financial year in terms of Determination – 14 and 15 as amended on 13th March 2017. In addition, long term insurance companies are required to submit Actuarial Reports and Abstracts along with their Annual Statutory Returns.

However, due to prevailing condition in the country with COVID -19 pandemic, the IRCSL has granted an extension to file the Annual / Actuarial Returns for a one-month period.

The Commission monitored the timely submission of Returns and examined them for accuracy and compliance with the relevant Rules and Regulations of the IRCSL. Insurance companies were advised to rectify the deviations observed from statutory requirements, within stipulated deadlines. Follow up actions were also taken by the IRCSL where necessary. In addition, certain matters observed during the review of returns were addressed at the onsite inspections conducted.

b) Assessment of Financial Vulnerability of Insurance Company and Group

Insurance companies are required to submit their Risk Assessment Report (RAR) to the IRCSL each year, as a part of their Annual Returns. Accordingly, during the year, the IRCSL reviewed the information disclosed in RARs pertaining to organizational structure and ownership, business profile, senior management, functions such as marketing and distribution, claims administration, risk management, etc. to obtain an overview of companies' operations.

c) Reinsurance Arrangements

In accordance with the Terms and Conditions to be complied with by the insurers in terms of section 31 (1) of the Act, insurers are required to submit reinsurance arrangements along with relevant Certification, to the IRCSL on or before 15th March 2020. The IRCSL has taken necessary steps to facilitate obtaining same via e-version considering the nationwide lockdown imposed. However, few companies delayed in submitting same due to the crisis prevailed in the country due to COVID 19 pandemic.

Further, all insurers are required to submit their facultative reinsurance arrangements on quarterly basis. When reviewing the Quarterly Returns, it was observed that certain companies had placed facultative reinsurance arrangements with few unrated reinsurers whose ratings were not complying with the minimum credit and financial strength rating as prescribed in the reinsurance terms and conditions issued by the IRCSL. Accordingly, the division takes appropriate actions to said non-compliance.

d) Quarterly Returns

Insurance companies are required to submit their Quarterly Returns to the IRCSL within forty-five days from the end of each quarter as per the provisions in the Act.

Quarterly Returns that were submitted during the year 2020 were reviewed by the IRCSL to assess their quarterly performance and to ensure compliance with relevant Rules and Regulations of the Act.

The financial position of every insurer for each quarter was continuously monitored during the year by analyzing their asset and liability position, capital adequacy (solvency), liquidity and other risk areas. Any discrepancies, non-compliances and material variations observed during the review of Quarterly Returns were

communicated to the relevant insurers and instructed to rectify within given time limits.

In order to evaluate the quarterly performance of each insurer, the Commission analyzed the returns based on premium income, underwriting profit and net profit for both long term and general insurance companies. Further, a comprehensive ratio analysis on profitability, expenses and claims has been carried out to assess the insurers' performance. These ratios are analyzed and compared with the industry averages as early warning indicators.

Insurers are required to submit Compliance Certifications along with the Quarterly Returns which depict the status of compliance with the provisions of the Act, Rules and Regulations prescribed by the IRCSL and the relevant provisions of the Financial Transactions Reporting Act, No. 6 of 2006.

e) Monthly Returns

In 2020, two companies have been Directed to submit Statutory Returns, Financial Statements, RBC status etc. on monthly basis based on their non-compliances reported from time to time. Accordingly, the Commission reviewed the Monthly Returns submitted by these companies, in order to ensure their financial position, compliance with the provisions of the Act, Rules and Regulations are in order.

2. Monitoring Compliance with Solvency Margin (Risk Based Capital) Rules

According to the Solvency Margin (Risk Based Capital) Rules 2015, every insurance company is required to maintain a minimum required Capital Adequacy Ratio (CAR) and a Total Available Capital (TAC) for both general and long term insurance businesses and to submit the Solvency Margin (Risk Based Capital) computations together with the Monthly, Quarterly and Annual Returns. Such computations are reviewed

and analyzed by the IRCSL to ensure the compliance with the Solvency Margin Rules. If insurers are unable to fulfill the Solvency Margin requirements or if the computations are inaccurate, the IRCSL instructs them to take immediate action to comply with the Solvency Margin (Risk Based Capital) Rules and rectify the same within stipulated timelines.

3. Monitoring Compliance with Investment Specifications

a) Investment in Government Securities

All insurance companies are required to invest part of their insurance funds in government securities. As per section 25 of the Act, not less than 20% of the assets of the Technical Reserve and not less than 30% of the assets of the Long Term Insurance Fund should be invested in government securities. The IRCSL monitors compliance with the said provision Monthly, Quarterly and on Annual basis, based on the returns and relevant supporting documents submitted.

Any non-compliance or deviations observed by the IRCSL are communicated to relevant companies to rectify within stipulated timelines.

b) Other Investments as per the Determination 1

Every Insurer needs to invest the balance assets of the Technical Reserve and the Long Term Insurance Fund in accordance with the Determination 1 of 1st March 2011 and its subsequent amendments. The Commission reviews the investment details of Technical Reserves and Long Term Insurance Fund monthly, quarterly and on annual basis, based on the returns submitted to ensure compliance with Determination 1.

During the year, the IRCSL observed non-compliances and deviations with the requirements of Determination 1, of an insurer. Accordingly, the company was informed to

do necessary rectifications to comply with Determination 1 with immediate effect. The company has subsequently made relevant corrections and complied with the Determination 1.

4. Enforcement Strategy on Solvency Margin (Risk Based Capital) Rules

If an insurance company fails to maintain the capital adequacy requirements as stipulated in Solvency Margin (Risk Based Capital) Rules, the IRCSL will intervene and take corrective actions by requiring such company to comply with the Enforcement Strategy on RBC. The purpose of this is to identify troubled insurance companies at early stages so that practical and effective remedies can be introduced to resolve problems before they grow beyond control and become a significant enforcement issue. This will enable the Commission to commence supervisory intervention before a significant deterioration of financial conditions or Solvency concerns leading to a crisis situation. During the year, four companies reported Capital Adequacy Ratio between 120% to 160% and accordingly they were required to comply with requirements under the Enforcement Strategy.

5. New Registration of an Insurer

During the year 2020, one existing insurer who handles general insurance business submitted an application to form a subsidiary to conduct long term insurance business. Accordingly, they have submitted the business proposal including financial projections, details of risk control systems etc. for the purpose of obtaining the license for long term insurance business. We reviewed the above application along with the IRCSL Actuarial Consultant's comments and observed that the details submitted to demonstrate financial position of the company appears to be satisfactory for the purpose of licensing. However, on review of documents submitted and based on the Actuarial Consultant's comments received, the company

was required to submit details such as group structure, support services from Parent company, stressed testing and scenario analysis carried out in forecasting financials & RBC including relevant assumptions, readiness on SLFRS 17 & company's IT system, framework on AML/CFT compliance, a time plan outlining the implementation of Business Continuity Plan etc. for the purpose of licensing.

6. Onsite Inspections

Due to significant disruption caused by COVID-19, the Division conducted remote inspection at one insurance company. The purpose of this inspection was to evaluate focused areas of the company such as investments, enterprise risk management, financial condition etc. Observations made during the onsite inspections were communicated to the insurer together with the IRCSL's recommendations for areas which needed improvements.

7. Submission of Information to the Central Bank of Sri Lanka

The IRCSL submitted financial information relating to performance of the insurance industry on quarterly basis to the Macro-Prudential Surveillance Department of the Central Bank of Sri Lanka based on the information and statistics collated from the Quarterly Returns.

8. Submission of Progress Report to the Ministry of Finance

The Division prepared a report on Progress of Result Achievement of the Division on quarterly basis which is submitted to the Ministry of Finance. This covers the Division's supervisory activities carried out during the quarter.

9. Industry Handbook 2019

The Division has prepared industry hand book (e-book) for year 2019 based on the Audited Financial Statements and statistics submitted for the IRCSL Annual report preparation purpose.

Accordingly, Industry Hand book contains statistics relevant for industry & company wise Balance Sheets, Income Statements, Concentration of Assets etc. Same was published in the IRCSL website.

10. Risk Tool

Based on the financial and other information submitted by insurers through Annual Returns and Quarterly Returns, the IRCSL developed an internal risk tool to identify each insurer's core risks as early warning mechanism. The risk profiling was categorized for long term and General Companies separately, mainly on financial and compliance perspective, later modified it by incorporating the Risk Assessment Report(RAR) as well. Main financial criteria considered include Capital, Assets, Profitability, Market share etc. and Compliance perspective includes compliance with Solvency requirements, Reinsurance Terms & Conditions, Determination 1, delay in submissions etc.

Accordingly, insurance companies are categorized as "High", "Medium" & "Low" risk companies based on the scoring. The division uses yearly performance of respective insurance companies in order to categorize them according to the aforesaid risk categories. The Division will closely monitor the performance of insurance companies which are categorized as "High Risk" companies. Considering risk-based approach, company-specific regulatory requirements and the degree of supervision will vary depending on the risk score of the insurer.

11. Anti-Money Laundering and Combating Terrorist Financing (AML/CFT)

a. Onsite Inspection

The Commission in collaboration with the Financial Intelligence Unit (FIU) of the Central Bank of Sri Lanka conducted two AML focused onsite inspections out of which one was conducted as a remote inspection in terms of Section 15(1) (e) read with Section 18 of the

Financial Transactions Reporting Act, No. 6 of 2006 (FTRA), to assess whether the customer due diligence process of the insurance companies was in line with the legal and regulatory requirements as set out in the FTRA and rules and regulations issued thereunder. Observations made during the inspections were communicated to the respective insurers in order to obtain their responses.

b. Questionnaire for Thematic Review on Screening, Monitoring Customer Transactions and Enhanced Customer Due Diligence of Politically Exposed Persons

In terms of the provisions of the Financial Transactions Reporting Act, No. 6 of 2006, the IRCSL in collaboration of the FIU of Central Bank has initiated collating information in conducting a thematic review of "Screening, Monitoring Customer Transactions and Enhanced Customer Due Diligence of Politically Exposed Persons" based on the questionnaire designed by the FIU. The Division collected the responses from all the long term Insurance Companies for the same and produced a report to FIU of CBSL.

12. SLFRS 16 Leases

The Sri Lanka Accounting Standard, 'SLFRS 16 – Leases' was implemented with effect from 01st January 2019, where companies are required to recognize leases on the Balance Sheet for lease contracts as 'Right of Use Asset' and 'Lease Liability'.

The application of new "Right of Use (RoU) Assets" and "Lease Liabilities" have not been explicitly addressed in the Solvency Margin (Risk Based Capital) Rules 2015. Therefore, the IRCSL has reviewed the impact of SLFRS 16 application to the RBC Rules after obtaining details from Insurers. Having noted the considerable impact to the industry, the division issued a clarification paper for the application of SLFRS 16 – Leases' to the Solvency Margin (Risk Based Capital) Rules 2015.

13. Proposed Dividend Distribution

As per the Directions dated 11th April 2020 (comprehensively discussed under item 15) "Relief to Policyholders and support needed from the IRCSL due to COVID 19 Pandemic", all companies were requested to refrain from declaring and distributing dividends for the year ended 31st December 2019 including interim cash dividends for financial year 2020.

Subsequently, the Commission amended the above and conveyed the insurance companies that aforesaid restriction does not apply to dividends declared for the financial year ended 31st December 2019 prior to 11th April 2020 with the approval of IRCSL.

14. Premium Deposits

The division observed that many insurance companies have recorded significant amount of premium deposits received from policyholders/ proposers not recognized to GWP's as liability balances in different forms such as excess, advance, unidentified, proposal and expired policy premiums etc.

Accordingly, as per the letter dated 08th January 2020 to Principal Officers of all insurance companies, insurers were requested to take all efforts to refund such monies, which belong to the public and should also not write-back/ transfer same to the income statement with effect from financial 2019, until such time the IRCSL issues further instructions.

15. Impact of COVID-19 on Operation and Business Continuity to the Insurance Industry

- a). The Division has prepared a questionnaire to obtain information relating to impact on Insurance companies' operation with the crisis of COVID -19. Accordingly, the Division requested information relating to operating divisions, non-operating divisions, methodologies adopted to deliver services to policyholders, management decisions on claims to be mitigated by exclusions and cut-off dates, new

insurance products/riders, impact on financial stability & solvency, agency operation etc.

Based on the business continuity plans submitted by insurers, majority was able to ensure continuity of their operations without any difficulty and delay. However, few small players faced some difficulties basically due to their customer bases.

- b). As many insurance supervisors, the IRCSL has prudently taken regulatory actions to ensure business continuity and flexible treatment of policyholders against huge uncertainties from potential COVID 19 fallout. In terms of the letter dated 11th April 2020 on 'Relief to Policyholders and support needed from the IRCSL due to COVID 19 Pandemic' all insurers were Directed to report following to the IRCSL on a monthly basis commencing from the month ended 31st March 2020;
- (a) Status of capital adequacy requirements, i.e. TAC, RCR, SVCC and CAR.
- (b) Certify the compliance of Determination # 1 requirement by the Principal Officer and if not in compliance, details should be provided by the Principal Officer of the company.

Further, the Division has taken several important actions in terms of the Enforcement Strategy for companies, which have difficulties in meeting with RBC Rules and Determination # 1. Conducting meetings with top management to discuss the capital plan and possible strategies to meet the CAR to the enforcement level and instructing to provide risk management process and comprehensive capital plan to overcome this situation are some of them.

- c) Furthermore, as per the letter dated 23rd September 2020, all general insurance companies were

required to provide details on claims intimated due to COVID-19 experience and associated economic disruption (eg: Health, Business Interruption, Travel Insurance etc.) to the IRCSL as per the format prescribed by the IRCSL.

16. Assessment on VAT on Financial Services

The Insurance Association of Sri Lanka (IASL) informed that VAT on financial services assessments have been assessed by Inland Revenue Department (IRD) for most long term and general insurance companies on the basis that insurance business fall under the definition of financial services.

However, IASL was of the view that, long term and general insurance companies are not in the business of financial services as per the RII Act. Further, IASL was consulted by an Audit firm and their detailed opinions were submitted to the IRCSL requesting to intervene to this matter. However the IRCSL was of the opinion that IRCSL shall not intervene to this matter in view of Pending Court Cases challenging the tax assessments; Other pending cases at the level of Commissioner General of Inland Revenue, Tax Appeals Commission etc.

Insurance Brokering Companies

1. Review of Quarterly Returns, Interim Financial Statements and Audited Financial Statements

Insurance brokering companies are required to submit their Quarterly Returns to the Commission within 45 days from the end of each quarter as per the Gazette Notification No. 1642/16 (First Schedule) of 25th February 2010.

During 2020, majority of insurance brokering companies submitted their Quarterly Returns to the Commission within the deadline.

The Commission reviewed the Quarterly Returns submitted by the companies, in order to evaluate their financial position, performance and compliance with the regulatory requirements. Non-compliance or deviations observed by the Commission were communicated to respective brokering companies for clarifications and rectifications.

Insurance Brokering Companies are required to submit Audited Financial Statements (AFS) within six months of the expiry of the accounting period in terms of the Section 86 (2) of the RII Act. However, considering the number of requests and the prevailing condition of the country, the Commission has granted one-month extension for submission purpose.

2. Renewal of Registration

Applications were received from the insurance brokering companies for renewal of their annual licenses for the year 2021. The Commission analyzed Audited Financial Statements and Quarterly Returns to ascertain their financial position and performance prior to renewal of licenses.

3. Registration of New Insurance Brokering Companies

During the year, applications were received from the proposed insurance brokering companies to obtain registration as insurance brokering companies. The Commission analyzed the applicant's business plan including sales and financial forecast, organizational chart, availability of infrastructure and External Auditor's certification prior to recommending for registration.

REGULATORY REVIEW

Registration of Insurance Companies

No new registrations were granted by the Commission during the year. Accordingly, the number of registered insurers is 28 and out of that, one insurance company is in the liquidation process for the purpose of winding up its operations.

Appendix I: Provides names of all insurance companies registered with the Commission and the class/ classes of insurance business they are authorized to carry on.

Enforcement Action

Insurance Companies

Suspensions

The suspension imposed on Ceylinco Takaful Limited in year 2009 continued throughout the year 2020. Although Ceylinco Takaful Limited has settled all claims, other than few claims which are the subject matter of litigation, the claim settlement process could not be concluded in view of such Court cases.

In terms of Section 18 (1) of the Act, the Commission may cancel or suspend the registration of an insurer, either wholly or in respect of a particular class or sub-class of insurance business, inter alia, for failing to maintain the solvency margin of such amount as determined by the Commission and has contravened any provision of the Act or any regulation or rule made thereunder or any condition imposed or any direction given or determination made by the Commission under the Act.

Direction

It was brought to the notice of the Commission that one insurer has been promoting 3rd party insurance by way of providing incentives such as petrol coupons to motor cyclists mentioning its free of charge. As such, the Commission informed such insurer to refrain from promoting the said 3rd party insurance immediately as the promotion of 3rd party insurance should not be encouraged by

insurers. However, the Commission observed that the company continued to promote the said advertisement on social media. Therefore, in consideration of the above, the Commission issued a Direction to the insurer under Section 57 of the Act, to remove the promotion of 3rd party post from its Facebook page with immediate effect.

Registration of New Insurance Brokering Companies and Renewal of Registration of Insurance Brokering Companies

The Commission received ten new business proposals during the year from persons who are interested to be registered as insurance brokers. The Commission granted name approvals to three persons to incorporate companies during the year. The Commission also granted registration to one company as an insurance broker during the year.

Applications from 66 insurance brokering companies, seeking renewal of registration for year 2021 were received by the Commission during the year, and renewal of registration was granted to all 66 companies in view of them fulfilling necessary requirements under the Act.

Appendix II: Provides names of all insurance brokering companies registered with the Commission, the class/ classes of insurance brokering business they are permitted to carry on and the period of Registration.

Enforcement Action

Insurance Brokering Companies

Warnings

Letters of warning were issued to the Principal Officers of six insurance brokering companies by the Commission during the year under review. The warning letters were issued to the Principal Officers for non-submission of quarterly returns on due date and failure to inform the reason for such delay as required by the Circular # 41.

Suspensions

Having observed that two insurance brokering companies have failed to demonstrate compliance with the minimum net capital requirement within one-month period from the quarter end it became non-compliant and as required by Direction # 19, the Commission suspended the registration of such companies until they demonstrated compliance.

Cancellations

The Commission, having observed that an insurance brokering company has failed to demonstrate compliance with the minimum net capital requirement within one-month period from the quarter end, it became non-compliant and as required by Direction # 19 IRCSL suspended the registration of such company. Since the company continued to fail to comply we requested them to demonstrate compliance with the minimum net capital requirement, the Commission cancelled their registration in 2020.

Registration of Loss Adjusters and Renewal of Registration of Loss Adjusters

The Commission granted registration to 7 persons as loss adjusters during the year. The Commission also renewed the registration granted to 16 persons as loss adjusters during the year.

In terms of Section 114 (1) of the Act, "Loss Adjuster" means a person who has specialized knowledge in investigating and who is assessing losses arising from insurance claims and registered as a loss adjuster under the provisions of this Act.

Appendix III: Provides names of loss adjusters registered with the Commission and effective date of license.

Regulatory/Advisory Measures

1. The Commission has granted approval to a number of applications by insurance companies for appointment of Directors in terms of the new provisions introduced by the

- Amendment Act. However, several requests were not acceded to due to non-compliance with Direction # 17 on corporate Governance Framework.
2. The Commission has granted approval to a number of applications by insurance companies and insurance brokering companies seeking approval to appoint Principal Officers in terms of the provisions in the Act.
 3. Considering a request made by an insurance company, the Commission has approved the fellow qualification of the Actuarial Society of Netherlands in terms of Section 114 (a) of the RII Act.
 4. Having reviewed request of a number of insurance brokers for renewal of overseas health insurance products in terms of Circular # 36, the Commission has renewed the authorization period for a further year.

Circular # 36 requires any insurance brokering company who wishes to place foreign health insurance covers, to seek approval from the Commission for the product that they wish to place.
 5. The Commission has reviewed many insurance products and provided observations to respective insurers for their necessary action. Circular # 39 requires all insurance companies to submit policy documents in relation to new insurance products to the Commission prior to launch of same.
 6. The Commission has decided to revise a Direction issued to an insurer in 2015 which required them to furnish Monthly Returns in addition to the submission of Quarterly Returns for both classes. The revision was subject to company submitting the Total Available Capital, Risk Based Capital Requirement and Capital Adequacy Ratio on monthly basis. The said insurer was further restricted in carrying out related party transactions until financial condition of the company is improved.
 7. Insurance Association of Sri Lanka (IASL) has requested IRCSL to intervene and take appropriate steps to address the issue of Life Insurance Companies paying Crop Insurance Levy of 1% on the profit after tax, to the National Insurance Trust Fund. Even though life insurers do not issue crop insurance to farmers, they were liable to pay a levy of 1% to NITF which reduced their income. Having reviewed the situation, the Commission has requested the Ministry of Finance to consider exempting life insurers from the said levy. However, the Ministry declined the request.
 8. The Commission received an application from a person to be registered as a loss adjuster. However, a question arose as to the applicability of Direction # 14 of IRCSL dated 09.01.2018 as the said person has been previously terminated from employment for actively participating in fraudulent activities. In terms of Direction #14, the industry is directed to refrain from employing persons in any capacity who has been terminated on the grounds of financial misappropriation or fraud. Since granting registration to a person who has actively involved in fraudulent acts whose honesty/integrity was questionable would set a bad precedent to the industry, the Commission has rejected the application.
 9. Having reviewed monthly returns submitted by an insurance company for the months ended 31st January 2020, 29th February 2020 and 31st March 2020, it was observed that, TAC of the general insurance business has fallen below the required regulatory capital requirement of Rs. 500 million. As required by the Commission the company has proposed several options to overcome the deficit in the capital adequacy ratio.
- Having reviewed proposals, the Commission instructed the insurance company to submit their final decision and thereby to comply with the capital adequacy requirements of the general insurance business.
10. The Commission has provided its response to several applications received under the Right to Information Act, No. 12 of 2016.
 11. The Commission has granted approval to a brokering company in terms of Direction # 10, for conducting business other than Insurance Brokering Business. Direction # 10 requires all insurance brokering companies to seek prior approval from the Commission to provide ancillary services, other than insurance brokering business defined in the Act.
 12. Having received several queries from claimants regarding an insurance company which is in the process of voluntarily winding up from Sri Lanka, the Commission has instructed the company to publish a press notice to the general public in all three languages informing of the winding up of the said company.
 13. One insurance company sought approval/feedback of the Commission to improve its Capital Adequacy Ratio by strengthening Tier II capital by obtaining a subordinated loan from two foreign investment funds. The company has submitted a draft Loan Agreement and approval of the Board of Directors of the company for the above transaction for consideration of the Commission. Considering proposed amendments to the RBC rule which could impact the said borrowing under Tier II capital, the Commission required the company to inform the position to lending companies and further advised to take all precautions prior to obtaining loan facilities in order to ensure that Policyholders' rights/ interest are not affected due to the said facility.

14. The Commission has required all long term insurance companies to provide details on unclaimed benefits that have been transferred to shareholders for last five-year period prior to issuance of Direction 18. Having observed that one company has transferred such unclaimed benefits to shareholders for five years, the Commission has ordered to reverse the transactions and called explanations on same from the Principal Officer, Board of Directors and the External Auditor of the Company.
15. By year 2020, only two insurance companies remained to be listed in a licensed stock exchange in terms of the RII Act and the Commission has decided to grant a six-month extension to both insurance companies.
16. In September 2013, the Commission issued segregation guidelines to the industry, permitting shared services among segregated companies subject to having control mechanisms in place. However, sharing of services for the core insurance activities were not permitted. Having received a request from three insurance companies to continue on the existing shared services, Commission has granted an extension to all the segregated companies to continue with such services until the Commission issue a new guideline/Direction on the shared service arrangement.
17. Two insurance companies requested the Commission to grant permission for them to invest in an insurance company registered in Cambodia. After having obtained and analyzed several details, Commission granted approval to those companies for the said investment, subject to several conditions.

INVESTIGATORY REVIEW

The Commission, under its overall objective of safeguarding the interests of policyholders, is empowered to investigate into and resolve disputes between insurers and claimants, which are referred to the Commission. The Commission also investigates into complaints pertaining to market conduct of any insurer, broker or an agent.

When a dispute or a complaint is referred to the Commission (against an insurer, broker or an agent), all the parties concerned are given an opportunity of being heard by the Commission before making a decision on the same. The insurers are required to establish the basis for its decisions relating to claims, with supporting information and documents. Where required, third party verifications and expert opinions are also obtained and considered by the Commission in arriving at decisions.

Synopsis of Total Referrals

446 matters were referred to the Commission and 367 matters (which includes matters brought forward from the previous year) were settled or closed during the period under the review. The Commission upon its intervention was able to settle 155 matters in favor of the claimants amounting to LKR 82.2 Million.

Chart 1: Total annual referrals during last five (5) years

Complaints received



During the past five (5) year period, a total 1,709 matters have been referred to the Commission as illustrated in Chart 1, the number of matters referred to the Commission in the period under review (446) has increased significantly compared to the previous year (315). Increasing awareness among the public regarding the Insurance Regulatory Commission of Sri Lanka may have been the reason for the increased number of referrals during the year.

Chart 2: Month wise analysis of referrals during the year 2020

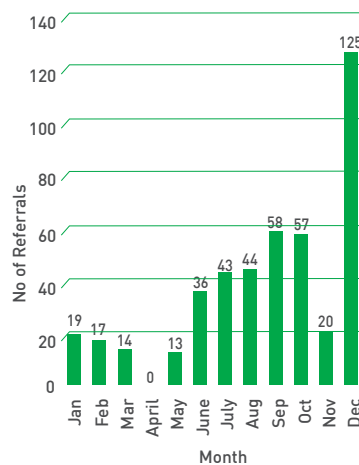


Chart 2, shows the month wise breakdown of the number of matters referred to the Commission during the year under review. Highest number of referrals (125) has been recorded in the month of December whereas the month of April recorded the lowest number of referrals (0). The reason for not receiving referrals during April would be owing to the pandemic and locked down during that period. On average, 37 matters per month have been referred to the Commission during the year under review and the months; July, August, September, October and December have recorded referrals above average.

Chart 3: Classification of total matters referred to in the year 2020

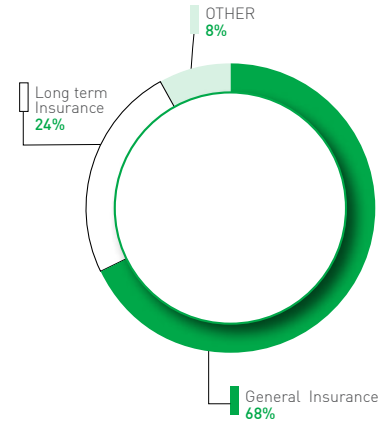


Chart 3, depicts the composition of total matters referred to Commission during the year 2020. Majority of referrals i.e. 304 (68%) were in respect of general insurance business and 105 (24%) referrals were relating to long term insurance business. The balance 37 (8%) referrals cannot be categorized into a specific line of business. When compared to previous year under review, the percentage of referrals in respect of general insurance business has increased significantly from 56% (in 2019) to 68%, and the percentage of referrals in respect of the long term insurance business has declined from 34% (in 2019) to 24%. The proportion of other referrals has slightly decreased from 10% (in 2019) to 8%.

Analysis of Referrals on General Insurance Business

An issue wise analysis of matters referred to the Commission on general insurance business is given in Table 1.

Table 1 - Referrals on general insurance business: issue wise

Issue	#	%
Claim disputes	277	91.1
Non-acceptance of liability	148	53.4
Dissatisfied with the claim offered/paid	26	9.4
Delays in settling claims	103	37.2
Other complaints	27	8.9
TOTAL	304	100.0

As shown in Table 1, out of the total referrals (304) under the general insurance business, 277 (91.1%) were claims disputes while the balance 27 referrals (8.9%) were other complaints such as mid-term policy cancellations, not responding to queries, requests for premium refunds and non-receipt of policy documents. Majority of referrals (53.4%) under claims disputes were on Non-acceptance of liability by the insurer i.e. claim repudiations.

The root-cause-analysis of referrals revealed that the main cause of repudiation for motor insurance claims were non-disclosure or misrepresentation of material facts pertaining to accidents (due to excluded usage, drunken driving, driver not having a valid driving license or the insured having no insurable interest following the sale of vehicle), the damages caused being inconsistent with the description of the accident or the policy being cancelled as at date of the accident due to non-payment of full premium. Detailed inquiries were conducted with regard to claim repudiations by calling observations from the Department of Government Analyst's, Police, hospitals and 3rd party witnesses (where required). The Commission assisted the claimants in the instances where the policy covered the cause of loss and whereas fraud or deliberate misrepresentation of facts relating to the claim, were not identified.

Delay in settling claims was the other main reason for referrals (37.2%) under the claims disputes. It was observed that most of the delays had occurred due to conducting further investigations on claims. In addition, delays on the part of the insured or the repairers to furnish required information and documents to finalize the claims were also observed. The balance twenty-six (26) disputes referred to the Commission were relating to the dissatisfaction with the claim offered/paid. Misinterpretation of the policy wording and lack of clarity in explanations provided by insurers on loss adjustments/deductions were the main causes for referrals of this nature. Most of these disputes were resolved by providing the required explanations to claimants in writing or by facilitating discussions.

Analysis of Referrals on Long Term Insurance Business

The Table 2 below shows an issue wise analysis of the matters referred to with regard to long term insurance business.

Table 2 – Referrals on long term insurance business: issue wise

Issue	#	%
Claims disputes	44	42.0
Non-acceptance of liability	19	43.2
Maturity and surrender benefits	22	50.0
Dissatisfied with the claims offered	3	6.8
Other complaints	61	58.0
Request to refund/ cancellation or revival	31	50.8
Provision of information	3	5
Payment/ misappropriation of premia	2	3.2
Other	25	41.0
TOTAL	105	100.0

As per Table 2, the total referrals (105) related to the long-term insurance business consists (42%) of claim disputes and (57%) of other complaints.

The main cause (50%) for claims disputes was relating to obtaining maturity and surrender benefits. The main reason for such disputes is the lack of comprehension of the policy wording and the inadequacy of explanations provided by insurers. Most of these disputes were able to be resolved by providing required clarifications to policyholders, in writing and at the discussions conducted at the Commission.

Another 43.2% of claims disputes were related to non-acceptance of liability. Most of the claim repudiations have been based on non-disclosure or misrepresentation of material facts at the commencement or revival of the

policy. The fundamental legal principle of insurance contracts, uberrimae fidei (utmost good faith) acts vice versa on the both parties of the contract i.e. insurer as well as insured. An insurer decides on the acceptability of risk of proposer's life and the relevant terms and conditions, based on the information disclosed by the proposer in the proposal form. As such, any non-disclosure or misrepresentation of material facts would amount to the breach of uberrimae fidei principle by the insured.

In some instances, it was observed that the cause for non-disclosure and misrepresentation of facts by proposers has been due to the lack of awareness on relevant insurance principles and of the obligation to disclose material information. Therefore, the insurers need to take further measures to ensure that the prospective policyholders are duly informed of their duty of disclosure and adverse effects of failing to do so. The Commission was able to assist only in few instances where it could be proved that the non-disclosure or misrepresentation was neither deliberate nor reckless.

The policyholders have a contractual duty to ensure that they pay the premiums regularly and within the time periods specified in the policy document. Claims have been repudiated where the policies have been lapsed, due to non-payment of premium. The policyholders are obliged to maintain the policy by paying premiums on time and they need to retain proof of their payments, to be produced in case of a dispute. Accordingly, the Commission could assist only where timely payment of premiums could be confirmed or the delay in payment could be justified. Almost in all the disputes (6.8%) where the claimants were dissatisfied with the claim amounts, it was observed that the cause for it is the lack of clarifications or explanations provided by insurers at the time of communicating their offers to claimants.

The majority (50.8%) of the other complaints referred under the long term insurance business were in relation to the requests to cancel the policies and obtain refund of premiums or revival of policies. Matters in relation

to requests to cancel the policies and obtain refund of premiums could not be assisted, as the policyholders do not have the right to cancel a policy after the lapse of cooling-off period i.e. 21 days from the date of receipt of the policy document. However, insurers in certain instances granted relief considering the financial circumstances of the claimants. The requests for revival, made after the expiry of specified times period, could be assisted only where the policyholders could justify the delay in taking action to revive the policy. The primary reasons for requesting refunds of the premium paid to life insurance policy were lack of understanding of the policyholders of the importance of life insurance and financial difficulties faced when paying regular premium.

5% of complaints were resolved by providing information as required. There were only 3.2% of complaints relating to misappropriation of premiums. The policyholders could be assisted only where the misappropriation could be established by verifiable evidence. The remainder of the other complaints (41%) were in relation to policy loans, modes of premium payment and the functioning of branch offices. Action was taken with regard to all such complaints based on the findings of investigations.

Other Referrals

A total of 37 complaints referred to the Commission by agents on unfair termination. However, upon inquiry it was noted that most terminations were made due to misappropriation of premia, fraud or relating to not possessing the required education qualification by agents. Actions were taken, where possible, in terms of the powers vested with the Commission under the Act.

MARKET DEVELOPMENT AND EXTERNAL RELATIONS (MDER) REVIEW

Insurance indemnifies an individual or institution for some or all of a financial loss that is linked to an unpredictable event or risk depending on the terms and conditions of the insurance policy. Therefore, the Insurance industry is crucial for economic growth. Insurance products are still perceived as too complex and expensive by consumers. Such perception prevents insurance as a tool of risk management from exercising its full potential to favour the allocation of resources and economic growth.

In year 2020, the Commission, in relation to the Market Development & External Relations activities, focused mainly on the activities of the Capital Market Development Programme (CMDP) of the Asian Development Bank (ADB) and the Financial Sector Modernization Project (FSMP) of the International Development Association (IDA) of the World Bank.

The year 2020 has been a challenging year to conduct the scheduled awareness programmes/activities due to the spread of COVID 19 virus. However, the Commission conducted several awareness programmes during the year under review as and when such was possible. The objective of the Commission in conducting such awareness programmes is to safeguard the interests of existing and potential policyholders by enhancing the knowledge on the importance of insurance, insurance industry & its latest developments, selecting suitable insurance products, grievance redress mechanisms available to policyholders, etc. To pursue this objective, the Commission utilised various communication channels to reach the target audience. The details of the communication channels utilised and activities carried out during the year under review are as follows:

Outreach Programmes on Insurance Awareness Creation

Programmes at Divisional Secretariats

These programmes were organised in collaboration with Divisional Secretariats. The aim of such programmes is to enhance knowledge on insurance of the public officers such as Grama Niladharies, Police, Excise,

Samurdhi, Sports, Development, Agricultural & other Field Officers, and Staff of the respective Divisional Secretariats, who interact frequently with the public. The participants were made aware about the role of the Commission (as the Regulator of the insurance industry), importance of having the required insurance policy to cover the risks either to life or property, rights and duties of an insurance policyholder, key factors to be considered when purchasing and maintaining an insurance policy, claiming under an insurance policy and dispute resolution mechanisms available to policyholders.

Out of the four programmes planned for the year, two (02) awareness programmes on insurance were conducted on the "Divisional Day Meetings" at Yatinuwara and Uva Paranagama, Divisional Secretariats covering 163 Gramaseva Niladhari Divisions. However, the remaining programmes have been cancelled due to the COVID 19 Pandemic situation of the country.



In addition to the mainstream awareness programmes conducted at the Divisional Secretariats, the officials of the Commission participated as resource persons at an awareness workshop, titled "Inspire 2020" organised by the Department of Insurance and Valuation, Wayamba University of Sri Lanka. Further, the

Commission invited the students of the Department of Insurance and Valuation, Wayamba University of Sri Lanka for a brief presentation on "the Role of the Regulator and Regulatory Aspects".



Awareness through Print & Electronic Media

Print Media

The Commission published a press release and a press notice on performance of the insurance industry and mobile insurance respectively during the period under review.

Electronic Media

The media has an important role to play in disseminating our messages to raise awareness on insurance. Thus, the Commission organised and conducted two television programmes during the period under review. The officials of the Commission participated at the following programmes to create awareness on matters relating to insurance:

- 'News in Brief', a news segment pertaining to the award ceremony of Art Competition of Sri Lanka Rupavahini Corporation (SLRC).
- 'Sanhinda', a live discussion telecasted on SLRC.

Insurance education Component under Capital Market Development Programme (CMDP) of the Asian Development Bank (ADB)

The approved Consumer Education Strategy (CES), which comprises of a delivery framework consisting of three (03) strategies and a time frame for implementation, has been incorporated in to the Action Plan 2020 of the Commission. The CES is expected to be completed by Quarter 04, 2022.

a) Strategy 01 – IRCSL to strengthen the existing website and to expand the communication programmes by adding YouTube to increase insurance literacy and to ensure consumer protection. The Commission, based on the agreed areas, has prepared the contents for the videos to be produced with the agency, which is selected for the tasks of creating the YouTube Channel and of videos. The agency agreed to prepare all videos at the beginning of the year 2021 and to upload videos bi-monthly to the YouTube channel.

b) Strategy 02 – IRCSL to provide direction to insurance providers to increase insurance literacy of the vulnerable households.

The Commission held discussions with the Insurance Association of Sri Lanka (IASL) with a view of mobilizing the insurance literacy programmes for the vulnerable households. The IASL, agreed in principle to provide assistance to conduct the programmes. The Commission prepared a Concept Paper, giving details such as brief introduction about the strategy, rationale for the strategy, methodology of mobilizing the strategy, recommendation, etc. and forwarded to the IASL for their views on the implementation of the strategy. As required under delivery framework of the CES, the Commission prepared the learning module and the content of the presentations for the programmes.

c) Strategy 03 – IRCSL to facilitate to deliver insurance awareness programmes for students of selected post-school education/training institutes.

The Commission organised a brief discussion on ‘the Role of the Regulator and Regulatory Aspects’ for the students of the Department of Insurance and Valuation, Wayamba University of Sri Lanka at the Commission premises.

The Commission held initial discussions with the Director General of National Institute of Education (NIE) and Director of Commerce Stream, NIE. The NIE agreed to provide their assistance to conduct awareness programmes and also agreed to conduct four (04) programmes in 2020 for the teachers who are working in the Western, North Western, North Central and North provinces to be engaged in the year 2020. The IASL has nominated resource persons to liaise with the IRCSL in conducting the programme for students of post-school education/training institutes.

However, scheduled awareness programmes/activities have not been conducted due to the spread of COVID 19 virus.

Financial Sector Modernization Project (FSMP)

The Commission commenced work with the Actuarial Consultant relating to the Component No.11 and 13, which are allocated under Market Development and External Relations activities.

a) Component 11 - Work closely with the Senior Actuarial Expert (SAE) and coordinate the activities relating to the development of a centralized data framework to collect information on insurance products and policies and organize data for the mortality and morbidity tables.

The Inception Report pertaining to Component # 11 has been finalized.

b) Component 13 - Work closely with the Senior Actuarial Expert (SAE), to review and facilitate implementing the recommendations contained in the gap analysis reports pertaining to Motor, Fire and Health Insurance products. The Consultant Actuary submitted final draft report and the Commission has reviewed and submitted suggestions/comments for improvements.

National Financial Inclusion Strategy (NFIS)

The activities relating to the Commission have been identified and allocated. The agreed activities have been scheduled to commence from the year 2021 as per the report of the World Bank

Other Engagements Responses to Public Queries

During the year under review, the Commission attended to numerous inquiries from the general public, policy holders and various other stakeholders requesting information and seeking guidance relating to insurance industry.

ADMINISTRATIVE REVIEW

Staff

The success of an organization largely depends on the expertise of people involved in its functions. As such, we believe that the human resource is the backbone of the success strategy of the Commission.

The Commission establishes the organizational structure, identifies necessary functions to discharge

its duties towards achieving the overall objective of ensuring that the insurance industry in Sri Lanka is carried on with integrity with a view to safeguarding the interests of policyholders and potential policyholders.

The Commission took several key initiatives during the year under review to strengthen the human resource

through timely recruitment of required professionals. To meet such initiatives, One Director and Three Assistant Directors were recruited to the permanent cadre during the year under review. Total staff strength of the Commission stood at 51 as at 31st December 2020.

Details of qualifications of the staff are depicted in the table below:

Total No. of Employees	No. of Employees having Academic/ Professional Qualifications (40)					
	Post Graduate, First Degree & Professional Qualifications	Post Graduate & Professional Qualifications	Post Graduate & First Degree	First Degree & Professional Qualifications	First Degree	Professional Qualifications
51	11	04	07	05	10	03

Training

Focus on training and development covers the broad policy of enhancing the staff to obtain knowledge and job related skills to achieve the goals of the organization. Due to pandemic situation of COVID 19, only online training opportunities were provided for staff during the year.

Staff Welfare

Caring for the well-being of its employees has been an important factor in creating motivation and increasing their morale. Hence, the Commission provides an attractive welfare package, inclusive of indoor and outdoor medical schemes, personal accident insurance cover, vehicle and distress loan schemes and festival advance. Further, the Commission took several measures to protect the safety and health of the staff from COVID-19 pandemic.

FINANCIAL REVIEW

Policyholders' Protection Fund (PPF)

The Cess collected to the Policyholders' Protection Fund (PPF) has been invested by the Commission in a prudent manner to yield an increased return in the face of reducing interest rates in the country. Chart 1 depicts the Cess collection and investment income for years 2016 to 2020. Despite the COVID 19 Pandemic, Cess income recorded a slight increase

Chart 1 illustrates the growth of the Cess income over the last five years. Due to the impact of favorable market conditions, investment income has shown a significant increase from 2017 to 2019 but the rate of increase dropped slightly due to lower interest rates prevailed for the major part of the year 2020.

Value of the PPF has increased over the last five years and Chart 2 depicts the same. The high interest rates for long term investments coupled with the net surplus transfers from the Commission contributed to the steady growth in the Fund.

Chart 2
Policyholders' Protection Fund Values for the period 2016 - 2020

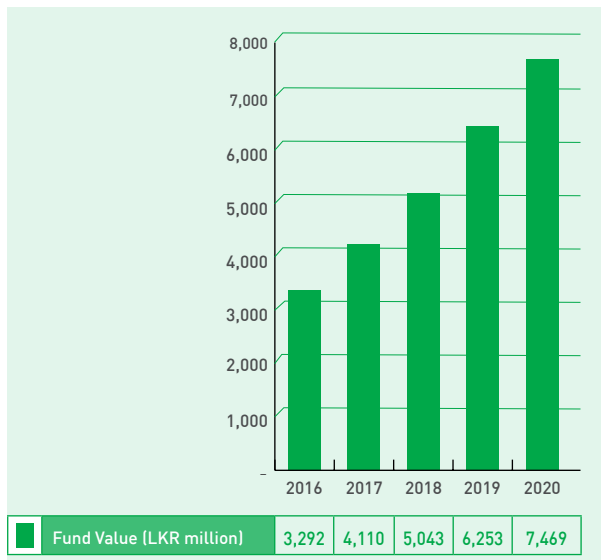
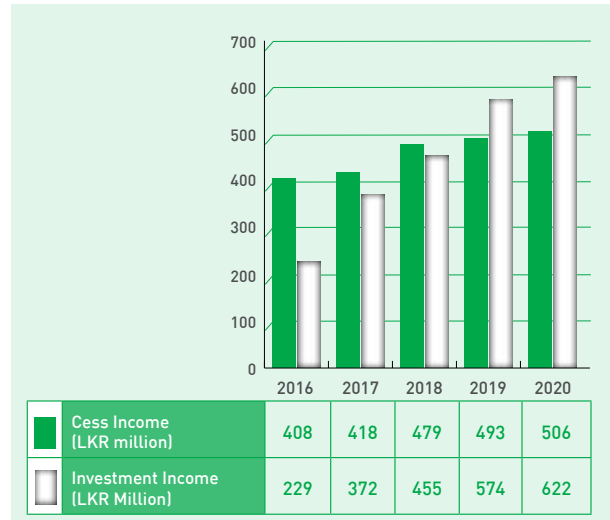
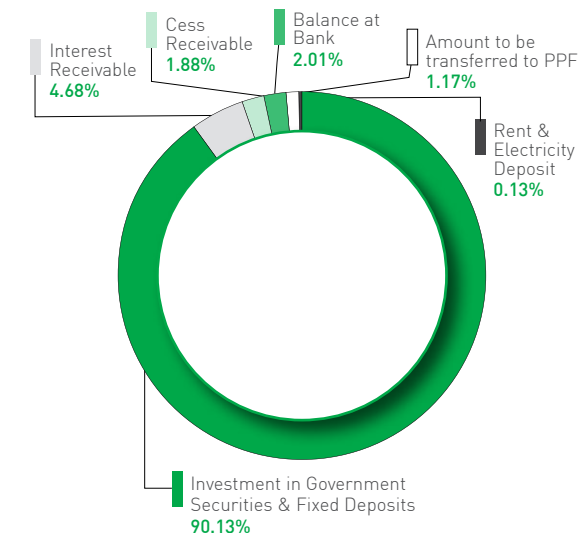


Chart 1
Cess Income and Investment Income for the period 2016-2020



The composition of assets of the Fund as at 31st December 2020 is depicted below :-

Chart 3
Assets Composition of Policyholders' Protection Fund as at 31st December 2020



Income of the Commission

The income of the Commission is derived from the following sources:

- Registration fees from insurers, insurance broking companies & Loss adjustors
- Annual Fee levied from insurance companies
- Annual Fee for renewal of registration of insurance broking companies
- Interest income by investing surplus funds
- Income from Financial Sector Modernization Project

Chart 4 depicts the breakup of overall income received for the period 2016 to 2020.

Chart 4

Income of the Commission for the period 2016-2020



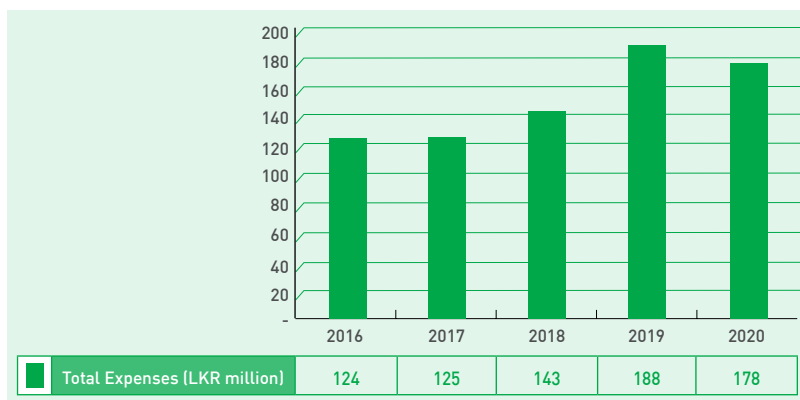
Expenses of the Commission

The exercise of strict budgetary controls and cash flow planning contributed to the 5% reduction of expenditure over the last year and helped to absorb the 15% reduction in the Income compared to last year. The Commission has recorded a surplus of LKR 109.8 million in the year 2020. The said surplus after deducting taxes has been transferred to the PPF in accordance with the policy decision.

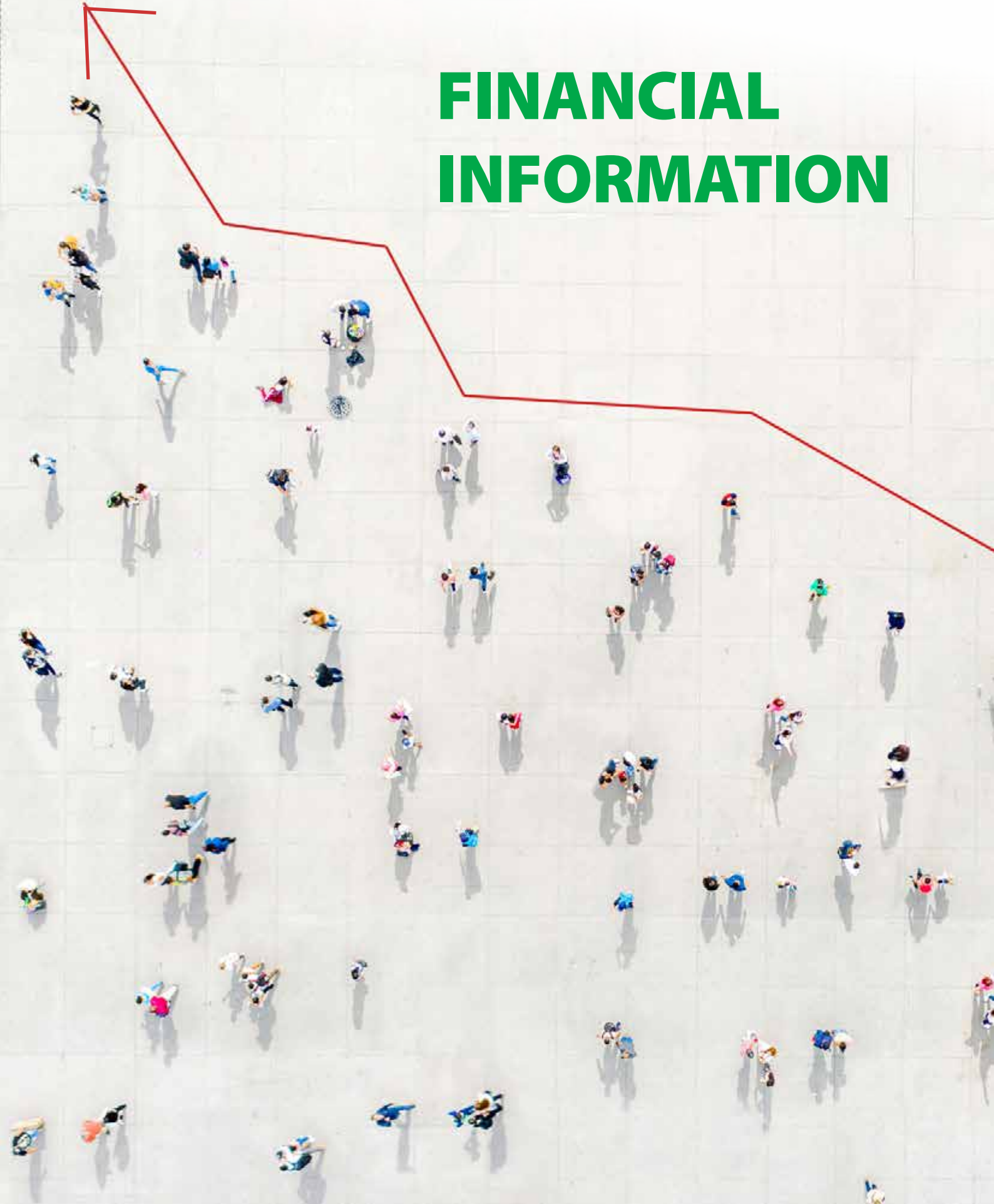
Chart 5 below depicts the total expenses of the Commission for the period 2016 to 2020

Chart 5:

Total Expenses of the Commission for the period 2016-2020



FINANCIAL INFORMATION



AUDITOR GENERAL'S REPORT



ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல. }
My No. }

BAF/E/IRCSL/AR/2020

ඔබේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி }
Date }

29 December 2021

Chairman
Insurance Regulatory Commission

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Insurance Regulatory Commission for the year ended 31 December 2020 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Insurance Regulatory Commission (“Commission”) for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance, statement of changes in equity/ net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Commission as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

- (a) The Insurance Policyholders' Protection Fund has been established under Section 103 (1) of the Regulation of Insurance Industry Act No. 43 of 2000 and the funds accruing from the Cess levied under Section 7 of the Act will be credited to that fund. According to the Section 103 (2) of the Act, the monies credited to the Policy Holders Protection Fund can be used for the general protection of the policy holders and may also be used for other specific purposes specified by the rules cited by the Commission. However the rules made by the Commission for withdrawal of funds from the Policy Holders Protection Fund had not been available for the audit. The money withdrawn from the fund for the year 2020 was Rs. 5,773,521.

ලංකා 306/72, පොල්දො පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව

இல. 306/72, பால்சுவா வீதி, பத்தரமுல்லை, இலங்கை.

No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.



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- (b) No adequate disclosures had been made regarding the accounting policies used to recognition and measurement of transactions and balances of the Policy Holders Protection Funds.
- (c) The balance of the accumulated fund of Rs.18,504,176 had been transferred to the Policy Holders Protection Fund in the year 2019. Neither the adequate information had been available for the audit nor disclosed in the financial statements regarding this transaction.
- (d) SLPSAS 01 – Presentation of Financial Statements
- (i.) According to the paragraph 95(C) of the standard a description of the nature and purpose of each reserve within net assets had not been disclosed.
- (ii.) The Policy Holders Protection Fund of Rs. 7,468,719,234 had been recognized under the Reserves and Funds contrary to the paragraph 07 of the standard which indicate that the Fund should be categorized under the non-current liabilities.
- (e.) Fully depreciated assets but still in use as at the balance sheet date is Rs. 31,617,612. This has been occurred due to the life time of the assets had not been reviewed at the end of the each financial period in accordance with the provisions of paragraph 65 of the SLPSAS 07 – Property Plant and Equipment. This error of misapplication of provisions of the standard had not been corrected in accordance with the provisions of the paragraph 47 of the SLPSAS 03 – Accounting Policies, Changes in Accounting Estimates and Errors. Further the gross carrying amount of fully depreciated assets had not been disclosed in accordance with the provisions of the paragraph 92 of the SLPSAS 07 – Property Plant and Equipment.
- (f.) According to the paragraph 39 of the SLPSAS 10 – Revenue from Exchange Transactions, the commission had not disclose the accounting policies for recognizing interest income of Rs. 12,784,254 and other income of Rs. 210,661 and amount of each significant category of revenue from exchange transactions separately.
- (g.) According to the paragraph 107 of the SLPSAS 11 – Revenue from Non-Exchange Transactions, the commission had not disclosed the accounting policies for recognizing of revenue from non-exchange transactions for Annual Fees from Insurance Companies of Rs. 244,899,120, Registration and Renewal Fees of Rs. 14,497,295, Income from FSMP of Rs. 12,344,401 and Recognition of Grant of Rs. 2,910,041.
- (h.) The Commission had not recognized the deferred tax assets or liability. As per the computation the deferred tax liability as at 31 December 2020 is Rs.984,637.
- (i.) No adequate disclosures regarding the nature, accounting policy and the other disclosures for the balance of Grant received from Ministry of Finance amounting to Rs.307,535



(j.) The Commission had not disclosed the relationship with the related parties and the transactions with those identified related parties in the note of related parties in accordance with the provisions of the SLPSAS 14- Related Party Disclosures.

(k.) The related party relationships and transactions with Ministry of Finance and the key management personnel in Ministry of Finance in aggregate term had not been disclosed.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Other information included in the Commission's 2020 Annual Report.

The other information comprises the information included in the Commission's 2020 Annual Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

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

In connection with my audit of the financial statements, my 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 my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Commission's 2020 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

1.4 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 Public Sector Accounting Standards, and for such internal control as management determine 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 Commission'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 Commission's or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Commission is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Commission.

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

My objective is 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards 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 Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I 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 my 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 the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's/ Corporation's/ Board's/ Authority's (*As applicable*) ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may



cause the Company/ Corporation/ Board/ Authority (*As applicable*) 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.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018 include specific provisions for following requirements.

2.1.1 I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Commission as per the requirement of section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.3 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2 Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

2.2.1 To state that any member of the governing body of the Commission has any direct or indirect interest in any contract entered into by the Commission which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018;

2.2.2 To state that the Commission has not complied with any applicable written law, general and special directions issued by the governing body of the Commission as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018 except for;

Reference to law/ direction

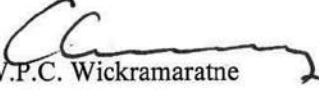
Description

- | | |
|--|---|
| (a) Gazette No. 2104/09 dated 31 December 2018 | The annual fees from the Insurance Companies should be charged based on the 0.125% of the Gross Written Premium or Rs. 200,000 whichever is higher. However, contrary to that the commission had charged a lesser amount from two Insurance Companies. Which cause a loss of Rs. 178,459. |
|--|---|



(b) Income Tax (Amendment) With Holding Tax (WHT) receivable amount of Rs. 1,208,606 under the current assets had been brought forward from the year 2019. Though the WHT on services had been removed with effect from 01 January 2020. Actions had not been taken to recover the balance.

- 2.2.3 To state that the Commission has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018;
- 2.2.4 To state that the resources of the Commission had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.


W.P.C. Wickramaratne
Auditor General

MATTERS RAISED BY THE AUDITOR GENERAL AND THE RESPONSES MADE BY THE COMMISSION FOR 2020

Response of the Committee for the matters raised by the Auditor General in the report of 2020	
Auditor General's Report	Response of Insurance Regulatory Commission of Sri Lanka
Basis for Qualified Opinion	
a. The Insurance Policyholders' Protection Fund has been established under Section 103 (1) of the Regulation of Insurance Industry Act No. 43 of 2000 and the funds accruing from the Cess levied under Section 7 of the Act will be credited to that fund. According to the Section 103(2) of the Act, the monies credited to the Policy Holders Protection Fund can be used for the general protection of the policy holders and may also be used for other specific purposes specified by the rules cited by the Commission. However, the rules made by the Commission for withdrawal of funds from the Policy Holders Protection Fund had not been available for the audit. The money withdrawn from the fund for the year 2020 was Rs. 5,773,521	In terms of section 103, the Commission can use the PPF for any other specific purpose as made by Rules. Work in relation to the development of the Industry, is considered as capital outlays in respect of industry development. Please refer attached Gazette notification (1412/30) as well. Please note the transfers to the PPF from the Fund of the Commission this year and last year being Rs 93 million and Rs 129 million respectively. The nominal debits from the PPF are passed to preserve the rights given by the above Gazette notification and for transparency.
b. No adequate disclosures had been made regarding the accounting policies used to recognition and measurement of transactions and balances of the Policy Holders Protection Funds	The Policy Holders Fund is an integral part of the Commission and all the accounting policies, procedures and internal controls are applicable in the governance of the PPF. Further, analytical data on PPF is covered under the Financial Review in the Annual Report
c. The balance of the accumulated fund of Rs. 18,504,176 had been transferred to the Policy Holders Protection Fund in the year 2019. Neither the adequate information had been available for the audit nor disclosed in the financial statements regarding this transaction.	The accumulated Fund has zero value and no movement during the year 2020. Relevant disclosures had made during last 2019 when it had movement. The transfer to PPF has been done with the approval of the Commission. Please refer the attached Commission paper and decision.
d. SLPSAS 01 – Presentation of Financial Statements. 1. According to the paragraph 95(C) of the standard a description of the nature and purpose of each reserve within net assets had not been disclosed. 2. The Policy Holders Protection Fund of Rs. 7,468,719,234 had been recognized under the Reserves and Funds contrary to the paragraph 07 of the standard which indicate that the Fund should be categorized under the non-current liabilities.	The Commission has only one Reserve which is the Revaluation Reserve which is self-descriptive and does not need further details. The Policy Holders Protection Fund is treated as a part of the Commission and not disclosed in the movement of equity. Further the transactions in the Policy Holders Protection Fund do not affect the net asset position of the Commission. An assessment of the accounting treatment with regard to PPF would benefit to know the nullifying impact of PPF transactions.
e. Fully depreciated assets but still in use as at the balance sheet date is Rs. 31,617,612. This has been occurred due to the life time of the assets had not been reviewed at the end of the each financial period in accordance with the provisions of paragraph 65 of the SLPSAS 07 – Property Plant and Equipment. This error of misapplication of provisions of the standard had not been corrected in accordance with the provisions of the paragraph 47 of the SLPSAS 03 - Accounting Policies, Changes in Accounting Estimates and Errors. Further the gross carrying amount of fully depreciated assets had not been disclosed in accordance with the provisions of the paragraph 92 of the SLPSAS 07 – Property Plant and Equipment.	As per Sri Lanka Public Sector Accounting Standard 07 the frequency of revaluation depends on the volatility and the significance of changes in the fair value of the assets. The management and the Audit Committee were of the view that the fully depreciated assets were not so volatile in nature and changes are not so significant to warrant revaluation. Further, it has been decided by the Audit Committee to revalue only the vehicles in considering the cost of revaluation. Therefore, we are of the view that our institution has taken action as per SLPAS 07. The committee for Board of Survey is entrusted with the task of reviewing the useful lives and depending on their opinion, accounting treatment would be done as per SLPSAS 03

<p>f. According to the paragraph 39 of the SLPSAS 10 – Revenue from Exchange Transactions, the Commission had not disclose the accounting policies for recognizing interest income of Rs. 12,784,254 and other income of Rs. 210,661 and amount of each significant category of revenue from exchange transactions separately</p>	<p>The Commission does not have the following Foreign Exchange transactions which come under the purview of SLPSAS 10. (a) Rendering of services (b) Sale of Goods; and (c) The use by others of entity assets yielding interest, royalties and dividends The interest income of Rs.12,784,254 is from Investing in Fixed Deposits etc. and Other income of Rs.210,661 represents the interest income from Loans given to staff which are not Foreign Exchange Transactions but transactions entered into in Local Currency.</p>
<p>g. According to the paragraph 107 of the SLPSAS 11 – Revenue from Non-Exchange Transactions, the commission had not disclose the accounting policies for recognizing of revenue from non-exchange transactions for Annual Fees from Insurance Companies of Rs. 244,899,120, Registration and Renewal Fees of Rs. 14,497,295, Income from FSMP of Rs. 12,344,401 and Recognition of Grant of Rs. 2,910,041</p>	<p>The Revenue recognition policy is given under 4.1 of Accounting Policies according to which revenue is recognized on accrual basis. Revenue recognition policy for FSMP is given under 3.3.2 of Accounting Policies and Grants are given under 3.3.1. These notes explain the recognition policy for above.</p>
<p>h. The Commission had not recognized the deferred tax assets or liability. As per the computation the deferred tax liability as at 31 December 2020 is Rs.984,637</p>	<p>In the absence of any tax exemptions as expected, we would contemplate on providing deferred tax.</p>
<p>i. No adequate disclosures regarding the nature, accounting policy and the other disclosures for the balance of Grant received from Ministry of Finance amounting to Rs. 307,535.</p>	<p>This grants received in respect of Results Based Financing from Ministry of Finance is covered under the note 3.3.2 and it states the nature and the accounting treatment of same.</p>
<p>j. The Commission had not disclosed the relationship with the related parties and the transactions with those identified related parties in the note of related parties in accordance with the provisions of the SLPSAS 14 – Related Party Disclosures.</p>	<p>The Commission did not have any transactions or relationship with the related parties which merits disclosure.</p>
<p>k. The related party relationships and transactions with Ministry of Finance and the key management personnel in Ministry of Finance in aggregate term had not been disclosed.</p>	<p>The Commission did not have any transactions or relationship with the related parties mentioned which merits disclosure. However, disclosures regarding the engagement of Ministry of Finance is covered under note 3.3.2 to the accounts.</p>
<p>Other Legal and Regulatory Requirements</p>	
<p>According to the Gazette No. 2104/09 dated 31st of December 2018 The annual fees from the Insurance Companies should be charged based on the 0.125% of the Gross Written Premium or Rs. 200,000.00 whichever is higher. However, contrary to that the commission had charged a lesser amount from two Insurance Companies.</p>	<p>The Insurance Company in question was suspended in 2017 and the suspension was lifted in 2019, however arrangements would be made to recover this amount</p>
<p>Income Tax (amendment) Act No 24 of 2017 With Holding Tax (WHT) receivable amount of Rs. 1,208,606 under the current assets had been brought forward from the year 2019. Though the WHT on services had been removed with effect from 01 January 2020. Actions had not been taken to recover the balance.</p>	<p>It is a fact that WHT on services have been removed with effect from 01.01.2020, however this balance of Rs.1,208,606 is a refund for which the certificates have been submitted to the Inland Revenue already and our Tax Consultants confirmed that it would be claimed when the return for year of assessment 2020/2021 is filed.</p>

STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2020

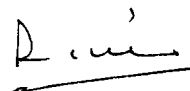
	Notes	As at 31.12.2020 Rs.	As at 31.12.2019 Rs.
ASSETS			
NON CURRENT ASSETS			
Property, Plant and Equipment	1	15,984,713	15,691,234
Policyholders' Protection Fund-Rent & Electricity Deposits, Fixed Deposits and Treasury Bonds	2	868,593,949	1,086,252,949
Refundable deposit for rent		2,688,246	-
Total Non Current Assets		887,266,908	1,101,944,183
CURRENT ASSETS			
Inventories	3	522,560	654,321
Policyholders' Protection Fund-Investments and Others	2	6,600,125,286	5,166,705,283
Other Current Assets	4	18,509,817	21,986,662
Investments in Fixed Deposits		35,000,000	-
Investments in Government Securities -Repo		110,000,000	162,000,000
Cash and Cash Equivalents	5	5,673,130	11,455,374
Total Current Assets		6,769,830,793	5,362,801,640
TOTAL ASSETS		7,657,097,701	6,464,745,823
RESERVES AND LIABILITIES			
RESERVES & FUNDS			
Policyholders' Protection Fund	7	7,468,714,234	6,252,958,232
Revaluation Reserve		17,689,652	17,689,652
Grant Received from Ministry of Finance		307,535	976,126
Total Reserves & Funds		7,486,711,421	6,271,624,010
LIABILITIES			
NON CURRENT LIABILITIES			
Grant	8	10,834,812	7,966,332
Retirement Benefit Obligation	9	19,473,749	15,839,021
Total Non Current Liabilities		30,308,561	23,805,353
CURRENT LIABILITIES			
Receipt in Advance		14,140,076	14,332,836
Other Current Liabilities	10	124,531,745	154,280,881
Bank Negative Balance	5 & 21	1,405,898	702,743
Total Current Liabilities		140,077,719	169,316,460
TOTAL RESERVES & LIABILITIES		7,657,097,701	6,464,745,823

The Members of the Insurance Regulatory Commission of Sri Lanka are responsible for the preparation and presentation of these Financial Statements.

The above Statement of Financial position is to be read in conjunction with the accounting policies and notes appearing on pages 97 to 108.


Razik Zarook
Chairman


Damayanthi Fernando
Director General


Member


Sathiesh Kumar
Director - Finance & Administration

Colombo, Sri Lanka
01st December 2021

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31ST DECEMBER 2020

	Notes	Year Ended 31.12.2020 Rs.	Year Ended 31.12.2019 Rs.
INCOME			
Revenue	11	259,396,415	238,813,675
Income from FSMP	12	12,344,401	81,620,094
Recognition of Grant	8	2,905,041	2,324,391
Interest Income	13	12,784,254	15,757,900
Other Income	14	210,661	338,154
TOTAL INCOME		287,640,772	338,854,213
EXPENDITURE			
Staff Costs	15	(109,096,963)	(112,323,915)
Professional Charges	16	(302,000)	-
Operational Expenses	17	(66,594,283)	(73,323,241)
FSM Project Expenses	18	(640,875)	(456,260)
Finance and Others	19	(1,733,725)	(1,568,501)
TOTAL EXPENDITURE		(178,367,845)	(187,671,916)
Net Surplus /(Deficit) Before Tax		109,272,927	151,182,297
Taxation	21	(16,348,823)	(22,479,379)
Surplus Transferred to Policyholders' Protection Fund	7	(93,214,934)	(129,218,719)
Net Surplus /(Deficit) After Tax		290,831	(515,801)
Actuarial Loss /(Gain) on Retirement Benefit Obligation		(290,831)	515,801
Net Surplus for the Year		-	-

The accounting policies and notes appearing on pages from 97 to 108 form an integral part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY / NET ASSETS

FOR THE YEAR ENDED 31ST DECEMBER 2020

	Revaluation Reserves Rs.	Accumulated Surpluses/ (Deficits) Rs.	Total Rs.
Balance at 1st January 2018	7,389,652	-	7,389,652
Transferred to Accumulated Fund	-	41,337,937	41,337,937
Gain on property revaluation	10,300,000	-	10,300,000
Balance at 31st December 2018	17,689,652	41,337,937	59,027,589
Balance at 1st January 2019	17,689,652	41,337,937	59,027,589
Prior Year adjustment relevant to the Salary Revision	-	(11,643,186)	(11,643,186)
Income Tax adjustment relevant to 2018	-	(11,190,575)	(11,190,575)
Surplus on 2018 transferred to PPF	-	(18,504,176)	(18,504,176)
Surplus for the year	-	(515,801)	(515,801)
Actuarial Loss/ (Gain)	-	515,801	515,801
Balance at 31st December 2019	17,689,652	-	17,689,652
Balance at 1st January 2020	17,689,652	-	17,689,652
Surplus for the year	-	93,505,765	93,505,765
Transferred to PPF	-	(93,214,934)	(93,214,934)
Actuarial Loss/ (Gain)	-	(290,831)	(290,831)
Balance at 31st December 2020	17,689,652	-	17,689,652

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER 2020

	Notes	Year Ended 31.12.2020 Rs.	Year Ended 31.12.2019 Rs.
Cash Flows from Operating Activities			
Surplus/(deficit) for the Period		109,563,757	151,182,297
Provision for Depreciation	1	5,480,041	4,899,489
Provision for Retirement Benefit	9	3,925,559	4,558,024
Profit /(Loss) on Disposal	14	-	(83,065)
Payment made- Retirement Benefit	9	-	(359,100)
Recognition of Grant	8	(2,905,041)	(2,324,391)
Interest Income	13	(12,784,254)	(15,757,900)
Net Increase before Working Capital Changes		103,280,062	124,771,809
Change of Working Capital			
(Increase)/Decrease in Inventories	3	131,762	(131,701)
(Increase)/Decrease of Receivables	4	374,136	(7,721,734)
Increase/(Decrease) of Receipt in advance		(192,760)	171,021
Increase/(Decrease) of Creditors and Accruals	10	3,704,753	136,025,149
Cash Flow used in Operating Activities		4,017,891	128,342,736
Income Tax paid	21	(12,931,704)	(17,343,545)
Net Cash Flows from Operating Activities		94,366,249	253,114,545
Cash Flows from/(used in) Investing Activities			
Investment in Government Securities		52,000,000	(131,300,000)
Investment in Fixed Deposits		(35,000,000)	40,000,000
Interest Income		12,661,839	15,724,103
Proceeds from Sale of Property, Plant and Equipment	14	-	83,065
Purchase of Property Plant and Equipments	1	(5,773,521)	(4,901,298)
Net Cash used in Investing Activities		23,888,318	(80,394,130)
Cash Flow from Financing Activities			
Capital transfer from Policyholders' Protection Fund	7	5,773,521	4,901,298
Surplus transferred to PPF 2019		(129,844,897)	(129,218,719)
Accumulated Surplus -2018	6	-	(41,337,937)
Grant Received from Ministry of Finance		(668,591)	976,126
Net Cash Flows from Financing Activities		(124,739,967)	(164,679,232)
Net Increase/(Decrease) in Cash and Cash Equivalents		(6,485,399)	8,041,184
Cash and Cash Equivalents at the beginning of the year		10,752,632	2,711,448
Cash and Cash Equivalents at the end of the year		4,267,233	10,752,632
Cash at Bank and in Hand			
Balance at Fund Management Account	5 & 21	5,014,430	10,197,543
Bank of Ceylon FSMP Account		658,147	1,257,278
Savings - NSB		554	554
		5,673,131	11,455,375
Bank of Ceylon Negative Balance *			
Bank of Ceylon 1877 - as per Ledger		1,405,898	702,743
		4,267,233	10,752,632

The accounting policies and notes appearing on pages 97 to 108 form an integral part of the Financial Statements.

POLICYHOLDERS' PROTECTION FUND STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER 2020

	Notes	Year Ended 31.12.2020 Rs.	Year Ended 31.12.2019 Rs.
Cash Flows from Operating Activities			
Net Increase of Policyholders' Protection Fund		1,215,761,003	1,210,191,963
Net Increase before Working Capital changes		1,215,761,003	1,210,191,963
Change of Working Capital			
(Increase)/Decrease of Interest Receivable on Government Securities		(71,803,279)	(50,203,714)
(Increase)/Decrease of Cess Receivable		(13,765,866)	2,848,980
Increase/(Decrease) of Amount to be Transferred From PPF		36,871,008	(125,914,867)
		(48,698,137)	(173,269,601)
Net Cash from Operating Activities		1,167,062,867	1,036,922,363
Cash Flow from/(used in) Investing Activities			
Investments in Government Securities		1,076,659,000	-
Investments in Fixed Deposits		(2,111,732,500)	(1,019,563,000)
Net Cash from Investing Activities		(1,035,073,500)	(1,019,563,000)
Net Increase/(Decrease) in Cash and Cash Equivalents		131,989,367	17,359,363
Cash and Cash Equivalents at the beginning of the year		18,406,669	1,047,306
Cash and Cash Equivalents at the end of the year		150,396,035	18,406,669
Balance at Current Account	2	1,000,000	1,000,000
Balance at Fund Management Account		149,396,035	17,406,669
		150,396,035	18,406,669

Note : Statement of Cash Flow for the Policy Holders Protection Fund is an additional disclosure.

ACCOUNTING POLICIES

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 REPORTING ENTITY

1.1.1 Legal Form

Insurance Regulatory Commission of Sri Lanka is established under the Regulation of Insurance Industry Act, No. 43 of 2000, which came into operation with effect from 01 March 2001 by Government Gazette Notification No 1172/27, dated 23 February 2001.

The registered office of the Commission is located at Level 11, East Tower, World Trade Centre, Colombo 01.

1.1.2 Principle activities and nature of operations.

The object and responsibility of the Commission shall be, to ensure that insurance business in Sri Lanka is carried on with integrity and in a professional and prudent manner with a view to safeguarding the interest of the Policyholders and potential policyholders.

Powers duties and function of the Commission which are cited in the Act are as follows:

- (a) Register as insurers persons carrying on insurance business in Sri Lanka.,
- (b) Register persons as insurance brokers.,
- (c) Advise the Government on the development and regulation of the insurance industry.,
- (d) Implement the policies and programmes of the Government with respect to the insurance industry.,
- (e) Employ such officers and servants as may be necessary for the purpose of exercising, performing and discharging the powers, duties and functions of the commission.,

- (f) Acquire and hold any property, movable or immovable and sell, lease mortgage or otherwise dispose of the same.,
- (g) Enter into such contracts as may be necessary for the exercise, performance and discharges of its powers, duties and functions., and
- (h) Do all such other acts as may be necessary for the due exercise , discharge and performance of its powers, duties and functions under this Act

1.2 BASIS OF PREPARATION

1.2.1 Statement of Compliance

The Financial Statements of the Insurance Regulatory Commission of Sri Lanka comprise the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Equity /Net Assets and Cash Flows together with the Notes to the Financial Statements and have been prepared in accordance with the Sri Lanka Public Sector Accounting Standards and are in compliance with the said standards.

These Financial Statements were authorized for issue by the Commission members on 01st December 2021.

1.2.2 Basis of Measurement.

The Financial Statements have been prepared under the historical cost convention and applied consistently with no adjustment being made for inflationary factors affecting the Financial Statements except for the following.

-Defined benefit obligations are measured at its present value based on an Actuarial Valuation as explained in note 3.1.1. Where appropriate accounting policies are disclosed in succeeding notes.

1.2.3 Going Concern

When preparing the Financial Statements, the Members of the Commission assessed the ability of the Commission to continue as a going concern. The Members of the Commission have a reasonable assurance that IRCSL will continue in operation and meet its statutory obligations for the foreseeable future. The IRCSL does not foresee a need for liquidation or cessation of operations, after taking in to account all available information about the future. Accordingly, the IRCSL continues to adopt the going concern basis in preparing the Financial Statements.

1.2.4 Functional and Presentation Currency

The Financial Statements of the Commission are presented in Sri Lankan Rupees which is the Commission's functional currency .All financial information presented in Rupees has been rounded to the nearest Rupee.

1.2.5 Comparative Information

The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

1.2.6 Materiality And Aggregation

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

1.2.7 Significant Accounting Judgments, Estimates and Assumptions

The preparation of Financial Statements in conformity with SLPSAS requires management to make judgments ,estimates and assumptions that affect the application of Accounting

ACCOUNTING POLICIES

Policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Information about critical judgments in applying accounting policies that have a significant effect on the amounts recognized in the Financial Statements is included in the following notes.

Assessment of impairment-Key Assumptions used in Discounted Cash Flow Projections

The Commission assesses at each reporting date whether there is objective evidence that an asset or a portfolio of assets is impaired. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to its present value using appropriate discount rates that reflects the current market assessments of the time value of money and risk specific to the asset.

Depreciation

Judgment is required in determining the method of depreciation, useful life and residual values.

Deferred Taxation

Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the level of future taxable profits together with future tax planning strategies.

Defined benefit Plans

The assessment of the liability of defined benefit obligations involves a significant element of

assumptions; including discount rates, future salary increases and mortality rates and due to the long term nature of these plans, such estimates are subject to uncertainty.

Current Taxation

Current Tax liabilities are provided for in the Financial Statements applying the relevant tax statutes and regulations which the management believes reflect the actual liability. There can be instances where the stand taken by the Commission on transactions is contested by Revenue Authorities. Any additional costs on account of these issues are accounted for as a tax expense at the point the liability is confirmed on the Commission.

1.2.8. Events After The Reporting Period

All material events after the reporting date are considered and appropriate adjustments or disclosures are made in the Financial Statements where necessary.

1.3 CONVERSION OF FOREIGN CURRENCY

All foreign currency transactions are converted at the rate of exchange prevailing at the time the transactions were affected. Assets and Liabilities in foreign currencies are translated at the rates of exchange prevailing at the Balance Sheet date. The resulting gains and losses are dealt within the Income and Expenditure Account.

1.4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Commission's financial liabilities comprise receipt in advance and other payables. Financial liabilities is to the Commission has income receivables and other receivables and cash and other short – term investments that arrive directly from its operations.

1.4.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise of two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include deposits with financial institutions.

1.4.1.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Commission's exposure to the risk of changes in market interest rates relates primarily to the Commission's obligations with floating interest rates.

1.4.1.2. Liquidity risk

The Commission monitors its risk to a shortage of funds using continuous cash flow forecasts & cash budgeting.

2. ASSETS & BASES OF VALUATION

2.1 PROPERTY, PLANT & EQUIPMENT

OWNED PROPERTY PLANT & EQUIPMENT

All the Property, Plant and Equipment are stated at cost/ revaluation amount less accumulated depreciation. The cost of Property, Plant & Equipment is the cost of acquisition with any expenses incurred in bringing the assets to their working condition for the intended use.

Subsequent cost incurred for the purpose of acquiring, extending or improving assets of a permanent nature in order to carry on or flow future economic benefits associated with the item to the Commission has been treated as capital expenditure. All other repairs and maintenance are charged

ACCOUNTING POLICIES

to the statement of Financial Performance during the financial period in which they are incurred.

Revaluation model is applied for Motor Vehicles which are revalued once in three years and thereafter to comply with requirements of revaluation model under SLPSAS 7.

DEPRECIATION

Depreciation is charged on the straight-line basis over the estimated useful life of the asset at following rates. The useful life, depreciating methods and residual values are assessed annually or in an earlier date where any circumstances indicates such assessment is required.

Asset	% per annum
Motor Vehicles	25
Furniture, Fixtures and Fittings	12.5
Office and EDP Equipment	25
Training Equipment	25

Depreciation is provided from the date of purchase up to the date of disposal. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount.

2.2 INVESTMENTS

Investments are made in fixed deposits and short term investments at Licensed Government banks, in Government Treasury bills and Government Treasury Bonds which are stated at cost and interest accrued up to the date of the reporting period. These investments are stated at cost plus accrued interest up to the reporting period. Therefore, there is no risk arisen on financial instruments to which the IRCSL is exposed at the end of the financial year.

2.3 INVENTORIES

Inventories are stated at lower of cost or net realizable value. The

cost of inventories is valued on first-in- first-out (FIFO) basis.

2.4 RECEIVABLES

Receivables are carried at expected realisable value after making provision for impairment. All receivables are assessed for specific impairment by considering objective evidences.

2.5 IMPAIRMENT OF NON- FINANCIAL ASSETS

The Commission assesses at the end of each financial period if events or changes in circumstances indicate that there is an indication that a non-financial assets maybe impaired. If such indication exists, the Commission makes an estimated recoverable amount of the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount.

2.6 CASH AND CASH EQUIVALENTS

For the purpose of cash flow statement, cash and cash equivalents consist of cash at banks and cash in hand.

3. LIABILITIES AND PROVISIONS

All material liabilities as at the balance sheet date are included in the financial statements and adequate provision has been made for liabilities which are known to exist. All known liabilities have been accounted at cost in preparing the financial statements.

3.1 Liabilities classified as Current Liabilities in the Statement of Financial Position are those which will fall due for payment on demand or within one year from the Reporting Date.

3.2 Liabilities classified as Non- Current Liabilities in the Statement of Financial Position are those which will

fall due for payment after one year from the Reporting Date.

3.3 A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non occurrence of one or more uncertain future events beyond the control of the Commission, or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation.

3.4 Provisions are recognised when the Commission has a legal or constructive obligation at present as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

3.1 RETIREMENT BENEFITS

3.1.1 DEFINED BENEFIT PLANS - GRATUITY

The Commission has adopted the retirement benefit plan as required under the payment of Gratuity Act, No.12 of 1983 for all eligible employees. The retirement benefit plan defines an amount of benefit that an employee will receive on retirement.

The liability recognized in the statement of Financial Position in respect of defined benefit plan is calculated annually by the Commission using the Projected Unit Credit method prescribed in Sri Lanka Public Sector Accounting Standard – SLPSAS 19: Employee Benefits.

ACCOUNTING POLICIES

At the beginning of financial year 2020	15,839,020
Current Service Cost	2,262,462
Interest Cost	1,663,097
Previous year under provision	-
Charged to profit and loss of the statement of comprehensive income	3,925,559
Actuarial losses / (gains)	(290,831)
Benefits paid	-
At the end of financial year 2020	19,473,748

Gains and losses arising from changes due to over or under provision in the previous year are charged to Statement of Financial Performance in the period in which they arise. The Obligation for the year has recognized immediately in statement of Financial Performance.

The principal actuarial assumptions used were as follows.

Discount Rate	: 6% per annum
Rate of salary increase	: 4%
Retirement Age	: 60 years

3.1.2 DEFINED CONTRIBUTION PLANS – EPF AND ETF

All employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Commission contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

3.2 GRANT

3.2.1 Policyholders' Protection Fund

Capital Expenditure transferred from Policyholders' Protection Fund is treated as grant and recognized on the estimated useful life of the asset.

3.2.2 Financial Sector Modernization Project

Grants are recognized in the Financial Statements at their fair value. When the grant related to an expenses it is recognized as an income over the period necessary to match it with the cost, which it is intended to compensate for on a systematic basis.

Grant received from Ministry of Finance for Result Based Financing (Disbursement Linked Indicator (DLI) recognized as income. Grant received for Investment Project Financing recognized as an income according to the cost incurred.

4. INCOME & EXPENDITURE

4.1 REVENUE RECOGNITION

IRCSL revenue consists of license fees, CESS and sale of publications, etc. Revenue from the above mentioned services/ fees is recognized in the period in which the related services are performed.

4.1.1 OTHER REVENUE

Other income is recognized on an accrual basis.

4.2 EXPENDITURE RECOGNITION

All expenditure incurred in maintaining the Commission has been charged to revenue in ascertaining the income over expenditure.

4.2.1 INTEREST INCOME AND EXPENSES

Interest Income on investments and interest expenses are recognized in the Statement of Financial Position on an accrual basis.

4.3 CASH FLOW STATEMENT

The Cash Flow Statement has been prepared using the indirect method

NOTES TO THE FINANCIAL STATEMENTS

1 Property, Plant & Equipment

	Motor Vehicles	Furniture, Fixtures & Fittings	Office Equipment (EDP & Others)	Training Equipment	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
COST/REVALUATION					
Balance as at 1st January 2019	10,300,000	14,152,432	26,635,537	141,450	51,229,419
Additions	-	1,508,944	3,392,354	-	4,901,298
Disposals	-	(18,895)	(2,271,627)	-	(2,290,522)
Balance as at 31st December 2019	10,300,000	15,642,481	27,756,264	141,450	53,840,195
Balance as at 1st January 2020	10,300,000	15,642,481	27,756,264	141,450	53,840,195
Additions	-	1,383,081	4,390,440	-	5,773,521
Disposals	-	-	-	-	-
Balance as at 31st December 2020	10,300,000	17,025,562	32,146,704	141,450	59,613,716
ACCUMULATED DEPRECIATION					
Balance as at 1st January 2019	-	12,675,881	22,722,663	141,450	35,539,995
Charge for the year	2,575,000	533,646	1,790,844	-	4,899,489
Disposals	-	(18,895)	(2,271,627)	-	(2,290,522)
Balance as at 31st December 2019	2,575,000	13,190,632	22,241,880	141,450	38,148,962
Balance as at 1st January 2020	2,575,000	13,190,632	22,241,880	141,450	38,148,962
Charge for the year	2,575,000	580,890	2,324,151	-	5,480,041
Disposals	-	-	-	-	-
Balance as at 31st December 2020	5,150,000	13,771,522	24,566,031	141,450	43,629,003
WRITTEN DOWN VALUE					
AS AT 31 ST DECEMBER 2020	5,150,000	3,254,039	7,580,674	-	15,984,713
WRITTEN DOWN VALUE					
AS AT 31 ST DECEMBER 2019	7,725,000	2,451,848	5,514,385	-	15,691,234
Fully Depreciated Assets as at 31.12.2020		33,128,786			

NOTES TO THE FINANCIAL STATEMENTS

	Notes	As at 31.12.2020 Rs.	As at 31.12.2019 Rs.
2 POLICYHOLDERS' PROTECTION FUND INVESTMENTS AND OTHERS			
NON CURRENT ASSETS			
Rent and Electricity Deposits		9,593,949	9,593,949
Treasury Bonds		-	1,076,659,000
Fixed Deposits		859,000,000	-
		868,593,949	1,086,252,949
CURRENT ASSETS			
Investment in Fixed Deposits		5,872,692,500	4,619,960,000
Interest Receivable on the Government securities and Fixed Deposits		349,263,763	277,460,484
CESS Receivable		140,326,575	126,560,709
Balance at Fund Management Account	23	149,396,035	17,406,669
Balance at Bank	23	1,000,000	1,000,000
Amount to be transferred to PPF		87,446,413	124,317,421
		6,600,125,286	5,166,705,283
Less			
Amount to be transferred from PPF		-	-
		6,600,125,286	5,166,705,283
Total Assets		7,468,719,235	6,252,958,232
3 INVENTORIES			
Printing, Stationery and Computer Accessories		490,870	617,711
Stamps		31,690	36,610
		522,560	654,321
4 OTHER CURRENT ASSETS			
Deposits		219,987	2,896,832
Savings - NSB		-	-
Other Receivables		227,953	2,185,248
WHT Recoverable		1,208,606	1,208,606
VAT Control		129,409	3,794,678
Interest Receivable - Government securities		122,415	536,878
Staff Loans *		8,758,228	5,347,093
Advance and Pre-payments		4,649,569	5,393,700
Provision for Acquisition		3,193,650	623,626
		18,509,817	21,986,662
*Loans Granted to Staff			
Balance as at 1st January 2020		5,347,093	5,005,967
Loans Granted during the year		6,436,900	3,862,000
		11,783,993	8,867,967
Repayments during the year		(3,025,765)	(3,520,873)
Balance as at 31st December 2020		8,758,228	5,347,093
5 CASH & CASH EQUIVALENTS			
Cash at Banks			
Balance at Fund Management Account	23	5,014,430	10,197,543
Bank of Ceylon FSMP Account		658,147	1,257,278
Savings Account - NSB		554	554
		5,673,130	11,455,374
Bank of Ceylon Negative Balance *			
Bank of Ceylon 1877 - as per Ledger	23	1,405,898	702,743
		4,267,232	10,752,631

NOTES TO THE FINANCIAL STATEMENTS

	Notes	As at 31.12.2020 Rs.	As at 31.12.2019 Rs.
6 ACCUMULATED FUND			
Balance at the beginning of the year	20	-	41,337,937
Surplus for the year		-	-
Revised Salary arrears 2018 - Current Employees		-	(10,237,415)
Revised salary arrears 2018 - Ceased Employees		-	(985,609)
Revised Overtime paid for 2018		-	(73,217)
Revised Leave Encashment arrears - 2018		-	(346,946)
Income Tax for 2018		-	(11,190,575)
Balance 2018 transferred - Policyholders' Protection Fund		-	(18,504,176)
Balance at the end of the year		-	-
7 POLICYHOLDERS' PROTECTION FUND			
Opening Balance		6,252,958,232	5,042,765,873
Cess Received during the year		506,139,149	493,068,161
Interest on Repo and Call Account		479,514	3,698,834
Interest on Treasury Bond Investment		33,151,511	92,882,074
Interest on Fixed Deposits		588,341,378	477,484,713
Interest on Fund Management Account		211,291	247,397
Net Surplus of the Commission 2018		-	18,504,176
Net Surplus of the current year		93,214,934	129,218,719
		7,474,496,007	6,257,869,945
Less:			
Transfers for Capital Expenses		5,773,521	4,901,298
Total transfers- Policyholders' Protection Fund		5,773,521	4,901,298
Bank charges		8,251	10,414
		5,781,773	4,911,713
Closing Balance		7,468,714,234	6,252,958,232
8 GRANT			
Balance at the beginning of the year		7,966,331	5,389,425
Capital Expenditure from Policyholders' Protection Fund		5,773,521	4,901,298
Less: Amortized during the year		(2,905,041)	(2,324,391)
Balance at the end of the year		10,834,811	7,966,331
Note - Recognition of Grant			
The grant has been recognized in the Statement of Financial Performance as income at the following rates. (i.e. systematic basis over the useful life of the related asset.)			
Motor Vehicle		25%	25%
Office Equipment - Others & EDP		25%	25%
Furniture Fixtures & Fittings		12.5%	12.5%
Training Equipments		25%	25%
9 RETIREMENT BENEFIT OBLIGATIONS			
Balance at the beginning of the year		15,839,021	12,155,897
Provision made during the year		3,925,559	3,288,805
Under provision of previous year		-	1,269,219
Actuarial (Gain)/ loss		(290,831)	(515,801)
(-)Payment made during the year		-	(359,100)
Balance at the end of the year		19,473,749	15,839,021

NOTES TO THE FINANCIAL STATEMENTS

	Notes	As at 31.12.2020 Rs.	As at 31.12.2019 Rs.
10 OTHER CURRENT LIABILITIES			
Accrued Expenses		25,591,998	22,304,938
EPF Payable		1,258,891	1,135,994
ETF Payable		188,834	170,400
PAYE Payable		30,320	151,990
Retention Payable		36,228	36,228
Income Tax payable		6,776,668	3,359,549
Amount to be transferred to PPF		87,446,413	124,317,421
Others		3,202,393	2,804,361
		124,531,745	154,280,881
11 REVENUE			
Annual Fees from Insurance Companies		244,899,120	224,428,714
Registration and Renewal Fees		14,497,295	14,384,961
		259,396,415	238,813,675
12 INCOME FROM FSM PROJECT			
FSMP - DLI Grant	26	11,675,810	81,096,220
FSMP - Non DLI Grant		668,591	523,874
		12,344,401	81,620,094
13 INTEREST INCOME			
Interest on Fixed Deposit		7,748,539	10,258,118
Interest on Fund Management Account		228,338	286,691
Interest on Savings Account		-	57
Interest on Repos		4,807,377	5,213,034
		12,784,254	15,757,900
14 Other Income			
Interest on Vehicle Loan		83,622	30,328
Interest on Distress Loan		127,039	142,586
Profit on disposal		-	83,065
Sundry Income		-	82,175
		210,661	338,154

NOTES TO THE FINANCIAL STATEMENTS

	Notes	As at 31.12.2020 Rs.	As at 31.12.2019 Rs.
15 Staff Costs			
Staff Salaries		69,948,812	65,968,080
EPF 12%		8,365,679	7,913,290
ETF 3%		2,091,420	1,978,323
Chairman - Allowance		1,162,466	-
Chairman - Fuel Allowance		238,887	-
Commission Members - Sitting Allowance		865,972	540,000
Interns Allowance		283,500	344,925
Overtime		306,761	400,137
Staff Medical Expenses		2,416,726	1,927,480
Staff Medical Insurance		2,001,327	1,615,932
Insurance Fire and Personal		379,922	339,294
Staff Welfare		2,038,778	841,693
Staff Training Local & Subscription		401,492	1,610,639
Commission Members and Staff - Overseas Training & Travelling		-	10,375,090
Performance Based Incentives		8,438,186	7,178,213
Advertising Recruitment		128,975	693,115
Directors Telephone Residence		439,740	461,959
Leave Encashment		1,673,310	1,218,344
Vehicle Operating Lease Charges		1,455,048	1,455,048
Driver Allowance		-	500
Directors Vehicle Allowance		3,166,986	3,246,712
Directors Fuel Allowance		1,030,514	1,066,755
Staff Gratuity		2,262,462	3,148,387
		109,096,963	112,323,915
16 PROFESSIONAL CHARGES			
Tax Consultancy Fee		302,000	-
		302,000	-

NOTES TO THE FINANCIAL STATEMENTS

Notes	As at 31.12.2020 Rs.	As at 31.12.2019 Rs.
17 OPERATIONAL EXPENSES		
Rent	41,537,311	40,474,432
Parking Fees	761,000	730,676
Telephone Expenses & Internet	1,329,925	1,417,311
Electricity	1,602,200	1,859,221
Office Upkeep	1,476,835	551,193
Printing & Stationary	2,413,783	3,406,080
Public Awareness	1,459,568	9,834,508
Traveling - Local	112,381	170,842
Office Equipment Maintenance EDP & Others	3,298,073	2,107,863
International Membership of IAIS	4,124,500	3,413,130
Advertising - Others	135,000	128,925
Meeting Expenses	279,330	522,852
Subscription Newspapers & Library Books	236,414	153,471
Postage & Courier Charges	152,900	238,326
Audit Fees-Auditor General	457,200	161,400
Audit Fees-Internal	1,050,000	1,603,166
Depreciation	5,480,041	4,899,489
General Expenses	73,730	109,255
Legal Expenses	64,000	1,210
Investigation Expenses	1,850	33,661
Supervision Expenses	6,020	2,500
Vehicle Maintenance	215,300	126,395
Vehicle Insurance	90,626	67,026
Vehicle Running Charges	97,780	287,862
Nation Building Tax	138,516	1,022,445
	66,594,283	73,323,241
18 EXPENSES RELATED TO FSM PROJECT		
Advertisizing for recruitment	640,875	450,760
Bank charges	-	5,500
	640,875	456,260
19 FINANCE & OTHER EXPENSES		
Interest on Gratuity Provision	1,663,097	1,409,637
Bank Charges	70,628	158,864
	1,733,725	1,568,501

20. FUND MANAGEMENT ACCOUNTS, LEDGER BALANCES & BANK BALANCES

IRCSL operates two Fund Management Accounts linked to our two current accounts (for the Commission & PPF) and accordingly, over and above favorable balance of Rs. 1,000,000/- prevailed in the current accounts (in bank records) will automatically be transferred to Fund Management Accounts. Since the Cheques that have already been issued by the IRCSL are not presented immediately, bank balance appeared in the ledger may get negative after entering the transactions with the Fund Management Accounts.

The bank balances as at 31st December 2020 are as follows.

Balance of Current Account	-	(Rs. 1,405,898)
Balance of Fund management Account	-	Rs. 5,014,430
Total		Rs. 3,608,532

NOTES TO THE FINANCIAL STATEMENTS

20.1 Accumulated Fund

After adjusting the salary revision arrears and income tax for the year 2018, surplus of the commission has been transferred to the Policy Holders protection fund.

21. TAXATION

The Provision for Income Tax has been computed in accordance with the provisions of the Inland Revenue Act No. 24 of 2017.

	2020 (Rs.)
Accounting Profit before Taxation	109,859,588
Add: Tax effect of disallowable expenses in determining taxable income/ (loss)	15,618,861
Less: Tax effect of allowable expenses in determining taxable income/ (loss)	(8,701,139)
Accounting profit/ (loss) chargeable to income taxes	116,777,310
Interest Income	12,784,254
Total Taxable Income	103,993,056
Tax rate for the year	14%
Tax for the year	16,348,823
Less: Tax Credits	(1,845)
Self-Assessments paid	(9,570,310)
Balance Tax Payable	6,776,668

22. CAPITAL COMMITMENTS

There were no capital commitments as at 31st December 2020.

23. CONTINGENT LIABILITIES

There were no known contingent liabilities as at 31st December 2020.

24. EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since reporting date, which would require adjustments to or disclosure in the Financial Statements

25. SRI LANKA FINANCIAL SECTOR MODERNIZATION PROJECT (FSMP)

The Government of Sri Lanka has sought the support of development partners such as the World Bank to provide technical and financial support to activities aimed at developing the financial sector. The World Bank agreed to support "Sri Lanka Financial Sector Modernization Project" (FSMP) over a period of five (5) years, with the three (3) financial sector regulators as the implementing partners.

The Project Development Objective (PDO) is to contribute to increasing financial market and insurance sector efficiency and use of financial/ insurance services among micro, small and medium enterprises (MSMEs) and individuals. The project will achieve the PDO through modernizing financial market infrastructure, upgrading the legal and regulatory framework for the financial system and strengthening the institutional capacity of financial sector regulators; the Central Bank of Sri Lanka (CBSL), the Securities and the Exchange Commission of Sri Lanka (SEC) and the Insurance Regulatory Commission of Sri Lanka (IRCSL).

Accordingly, a Financial Agreement has been signed between the Democratic Socialist Republic of Sri Lanka and International Development Association (Credit Number 6006-LK), a credit in an amount equivalent to Special Drawing Rights 55,400,000 (Approx. USD 75 Mn). From the Loan proceeds, the Government signed a subsidiary agreement with the IRCSL to provide by way of grant in Special drawing right 6,650,000 (Approx USD 9 Mn) and SDR 708,333 (Approx. USD 1Mn) as the respective Disbursement Linked Indicators (DLIS) are achieved by IRCSL.

NOTES TO THE FINANCIAL STATEMENTS

World Bank has remitted followings to the Ministry of Finance.

(i) FSMP investment project financing

Date	Amount (USD)
14/01/2019	523,000
Payments	<u>(48,352)</u>
	<u>474,648</u>

(ii) Result Based Financing

Date	Amount (USD)
27/03/2019	261,163.13
25/05/2019	64,677.66
09/10/2019	64,039.69
17/12/2019	64,803.28
12/02/2020	64,208.44

26. RELATED PARTY DISCLOSURES

Mr. Razik Zarook (Chairman) from 3rd January to 31st December 2020
Mr. P. Algama from 14th January 2020 to 31st December 2020
Mr. D.N.R. Siriwardane from 1st January to 31st December 2020
Mr. H.A. Karunaratne from 1st January to 03rd September 2020
Mr. K.M.M. Siriwardane from 22nd September to 31st December 2020
Mr. Haris Salpitikorala from 3rd January to 31st December 2020
Mr. Raja Goonaratne 3rd January to 31st December 2020
Ms. Indra Baduge from 3rd January to 31st December 2020

APPENDIX I

Insurance Companies Registered under the Regulation of Insurance Industry Act, No. 43 of 2000 as at 31st December 2020.

No	Name of the Insurance Company	Class of Insurance Business
1	AIA Insurance Lanka Ltd.	Long Term Insurance
2	AIG Insurance Ltd. *	General Insurance
3	Allianz Insurance Lanka Ltd.	General Insurance
4	Allianz Life Insurance Lanka Ltd.	Long Term Insurance
5	Amana Takaful PLC	General Insurance
6	Amana Takaful Life PLC	Long Term Insurance
7	Arpico Insurance PLC	Long Term Insurance
8	Softlogic Life Insurance PLC	Long Term Insurance
9	Fairfirst Insurance Limited	General Insurance
10	Ceylinco General Insurance Limited	General Insurance
11	Ceylinco Life Insurance Limited	Long Term Insurance
12	Continental Insurance Lanka Ltd.	General Insurance
13	Cooperative Insurance Company Ltd.	General Insurance
14	Cooplife Insurance Limited	Long Term Insurance
15	HNB Assurance PLC	Long Term Insurance
16	HNB General Insurance Ltd.	General Insurance
17	Janashakthi Insurance PLC	Long Term Insurance
18	Life Insurance Corporation (Lanka) Ltd.	Long Term Insurance
19	LOLC General Insurance Limited	General Insurance
20	LOLC Life Assurance Limited	Long Term Insurance
21	MBSL Insurance Company Limited **	Long Term Insurance and General Insurance
22	National Insurance Trust Fund	General Insurance
23	Orient Insurance Limited	General Insurance
24	People's Insurance PLC	General Insurance
25	Sanasa General Insurance Company Limited	General Insurance
26	Sanasa Life Insurance Company Limited	Long Term Insurance
27	Sri Lanka Insurance Corporation Ltd.	Long Term Insurance and General Insurance
28	Union Assurance PLC	Long Term Insurance

* No longer accepting any new insurance business and is in the process of exiting from Sri Lanka.

** The company has confirmed they would cease underwriting new life insurance business w.e.f 01.06.2020

APPENDIX II

Insurance Brokering Companies Registered under the Regulation of Insurance Industry Act, No. 43 of 2000 as at 31st December 2020.

No	Name of Broker	Class of business
1	3 D H Insurance Brokers (Pvt) Ltd.	General Insurance
2	AASIAN International Insurance Brokers (Pvt) Ltd.	General Insurance
3	A. M. W. Insurance Brokers (Pvt) Ltd.	General Insurance
4	ADZ Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
5	Aitken Spence Insurance Brokers (Pvt) Ltd.	General Insurance
6	Alfinco Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
7	Allion Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
8	AMTRUST Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
9	Aquiline Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
10	Aseki Insurance Brokers (Pvt) Ltd.	General Insurance
11	Assetline Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
12	Ax Insurance Brokers (Pvt) Ltd.	General Insurance
13	BIMA Lanka Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
14	Brilliance Insurance Brokers Co. (Pvt) Ltd.	Long Term and General Insurance
15	Ceyexxe Insurance Brokers Ltd.	General Insurance
16	Ceylan Insurance Brokers Co. (Pvt) Ltd.	General Insurance
17	Ceynergy Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
18	CF Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
19	Colombore Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
20	Commercial Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
21	D S Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
22	Delmege Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
23	Eagle DVRS Insurance and Reinsurance Brokers (Private) Limited.	General Insurance
24	Equity Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
25	Esna Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
26	Essajee Carimjee Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
27	Fairway Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
28	Find My Insurance & Reinsurance Brokers (Pvt) Ltd.	Long Term and General Insurance
29	Finlay Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
30	Foremost Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
31	George Steuart Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
32	Global Insurance Brokers and Services (Pvt) Ltd.	Long Term and General Insurance
33	Grand Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
34	Guardian Insurance Brokers (Pvt) Ltd.	General Insurance
35	Icon Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
36	InsureMe Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
37	Jay Insurance Brokers and Consultants (Pte) Ltd.	Long Term and General Insurance

No	Name of Broker	Class of business
38	JF Insurance Brokers (Pvt) Ltd.	General Insurance
39	Lak Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
40	Life & General Insurance Brokers Ceylon (Pvt) Ltd.	Long Term and General Insurance
41	M R U S Insurance Brokers (Pvt) Ltd.	General Insurance
42	Maxwell Insurance Brokers (Private) Ltd.	Long Term and General Insurance
43	Mercantile Fortunes Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
44	Mercantile Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
45	Mutual Insurance Brokers (Pvt) Ltd.	General Insurance
46	L M & A Insurance Brokers & Consultants (Pvt) Ltd.	Long Term and General Insurance
47	My Insurance Brokers (Pvt) Ltd.	General Insurance
48	Nations Insurance Brokers Ltd.	Long Term and General Insurance
49	Placid Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
50	Prestige Insurance Brokers Ltd.	Long Term and General Insurance
51	Procare Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
52	Protection & Assurance Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
53	Priority Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
54	Redmo Swiss Insurance Brokers (Pvt) Ltd.	General Insurance
55	Reliance Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
56	Rinkoon Lanka Insurance Brokers (Private) Limited.	General Insurance
57	RMS Insurance Brokers (Pvt) Ltd. *	Long Term and General Insurance
58	Samson Insurance Brokers (Pvt) Ltd.	General Insurance
59	Senaratne Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
60	Senkadagala Insurance Brokers (Private) Ltd.	Long Term and General Insurance
61	Strategic Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
62	Trust Insurance Brokers (Pvt) Ltd.	General Insurance business
63	UN Insurance Brokers (Pvt) Ltd.	General Insurance
64	United Insurance Brokers (Pvt) Ltd.	General Insurance
65	Veracity Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
66	Victor Emmanuel Insurance Brokers (Pvt.) Ltd.	Long Term and General Insurance
67	Volanka Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
68	Zenith Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance

* The company has closed its operations as an insurance broker carrying on General and Long-Term insurance business with effect from 31st December 2020 and is in the process of liquidating the company.

APPENDIX III

Loss Adjusters Registered under the Regulation of Insurance Industry Act, No. 43 of 2000 as at 31st December 2020.

No	Name of Broker	Class of business
1	Ms. Udithamala Jinadarie Kurukulasuriya	13th June 2018
2	Mr. Ran Banda Tennakoon	25th June 2018
3	Mr. Wijithasena Leelaratne Fernando	25th June 2018
4	Mr. Gamini Kinigama	25th June 2018
5	Mr. Ahmed Nazim Nazvi Rahman	25th June 2018
6	Mr. Gunawardena Mudiyanseelage Ananda Udaya Kumara Gunawardena	25th June 2018
7	Mr. Mahabalage Don Sisira Upali Perera	26th June 2018
8	Mr. Nirosch Sanjeewa Wathukarawatta	26th June 2018
9	Mr. Susantha Mahindratna Weerakoon	26th June 2018
10	Mr. Rajapaksha Pathirage Don Kanchana Surangika	10th September 2018
11	The Shield Adjusters (Pvt) Ltd.	29th March 2019
12	Mr. A.W.M. Bandula Wijekoon	29th March 2019
13	Mr. Lalindra Krishantha Karunaratne	29th March 2019
14	Mr. Rajapakse Mudiyanseelage Herath Rajapakse	26th September 2019
15	Mr. Jasin Basthian Arachchige Ravinath Niroshana	26th September 2019
16	Mr. Keerthi Delwatta	26th September 2019
17	Entrust International (Pvt) Ltd.	08th June 2020
18	Mr. Ali Mohideen Mohomad Khaleel	12th August 2020
19	Mr. Shelvin Maligaspe Korralage	12th August 2020
20	Mr. Sreenath Bandula Amarasekera	12th August 2020
21	Mr. Anura Mahinsaka Dedigama	12th August 2020
22	Mr. Mangala Keerthi Ashoka Kumara Dharmaratne	12th August 2020
23	Mr. Sithira Pandithasundara	12th August 2020

GLOSSARY

Accumulation

The situation where a significant number of risks insured or reinsured with the same company 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

An Actuary is a professional trained in evaluating the financial implications of contingency events. Actuaries require an understanding of the stochastic nature of insurance and other financial services, the risks inherent in assets and the use of statistical models. In the context of insurance, these skills are, for example, often used in establishing premiums, technical provisions and capital levels.

Administrative Expenses

Costs of an administrative nature including those arising from premium collection, portfolio administration 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 under the Regulation of Insurance Industry Act, No.43 of 2000.

Annuity

A long term insurance product that pays periodic income benefits for a specific period of time or over the course of the annuitant's lifetime. Deferred annuity – If the payments start at some point in the future, it is a deferred annuity. Immediate annuity – if the payments start at the outset of the contract, it is an immediate annuity.

Bancassurance

An arrangement whereby insurer sell insurance and investment product 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.

Capital Adequacy Ratio (CAR)

Measures adequacy of Total Available Capital (TAC) to support the Risk based capital required (RCR).

$$\text{CAR} = (\text{TAC}/\text{RCR}) \times 100$$

Cedent

Client of a reinsurance company (primary insurance company). Cession - Portion of risk that is passed on to reinsurers by ceding companies.

Claims

The amount payable under a contract of insurance arising from the occurrence of an insured event: such as the destruction or damage of property and related death or injuries, the incurring of hospital or medical bills, death or disability of the insured, maturity of an endowment policy, the attainment of pensionable age, the amount payable on the surrender of a policy.

Claims Incurred

The aggregate of all claims paid during the accounting period, together with attributable claims handling expenses, where appropriate, adjusted by claims outstanding provisions at the beginning and end of the accounting period.

Claims Incurred But Not Reported (IBNR)

At the end of the period of account a reserve in respect of property, liability and pecuniary insurance to cover the expected cost of losses that have occurred but not yet been reported to the insurer.

Claims Outstanding Reserve – General Insurance Business

The amount provided to cover the estimated cost of settling claims arising out of events which have occurred by the Balance Sheet date,

including Incurred But Not Reported (IBNR) claims and claims handling expenses, less amounts already paid in respect of those claims.

Co-insurance

An arrangement whereby two or more insurers enter into a single contract with the insured to cover a risk in an agreed proportion at a specified premium.

Commission

A payment made to a broker or an insurance agent in return for selling and servicing an insurer's products.

Concentration Risk

Additional credit risk that exists if an insurer's assets are not sufficiently diversified to provide appropriate mitigation of the inherent credit risk.

Credit Risk

The risk of financial loss resulting from default or movements in the credit rating assignment of issuers of securities (in the insurer's investment portfolio), debtors (e.g. mortgagors), or counterparties (e.g. on reinsurance contracts, derivative contracts or deposits) and intermediaries, to whom the company has an exposure. Credit risk includes default risk, downgrade or migration risk, indirect credit or spread risk, concentration risk and correlation risk. Sources of credit risk include investment counterparties, policyholders (through outstanding premiums), reinsurers, intermediaries and derivative counterparties.

Deferred Acquisition Cost – General Insurance Business

Under the annual basis of accounting, acquisition costs relating to the unexpired period of the risk of contracts in force at the Balance Sheet date which are carried from one accounting period to subsequent accounting periods.

Discontinued Operation

Operations of an entire division, subsidiary or segment of a company where a formal plan exists to eliminate it from the company.

Earned Premiums

Written premiums adjusted by the unearned premium provisions at the beginning and end of the accounting period.

Endowments

Life insurance contract that only covers the individual's life in case of an unfortunate event, but also offers maturity benefits at the end of the term.

(a life insurance contract designed to pay a lump sum after a specific term (on its 'maturity') or on death.)

General Insurance Business

Fire, marine, motor or miscellaneous insurance business carried on singly or in combination with one or more of them. The total premium received or due from all sources, including premiums for reinsurance assumed in respect of general insurance business, during an accounting period.

Gross Written Premium (GWP)

The premium after deduction of discounts, refunds and rebates, but before the deduction therefrom of any premium paid or payable by an insurer for reinsurance ceded.

Insurer

A company incorporated as a public company under the Companies Act, No. 7 of 2007 and registered as an insurer under the Regulation of Insurance Industry Act, No. 43 of 2000.

Lapsed Policy

A policy is terminated at the end of the grace period because of nonpayment of premium.

Liability Adequacy Test (LAT)

Assessment at the end of each reporting period, whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts.

Liability Risk

The risk is that the technical provisions and policyholder liabilities established by the insurer will be insufficient to pay the future claims and expenses on the policies currently in force.

Life Surplus

The excess of the assets over the liabilities as determined by the actuary (taking into account the solvency requirements) and after distribution of bonus to policyholders.

Long Term Insurance Business

The business of entering into or maintaining contracts of assurance on human lives, such contracts including contracts whereby the payment of money is assured on death or on the happening of any contingency dependent on human life and contracts which are subject to payment of premiums for a term dependent on human life.

Market Risk

The risk of decreases in the market value of the insurer's assets.

Maturity

The time at which payment of the sum assured under a long term insurance policy falls due at the end of its term.

Mortality

The death ratio to the entire population or to a particular age group. It is globally expressed in numbers of rates and set out in mortality tables.

Net Claims Ratio or Net Loss Ratio

The net claims ratio expresses claims net of recoveries from reinsurers as a percentage of premiums net of premiums ceded to reinsurance. The gross claims ratio reflects the position before reinsurance is taken into account. Also referred to as loss ratios.

$$\frac{\text{Net claims incurred}}{\text{Net earned premium}} \times 100$$

Net Combined Ratio – General Insurance Business

This indicates the profitability of the insurer's operations by combining the net loss ratio with net expense ratio. The combined ratio does not take account of investment income.

$$\frac{\text{Net claims incurred} \times 100}{\text{Net earned premium}} + \frac{\text{Expenses} \times 100}{\text{Net earned premium}}$$

Net Earned Premium – General Insurance Business

Gross written premium adjusted for reinsurance incurred and for the increase or decrease in unearned premium.

Net Expense Ratio – General Insurance Business

A formula used by insurance companies to relate net earned premium to acquisition and administrative expenses (e.g. commission, taxes, staff, selling and operating expenses).

Net premiums written is the sum of premiums were written by an insurance company over the course of a period of time, minus premiums ceded to reinsurance companies, plus any reinsurance assumed. Net premiums written represents how much of the premiums the company gets to keep for assuming risk.

Non – Participating Policy – Long term Insurance Business

Long Term insurance business where policyholders are not contractually entitled to share in the surplus of the relevant life fund.

One-off Surplus

Excess of total policy liabilities under the NPV regime as at 31st December 2015 over the total policy liabilities under the RBC regime as at 1 January 2016. (Surplus created due to change in valuation method of policy liabilities from Net Premium Valuation to Gross Premium Valuation).

One-off Surplus transfer

Transfer of surplus created due to the change in valuation method of policy liabilities from Net Premium Valuation(NPV) to Gross Premium Valuation(GPV) to shareholder fund.

Operating Profit

The profit generated by transacting general insurance business after taking into account the investment income, net capital gains and other income.

Operational Risk

The risk arising from the inadequacy or failure of internal systems, personnel, procedures or controls leads to financial loss. Operational risk also includes custody risk.

Policy

A document setting out the terms and conditions of a contract of insurance issued to the policyholder.

Policyholder

The person who is the legal holder of the policy for securing the contract with the insurer for the time being.

Policy Loan

A loan from the insurer to a policyholder on the security of the surrender value of a long term 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.

Reinsurance

An insurance contract between one insurer or reinsurer (the reinsurer) and another insurer (the cedent) to indemnify against losses on one or more contracts issued by the cedent in exchange for a consideration (the premium).

Reinsurance Commission

Commission received or receivable in respect of premiums paid or payable to a reinsurer.

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 primary insurer) from the reinsurer based on the net profit (as defined in the reinsurance treaty) made by the reinsurer on the reinsurance treaty.

Restricted Regulatory Reserves

One-Off Surplus other than participating business that is transferred to shareholders' fund in terms of Direction 16.

Retention

The part of the risk assumed which the insurer/reinsurer does not reinsure/ retrocede, i.e. retained net for own account.

Retrocession

A transaction in which a reinsurer transfers risks it has reinsured to another reinsurer.

Risk Capital Required (RCR)

Risk-Based Capital required is the aggregate of the capital required to address all relevant and material categories of risk prescribed in terms of Solvency Margin (Risk-Based Capital) Rules 2015.

RCR is calculated separately for general and long term insurance and includes both insurance and shareholder fund.

- (a) for general insurance business:
 $RCR = \sqrt{[(\text{credit risk capital charge} + \text{concentration risk capital charge} + \text{reinsurance risk capital charge} + \text{market risk capital charge})^2 + \text{liability risk capital charge}^2 + \text{operational risk capital charge}^2]}$; and

- (b) for long term insurance business:
 $RCR = \max \{ [SVCC, \sqrt{[(\text{credit risk capital charge} + \text{concentration risk capital charge} + \text{reinsurance risk capital charge} + \text{market risk capital charge})^2 + \text{liability risk capital charge}^2 + \text{operational risk capital charge}^2]} \}$

Solvency Margin (Risk-Based Capital)

The Regulatory capital requirement set out for the determination of the amount of unencumbered capital that an insurer must have in addition to technical provision for insurance liabilities and the standard for capital adequacy including an absolute minimum as well as a risk-based requirement as defined in Solvency Margin (Risk-Based Capital) Rules 2015 made under Section 105 read with Section 26(1) of the Regulation of Insurance Industry Act, No. 43 of 2000.

Surrender Value

The amount payable by an insurer to a policyholder in respect of long term insurance on termination of an insurance policy before the expiry of its term. In order to attain a surrender value, the policy should have been in force continuously for a period of at least three years.

Surrender Value Capital Charge (SVCC)

Risk of an extreme adverse scenario where all life insurance contracts are surrendered simultaneously.

Term Insurance

Type of life insurance policy that provides coverage for a certain period of time, or a specified "term" of years. If the insured dies during the time period specified in the policy and the policy is active - or in force - then a death benefit will be paid

Technical Provision

The amount that an insurer sets aside to fulfil its insurance obligations and settle all commitments to policyholders and other beneficiaries arising over the lifetime of the portfolio, including the expenses

of administering the policies, reinsurance and of the capital required to cover the remaining risks.

Tier 1 capital

Permanent capital that is fully available to cover the losses of an insurer at all times on both a going concerns and a winding up basis.

Tier 2 capital

Capital that lacks some of the absorbency characteristics of the Tier 1 Capital, but nevertheless provides some loss absorbency during ongoing operations or on winding up.

Total Available Capital (TAC)

Total available capital is determined as the sum of Tier I capital and Tier II capital less any prescribed deductions in terms of Solvency Margin (Risk Based-Capital) Rule 2015.

Underwriting Profit

The technical profit generated by transacting general insurance business without taking into account the investment income and other income.

Unearned Premium

The portion of premiums already entered into the accounts as due but which relates to a period of risk subsequent to the Balance Sheet date.

Unearned Premium Reserve

A fund kept by a general insurer to provide for claims that may arise in the future under the insurance policies that are still in force.

Unexpired Risk Reserve

The excess of the estimated value of claims and expenses likely to arise after the end of the financial year from contracts concluded before the date, insofar as their estimated value exceeds the provision for unearned premiums (after deduction of any acquisition costs deferred).

Universal Life

Permanent life insurance with an investment savings element and low premiums like term life insurance.

Most universal life insurance policies contain a flexible premium option. However, some require a single premium (single lump-sum premium) or fixed premiums (scheduled fixed premiums)

Whole Life Insurance

Whole life insurance provides coverage for the life of the insured. In addition to providing a death benefit, whole life also contains a savings component where cash value may accumulate. These policies are also known as permanent or traditional life insurance.

GENERAL INFORMATION

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E-mail : info@ircsl.gov.lk
Web site : www.ircsl.gov.lk

Legal Form

A Statutory Board established in Sri Lanka in terms of the Regulation of Insurance Industry Act, No. 43 of 2000, which came into operation with effect from 01 March 2001 by Government Gazette Notification No. 1172/27, dated 23 February 2001.

The Object and Responsibility of the Commission

The object and responsibility of the Commission shall be, to ensure that, insurance business in Sri Lanka is carried on with integrity and in a professional and prudent manner with a view to safeguarding the interests of the policyholders and potential policyholders.

Accounting Year

31 December

Auditors

The Auditor General

Bankers

Bank of Ceylon

Audit Committee

Mr. P. Algama
Mr. Haris Salpitikorala
Ms. Indra Baduge



INSURANCE
REGULATORY
COMMISSION OF
SRI LANKA

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