



INSURANCE
REGULATORY
COMMISSION OF
SRI LANKA

PROTECTING WHAT YOU VALUE

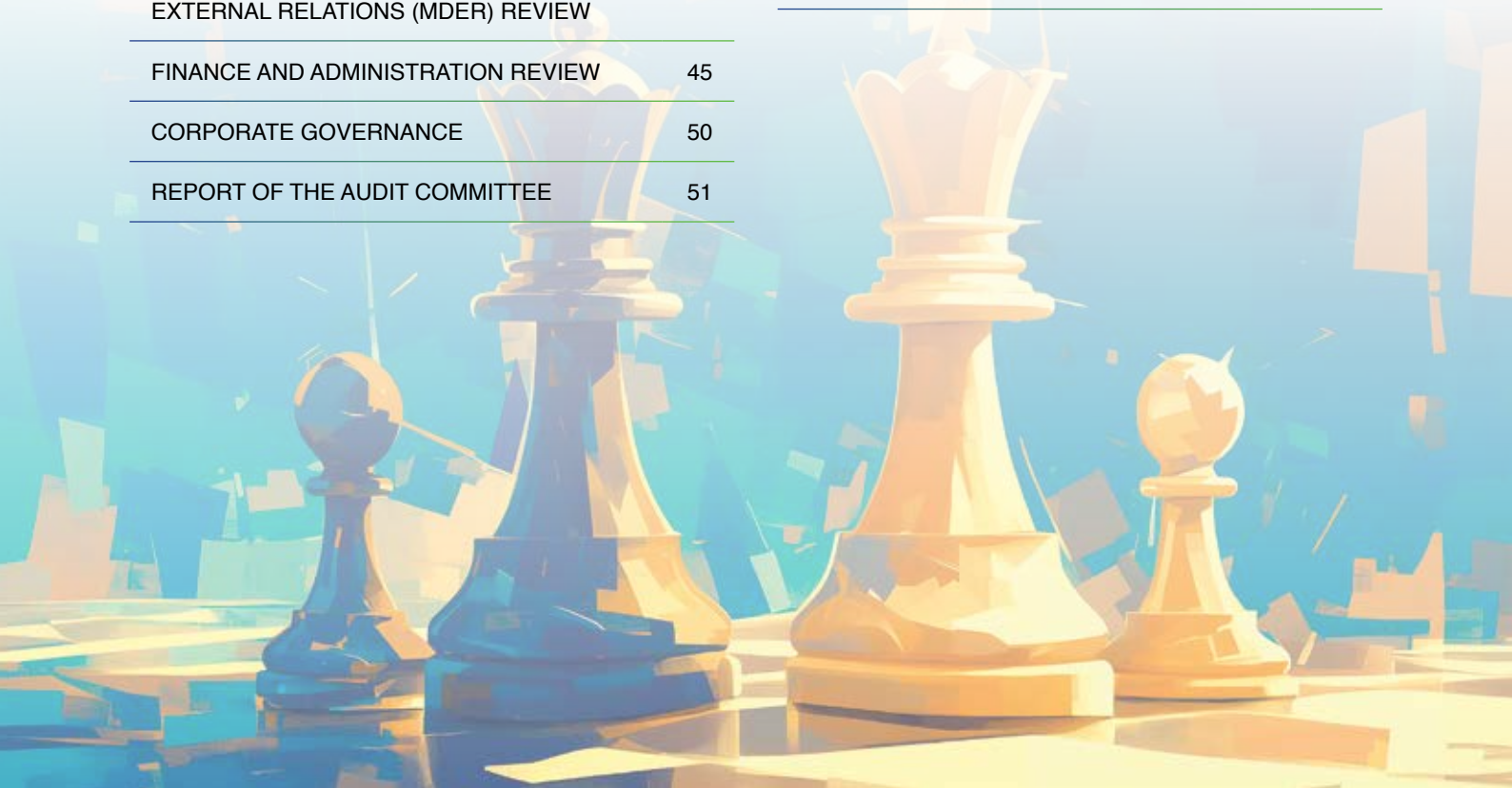
ANNUAL REPORT 2023



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PROTECTING

WHAT YOU VALUE

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.





VISION

To be the benchmark Insurance Regulator
in South Asia

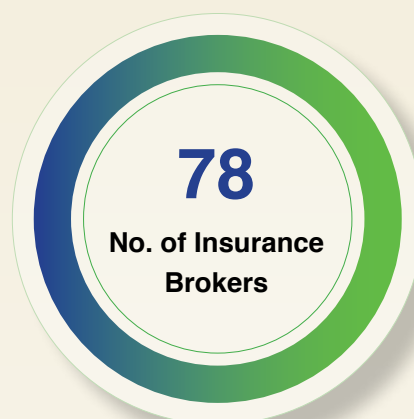


MISSION

To protect policyholders' interests as per the
Regulation of Insurance Industry Act,
and facilitating the development of the
insurance industry



HIGHLIGHTS OF THE YEAR



Performance of the Commission	2023	2022	Change %
Policy Holder's Protection Fund (Rs. Millions)	11,532	9,381	23%
Cess Income (Rs. Millions)	648	588	10.2%
Annual Fees (Rs. Millions)	319	291	9.6%



CHAIRMAN'S MESSAGE

Global Economic Outlook



//

In 2023, the world grappled with a range of challenges spanning global trade and investment, impacted by escalating commodity prices and geopolitical tensions. Sri Lanka, in particular, faced economic setbacks stemming from its 2022 crisis. Throughout the year, uncertainties persisted in the global financial and economic landscape, exacerbated by a downturn in global economic activity and reduced investments. These factors collectively shaped a year marked by complex economic conditions and strategic uncertainties on both local and international fronts. //

Razik Zarook P. C.
Chairman

As the world continues to navigate the enduring economic repercussions of the COVID-19 pandemic, it now faces a renewed wave of challenges and adversities. The war in Ukraine, increase in geo-economic fragmentation, unprecedented tightening of monetary policies aimed at controlling inflation, withdrawal of fiscal stimuli amidst high and rising fiscal debt levels, sovereign-bank interconnectedness and extreme weather events, etc. contributed to suppress the global economic recovery and widened the growth divergences among global regions. Despite these persistent challenges, the effects of declining headline inflation levels, COVID-19 no longer being recognized as a global health emergency, reorientation of global supply chains and the signs of easing global financial conditions, etc. somewhat offset the slowdown in the global economy.

The Challenges: Sri Lankan Economy

Against this backdrop, grappling with import restrictions, currency shortages, and energy disruptions, the business community found comfort as operations in 2023 began to normalize. Timely macro prudential measures implemented by authorities fostered a conducive environment, for economic resurgence. The Sri Lankan economy progressed on the path towards restoring the macroeconomic stability in 2023 where inflation was brought down to single-digit levels from its highest level recorded in the year 2022. The year 2023 has seen a promising economic recovery for Sri Lanka, marked by a stabilization in key economic indicators, despite the aforesaid global adversities. The overall economic contraction during 2023 coupled with tax hikes aimed at supporting fiscal consolidation and elevated price levels and interest rates; resulted in strained balance sheets of economic agents.

Moreover, economic activity resumed gradually supported by the gradual easing of monetary policy and monetary conditions and the revival in the external sector, amidst uncertainties and challenging conditions. The implementation of required structural reforms and corrective macroeconomic policies were instrumental in achieving domestic price stability, thereby reinforcing overall macroeconomic stability.

Insurance Sector Performance

The insurance sector, familiar with navigating through periods of uncertainty, displayed commendable resilience and adaptability, further reinforced its pivotal role in Sri Lanka's economic recovery in the year 2023. The insurance sector, which experienced an unprecedented array of challenges in the aftermath of the economic crisis, continued to operate under challenging conditions. Through innovative strategies and agile responses to evolving market dynamics, insurance companies demonstrated their ability to succeed amidst adversity.

The total Gross Written Premium (GWP) of the insurance industry for Long Term and General Insurance Businesses for the year 2023 was LKR 280,955 million, recording a growth of 9.07%, with an increase in premium by LKR 23,375 million when compared to the previous year. The GWP of Long-Term Insurance Business amounted to LKR 152,793 million recording a growth of 12.87%. The GWP of General Insurance Business amounted to LKR 128,162 million recording a growth of 4.87%.

The value of the total assets of insurance companies has increased to LKR 1,087,573 million at the end of the year 2023, reflecting a growth of 14.81%. The PBT of insurance companies as at the end of 2023 in

both Long-Term Insurance Business and General Insurance Business amounted to LKR 54,170 million showing an increase in total profit amount by 7.62%.

Developments in the Regulatory and Supervisory Framework

An effective regulatory and supervisory framework is essential for the sustainable growth of the Sri Lankan insurance industry. An efficient, transparent, competitive and reliable insurance industry contributes greatly to the country's economic development. Hence, the regulatory and supervisory framework must be founded on the developments taking place in the global and local insurance industry and the economic development taking place locally. We continued our efforts to strike the right balance between strengthening the regulatory framework of the insurance industry and promoting its development.

We took several important measures, focusing on the IRCSL's journey towards the right direction, to further strengthen the confidence of the industry and general public, whilst encouraging the growth of the industry. With the lessons learnt from the global economic crisis, we as the insurance industry regulator, brought new regulations with a view to managing risks efficiently and effectively. Accordingly, we made several subordinate legislations under the RII Act.

Strategic Focus

The IRCSL has developed a strategic action plan spanning from 2023 to 2027 aimed at enhancing the regulation and supervision of the insurance industry. Significant progress has been made in implementing key initiatives, such as conducting gap analyses of Insurance Core Principles, formulating market conduct regulations, and evaluating

CHAIRMAN'S MESSAGE

claims management procedures. Through unwavering commitment to its goals, the IRCSL aims to foster a well-regulated and resilient insurance industry, thereby contributing to Sri Lanka's economic stability.

Forging Ahead

As the IRCSL embarks on the next phase of its strategic action plan, it remains committed to advancing its strategic objectives. Furthermore, strategic efforts will be directed toward increasing public confidence in insurance, aiming to cultivate a resilient and well-regulated insurance industry.

Digitalization is at the forefront of our ongoing initiatives, encompassing various aspects from improving service delivery to enhancing regulatory processes. Efforts will be placed on reinforcing IT infrastructure, with a primary focus on fortifying system security and upholding information integrity.

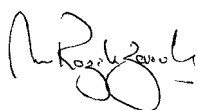
Our team is the cornerstone of our success. In the year ahead, we are committed to providing and enhancing benefits and salaries, investing in training and development to equip our regulatory staff with robust knowledge and extensive experience, ensuring they are well-prepared to navigate the complexities of the insurance landscape.

With the economy now on more stable ground, the insurance industry will move forward confidently to explore potential opportunities. The IRCSL remains committed to its

mandate to ensure a robust regulatory framework, foster innovation, and enhance consumer protection within the insurance sector. Through fostering collaboration with industry stakeholders, leveraging technology, and prioritizing risk management, the aim is to position Sri Lanka's insurance industry as a catalyst for economic resilience and prosperity in the years to come.

Appreciations

In conclusion, I wish to thank His Excellency Ranil Wickremasinghe, the President of Sri Lanka and the Minister of Finance, and the relevant officers of the Ministry of Finance for the support extended to the Commission. Further, I wish to thank all Commission members for their valuable contribution. I also thank all stakeholders of the insurance industry for the cordial cooperation extended to the Commission. Finally, the commitment and dedication of the Director General, Directors, Assistant Directors and other staff members, whose efforts are deeply appreciated.



Razik Zarook P. C.
Chairman

DIRECTOR GENERAL'S REVIEW



Sri Lanka experienced a significant economic downturn in 2022, resulting in its worst-ever crisis. However, 2023 witnessed a gradual recovery, reflecting the resilience of the Sri Lankan economy. The IRCSL played a pivotal role in supporting this transition, ensuring industry stability and facilitating the insurance sector's contribution to the broader economic recovery. The IRCSL's proactive approach towards regulatory oversight and market supervision strengthened consumer confidence and investor trust in the insurance sector which underscored the IRCSL's commitment to promoting a resilient and sustainable insurance industry. //

Damayanthi Fernando
Director General

DIRECTOR GENERAL'S REVIEW

Performance of the Insurance Industry at a glance

Gross Written Premium

In 2023, the Sri Lankan insurance industry witnessed a total gross written premium income of LKR 280,955 million, indicating a growth of 9.1% compared to the previous year. Although this growth rate signifies a slight decrease from the preceding year's growth rate of 10.3%, it highlights the industry's resilience amidst economic challenges.

The long-term insurance sector played a pivotal role in the industry's overall performance, demonstrating steady growth throughout the year. Recording a gross written premium of LKR 152,793 million in 2023, the sector experienced a growth rate of 12.9%, surpassing the previous year's rate of 8.6% due to factors such as heightened demand for life insurance products, favorable demographic trends, and the introduction of tailored product offerings aimed at long-term financial planning and protection.

The general insurance sector witnessed moderate expansion in 2023, fueled by growth in pivotal segments such as fire and health insurance. Despite challenges arising from import restrictions on motor vehicles, the general insurance sector achieved a growth rate of 4.9%, generating a premium income of LKR 128,162 million. However, the motor insurance segment encountered constraints due to import restrictions, resulting in a growth rate of 0.7%, significantly lower than the previous year's growth rate of 9.4%. However, health and fire insurance demonstrated substantial growth rates of 10.2% and 23.0%, respectively in 2023.

Chart 1 illustrates the performance of the insurance industry over the past five years, spanning from 2019 to 2023. The gross written premium

(GWP) of the industry escalated to LKR 280,955 million in 2023, compared to LKR 196,472 million recorded in 2019, showcasing a growth of 43.0%.

Gross Written Premium

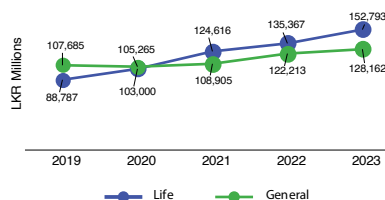


Chart 1 - Gross Written Premium from 2019 to 2023

Total Assets

The total asset portfolio of the insurance industry surpassed LKR one trillion and reached LKR 1,087,573 million by the end of 2023, displaying a growth of 14.8%. The assets of the Long-Term Insurance Business amounted to LKR 819,923 million depicting a growth rate of 22.6%, mainly due to increase in business volume which is represented by investments in government debt securities. The assets of the General Insurance Business amounted to LKR 267,650 million showing a marginal decline of 3.9%.

The Chart 2 illustrates the total asset portfolio of the insurance industry over the last five years from 2019 to 2023. The total asset portfolio of the insurance industry reached LKR 1,087,573 million by the end of 2023, displaying growth of 56.0% over the last five years.

Total Assets



Chart 2 Total Assets from 2019 to 2023

Claims

Claims incurred by insurance companies in both the Long-Term Insurance Business and General Insurance Business amounted LKR 137,918 million, representing a year-on-year increase of 12.8%. Notably, in the long-term insurance sector, claims reached LKR 76,502 million, showing a significant increase of 26.2%. The increase emanated basically from maturity benefits.

The claims incurred in the General Insurance Business, including Motor, Fire, Marine, health, other categories and SRCC amounted to LKR 61,416 million indicating a slight decrease of 0.3% compared to the previous year. Among these segments, motor insurance accounted the highest claims incurred. In 2023, claims incurred by motor insurance increased by 5.6%, while claims incurred by the health insurance sector decreased by 1.1% compared to 2022. Further, the SRCC segment recorded LKR 66 million in claims in 2023, a notable decrease from the LKR 1,464 million recorded in 2022.

The trends in claims incurred by insurance companies over the last five years, from 2019 to 2023, for both long-term and general insurance business, are illustrated in Chart 3.

Claims Incurred

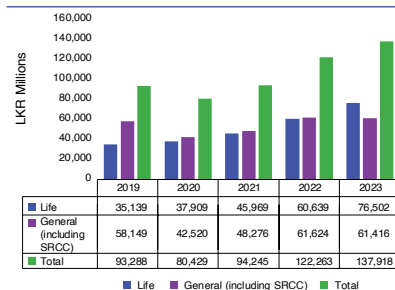


Chart 3 – Claims Incurred by Insurance Companies from 2019 to 2023.

Solvency Position

The CAR under the Risk-Based Capital (RBC) regime measures the adequacy of the Total Available

Capital as against the Risk Capital Required which indicates the capability of insurers to absorb risk concerning its capital position. The average CAR of long-term insurance business recorded for the year 2023 was 358% (2022: 303%) an increase by 18.0%. The average CAR of general insurance business recorded for the year 2023 was 252% (2022: 210%) an increase by 20.0%.

Profitability

The profitability of the insurance industry exhibited a moderate growth of 7.6%, reporting LKR 54,170 million in 2023. The profitability of long-term insurance business surged from LKR 23,439 million to LKR 30,617 million in 2023, representing a remarkable year-over-year profit growth of 30.6%. Conversely, the general insurance business experienced a negative growth of - 12.4% in 2023, recording LKR 23,553 million.

Insurance Brokers

Total Assets of insurance brokering companies have increased to LKR 12,378 million as at the end of 2023 when compared to LKR 9,689 million recorded as at end of 2022, indicating a growth of 27.8%. Insurance brokers as professional intermediaries play a pivotal role in helping clients navigate the complex landscape of insurance. They assess risks, analyze coverage options, and negotiate terms on behalf of their clients, ensuring clients obtain comprehensive protection at competitive rates. Beyond transactional services, brokers provide ongoing support, including claims assistance, policy management, and risk management advice, fostering long-term partnerships built on trust and reliability.

Navigating Challenges

Amidst the challenges posed by the high cost of living, high taxes, and declining income levels, the demand for insurance naturally diminishes. To navigate these challenges effectively, the Insurance Industry must adopt proactive measures. These include

raising awareness about the benefits of insurance, particularly emphasizing disaster risk coverage, enhancing the accessibility and affordability of insurance products, fostering innovation in product development, development of the micro insurance sector, introducing agricultural-based insurance products, and leveraging technological advancements to improve customer service. By aligning with the recovering economy, these initiatives aim to increase insurance penetration throughout the country, ensuring broader protection against unforeseen risks.

Moreover, challenges such as underinsurance, fraudulent practices, and natural disaster risks, highlighting the need for continued collaboration between insurers, regulators, and other stakeholders to foster a resilient and inclusive insurance sector in Sri Lanka.

Policyholder awareness and Education

It is vital to recognize the significance of enhancing the insurance literacy level of the general public, as it directly correlates with increasing confidence in insurance. In light of this, the IRCSL has undertaken consumer awareness programs aimed at elevating confidence levels. Through these initiatives, we have carried out awareness campaigns, utilizing a balanced approach that encompasses both mass and digital communication platforms, striving to equip both current and potential policyholders with the necessary knowledge to make informed decisions regarding risk coverage. By increasing public understanding of insurance as a contractual obligation and empowering individuals to make informed choices, we contribute to fostering a more informed and confident insurance landscape.

Value to stakeholders

In 2023, we have implemented key initiatives that have proven instrumental in shaping the insurance industry landscape, positively

impacting stakeholders including policyholders. Some of these initiatives are as follows:

- To identify public confidence/trust in insurance and the challenges and attributes influencing this confidence, the IRCSL, has embarked on a comprehensive study conducted by the Department of Demography at the University of Colombo (UOC). The primary goal was to identify the factors affecting public trust and formulate strategies to increase insurance penetration in the country. As revealed from the survey findings, the average insurance confidence index was 50.2 out of 100.
- The findings of this study provided valuable insights into the insurance industry in Sri Lanka and offer a roadmap for improving public confidence and increasing insurance penetration. The IRCSL intends to implement the survey recommendations to enhance the insurance landscape in the country in coming years.
- IRCSL organized an insightful awareness session on the New Corporate Governance Rules of the Colombo Stock Exchange (CSE), in collaboration with the Securities and Exchange Commission of Sri Lanka (SEC) and the CSE to insurance companies. We firmly believe that by upholding stringent governance standards, not only enhance transparency and accountability, but also bolster trust and confidence within insurance sector. Through such proactive initiatives, we reaffirm our commitment to upholding the highest standards of governance, ensuring the integrity and stability of the insurance industry for the benefit of all stakeholders.
- The Commission has granted approval for an innovative scheme, facilitated by registered general insurance companies, to

DIRECTOR GENERAL'S REVIEW

provide compensation to third-party victims of motor vehicle accidents or their legal heirs. Under this scheme, beneficiaries will receive up to LKR 500,000 in the event of death and a similar amount for permanent disability, without the necessity of obtaining court orders. This groundbreaking initiative was developed in collaboration with the Ministry of Transport and Highways, along with key stakeholders and is scheduled for implementation in 2024. It marks a significant evolution in the insurance landscape, underscoring IRCSL's dedication to addressing the needs of third-party accident victims with greater efficiency and compassion.

Strategic Action Plan

The IRCSL has embarked on a strategic action plan spanning from 2023 to 2027, aimed at enhancing various aspects of the insurance industry's regulation and supervision. The plan encompasses several key initiatives across different domains, including risk-based supervision, market conduct regulation, claims management, regulatory framework enhancement, and IT infrastructure improvement.

As of the completion of the 2023 phase of the strategic action plan, significant progress has been made in implementing the outlined initiatives. Gap analyses of ICPs have been commenced, leading to recommendations for enhancing risk-based supervision. Market conduct regulations have been reviewed, and groundwork has been laid for formulating a comprehensive regulatory framework. Claims management procedures have been evaluated, and guidelines for improvement have been drafted. Additionally, efforts have been made to enhance infrastructure and administrative capabilities to support regulatory functions effectively.

As the IRCSL progresses into the next phase of its strategic action plan from 2024 to 2027, it will continue to build upon the achievements of the previous phase. This includes further refining risk-based supervision methodologies, finalizing the regulatory framework for market conduct, implementing enhanced claims management procedures, and developing strategies to improve public confidence in insurance. The IRCSL will prioritize the implementation of recommendations derived from the survey research findings to address the needs and concerns identified by stakeholders. Furthermore, ensuring robust infrastructure and administrative support will remain integral to the IRCSL's objectives. By staying committed to its strategic goals, the IRCSL aims to foster a well-regulated and resilient insurance industry that meets the needs of stakeholders and contributes to the overall economic stability of Sri Lanka.

Key Regulatory Initiatives

In 2023, a series of regulatory reforms and initiatives were introduced to enhance the regulatory landscape of the insurance sector, as elaborated comprehensively in the General Review section of this report.

Looking Ahead

Despite persistent challenges, the Sri Lankan insurance industry remains resilient and adaptable, positioning itself for sustained growth and innovation in the years to come. By embracing technological advancements, fostering innovation, and addressing evolving consumer needs, insurers can unlock new opportunities and create lasting value for stakeholders in the dynamic landscape of the insurance market.

Moreover, the availability of simple and custom-made policies that address unique consumer needs is vital. There is a pressing need to structure and design insurance products that cater to modern-day insurance needs.

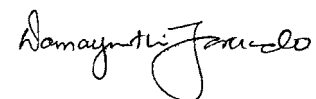
In line with international best practices, the IRCSL remains steadfast in its commitment to key initiatives, which will continue into the year 2024. Alongside ongoing efforts such as reforms to the Insurance Regulatory Act and the Risk-Based Capital framework, the focus extends to digital transformation, the establishment of a robust market conduct supervisory framework and monitoring of Anti Money Laundering and Countering of Finance Terrorism requirements will be prioritized to ensure compliance and effectiveness across the sector. These initiatives underscore our dedication to regulatory excellence, innovation, and the protection of policyholders and stakeholders within the insurance landscape.

Further, we intend to explore the feasibility of introducing a nationwide insurance scheme, encompassing vulnerable citizens across the country.

In Appreciation

I am deeply grateful for the consistent guidance and support extended by our Chairman and the Commission Members, which has been instrumental in strengthening our team's efforts. I extend sincere appreciation to the senior management and the entire team for their unwavering commitment and hard work in delivering value to all stakeholders.

I would like to acknowledge and thank the insurance industry associations and other stakeholders for their unwavering support during the year 2023. I strongly anticipate our continued collaboration with the insurance industry to effectively address the challenges confronting us. Together, we are committed to protecting policyholders, thereby enhancing the positive perception of the industry.



Damayanthi Fernando
Director General

**COMMISSION MEMBERS
AND STAFF**

MEMBERS OF THE COMMISSION



01. Mr. Razik Zarook P. C.
Chairman

03. Mrs. Yvette Fernando

02. Mr. A K Seneviratne



04. Mr. Sanjeewa Dissanayake
06. Mr. Sanjeewa Anthony

05. Mr. Brian Selvanayagam
07. Dr. Prasad Samarasinghe

PROFILES OF MEMBERS OF THE COMMISSION



Mr. Razik Zarook
President's Counsel
Chairman

Mr. Razik Zarook President's Counsel, Diplomat and former Chairman of a number of Public Corporations, is a senior Attorney at Law.

He was Chairman of the Cooperative Wholesale Establishment (CWE) and under his tenure (1978 to 1989), the CWE was turned around into a model profitable and viable organization having diversified and acquired many assets developing its 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 of Bank of Ceylon and a Member of the Finance Commission.

He served 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.

Currently, he is a Director of the Board of Management of BMICH.

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



Mr. A K Seneviratne

Mr Ananda Kithsiri Seneviratne is a special grade officer of the Sri Lanka Administrative Service (SLAS).

Mr Seneviratne holds an Honours Bachelor's Degree specialising in Chemistry from University of Kelaniya. He has obtained a Postgraduate Diploma in Business and Financial Administration from the Institute of Chartered Accountants of Sri Lanka and Masters in Business Administration from University of Colombo.

He joined the Sri Lanka Administrative Service in 1995. Upon completion of his in-service training year he was appointed as an Assistant Director to the Department of Fiscal Policy of the Ministry of Finance in 1996. In 2006 he was assigned to the Department of National Budget of the same Ministry as a Director. In 2015 he was appointed as the Director General of the Department of Fiscal Policy. Since January 2018 Mr Seneviratne was the Director General of the Department of National Budget. He was then appointed as a Deputy Secretary of the Treasury in February 2018, and he worked in that capacity till November 2020.

He has then been serving as an Additional Secretary of the Higher Education division of the Ministry of Education. He has again been appointed as a Deputy Secretary of Treasury from August 2022.

Mr Seneviratne has also served as a Board Director in many state-owned enterprises.



Mrs. Yvette Fernando

Mrs. Yvettee 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 and the

Securities & Exchange 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 Jayewardenepura.



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.



Mr. Brian Selvanayagam

Mr. Brian Selvanayagam is a Non executive Director of Ceylon Biscuits Ltd.

He is an Associate Member of the Chartered Institute of Management Accountants (UK), Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Fellow Member of the Chartered Institute of Marketing (UK), Fellow Member of the Certified Management Accountants of Sri Lanka and Chartered Member of the Chartered Institute for Securities & Investment (UK).

He is the Past Chairman of the Chartered Institute of Marketing Sri Lanka and was a member of the Audit & Risk Committee of the Chartered Institute of Marketing (U.K.). He has served on the Board of several listed Companies on the Colombo Stock Exchange including, Onally Holdings PLC, Ceylon Land & Equity PLC, Galle Face Capital Partners PLC, Renuka Agri Foods PLCs and Renuka Foods PLC.

He is an active Rotarian and also Past President of the Rotary Club of Colombo West.

He counts over 25 years of work experience in fields covering auditing, banking and financial services, property development and education. He is also a Justice of the Peace for the whole island.



Mr. Sanjeewa Anthony

Mr. Sanjeewa Anthony is a practicing Attorney-at-Law since 1996 specializing in Criminal, Civil, Labour and Commercial laws. He is a former student of Royal College, Colombo.

He specializes as an Arbitrator in Labour Department and also serves as an Unofficial Magistrate.

Currently, he holds the position of Vice President at the Colombo Chief Magistrate Lawyers' Association, having previously served as its President.



Dr. Prasad Samarasinghe

Dr. Samarasinghe obtained his Doctorate in Telecommunications from the world-ranked research University, the Australian National University, Canberra, Australia. He holds a B.Sc. (Eng) Degree in Electronics and Telecommunications with First Class Honors and an M.Sc. in Engineering, both from the University of Moratuwa, Sri Lanka. A Member of the IEEE (Institute of Electrical and Electronics Engineers) and the IET (Institute of Engineering and Technology), he also has a Licentiate (Part I and II) from the Institute of Chartered Accountants of Sri Lanka with the island's best results in Financial Accounting, Business Mathematics, Statistics, and Data Processing.

Dr. Prasad Samarasinghe is the Managing Director of Lanka Bell Ltd. In addition, he holds the position of Managing Director of Bell Solutions (Pvt) Ltd & Bell Vantage (Pvt) Ltd, Director of HNB PLC, HNB Finance PLC and Hayleys Fiber PLC. In the past, Dr. Samarasinghe held the posts of Chairman of the Sri Lanka Rupavahini Corporation, Chief Operating Officer at Sri Lanka Insurance and, Head of Information Technology at Commercial Bank of Ceylon PLC.

SENIOR MANAGEMENT TEAM



01. Mrs. Damayanthi Fernando (Director General)
02. Mrs. Chamarie Ekanayake (Director Supervision)
03. Mr. Sathiesh Kumar (Director Finance and Administration)
04. Mrs. Prabhashini Samarakoon (Director Investigation)

05. Mrs. Deepika Navaratna (Director Market Development and External Relations)
06. Mr. Rajan Nirubasingham (Director Legal & Enforcement)



07. Mr. Bimsara Wijesinghe (Assistant Director Market Development and External Relations)
08. Mrs. Chamari Heenatigala (Assistant Director Investigation)
09. Mr. Dirrel Fernando (Assistant Director Information Technology)

10. Miss. Malithi Ambalangodage (Assistant Director Legal & Enforcement)
11. Mrs. Lasanthi Thothahewa (Assistant Director Finance & Administration)
12. Mrs. Upendra Seneviratne (Assistant Director Supervision)

STAFF MEMBERS



Mrs. Shyamalie Attanayake



Mrs. Thushari Wijegunawardana



Mrs. Decika Rathnayake



Mrs. Kokila Siriwardana



Mr. Charitha Wickramasinghe



Mrs. Pavithra Punchihewa



Mrs. Thilini Wakista



Mr. Anushka Bandara



Mrs. Sandamalie Karunathissa



Miss. Paramie Munasinghe



Miss. Upeksha Liyanage



Mr. Nisal Karunarathne



Mr. Nuwan Sudarshana



Mrs. Nadeesha Wijesinghe



Miss. Ruwani Maldeniya



Miss. Sachini Gunarathna



Miss. Nilakshi Ruwanthika



Mr. Chamara Premarathne

STAFF MEMBERS



Mrs. Sachi Godawela



Mrs. Kanchana Dilrukshi



Mr. Pasindra Perera



Mr. Kanagasundram Kuruparan



Mr. Hashanka Rathnasiri



Mr. E Srikanthan



Mrs. Sujeewa Ranasinghe



Mrs. D W S S Supulee



Mrs. Chandima Kamburugamuwa



Mrs. Malhari Wickramasinghe



Mrs. Harshanie Perera



Miss. Thisali Aluthge



Mrs. Nishadhi Perera



Mrs. Veena Senevirathne



Mr. Saman Senadeera



Mr. Sanath Udayanga



Mr. Nalin Thalagala



Mr. Chaminda Lal Kumara

STAFF MEMBERS



Miss. Eshadi Ashmika Mihirangi - Intern

Mr. Bihesha Dilshan - Intern

Miss. Hirushi Dilhari Pieris - Intern

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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, No’s. 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

Rules

Rules regarding the form and the manner in which the accounts are to be maintained by insurance brokers were issued on 09 August 2022 by the Extraordinary Gazette Notification No. 2292/15 published in 2023.

Directions issued during the year under Section 96A of the Act

1. Direction # 01 of 2023 - Condition of Average

The Direction on Condition of Average was issued to all General Insurance Companies considering the current practices of General insurance companies in respect of Condition of Average of motor insurance policies in

the event of claims. This Direction came into effect from 19 June 2023.

2. Clarification on Direction # 01 of 2023

The wording “insurer shall insure motor vehicles at its market value” of item # 01 of the Direction # 01 of 2023 of 19 June 2023 has been replaced with “an insurer shall ensure that motor vehicles are insured at their market values”.

3. Direction # 02 of 2023 - Directions on Principal Officers of the Insurers and Insurance Brokers

The Direction issued to the insurers and insurance brokers on the Principal Officers, in December 2021 and December 2017 was repealed. This direction directs the insurers and insurance brokers, inter alia, that the Principal Officer of an insurer or an insurance broker shall be the person who is holding the

highest executive position of the company and he/she shall be in charge and be responsible for the general control, direction and supervision of the business activities of the company. Further, the Principal Officer shall report directly to the Board of Directors and shall be required to provide all communications with IRCSL for the attention of the Board of Directors, as early as possible.

Circulars issued during the year

1. Circular # 01 of 2023 – Premium payment warranty for policies of general insurance

This Circular was issued revising the Circular # 25 to exclude the applicability of premium payment warranty on travel insurance, marine insurance, title insurance and for bonds issued by insurance companies on the basis that credit will not be granted for premium payment of the short-term general insurance policies. This Circular was effective from 09 October 2023.



Determination made during the year

Amendment to Determination # 13

The form and affidavits to be to be submitted by the insurers in compliance with section 33 B (1) of the Act regarding the appointment of Directors, have been revised.

Repeal and replacement of Determinations 7, 8 & 9

Determination 7 of 30 October 2002, Determination 8 of 08 February 2008 and Determination 9 of 13 August 2018 on value of professional indemnity policies by applicants seeking registration as brokers, the maximum limit of the professional indemnity cover for renewal of broker registration and the fee for renewal of registration by brokers respectively, are repealed and replaced by Determinations 7, 8 & 9 dated 27 September 2023. Accordingly, the value of professional indemnity policies by applicants seeking registration as brokers, the maximum limit of the professional indemnity cover for renewal of broker registration and the fee for renewal of registration by brokers have been amended.

Guidelines issued during the year

Guidelines on Policy Framework for General Insurance Products

This guideline was issued on 24 April 2023 to set forth a framework for the essential components (elements) of the policy documents of General Insurance products offered in Sri Lanka to protect the policyholders' interest.

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

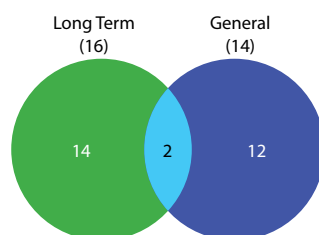
registered under the Act to carry on insurance business.

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.

Twenty-Eight (28) companies were in operation as insurers as at the end of the year. Further, the license of AIG Insurance Limited to carry on general insurance business has been cancelled with effect from 04th April 2022. 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 28 companies in operation, 2 companies were composite insurers, 14 companies were carrying on long term insurance business and 12 companies were carrying on general insurance business. Out of the said 2 composite insurance companies, Sri Lanka Insurance Corporation Limited is in the process of segregating their general and long-term insurance businesses.

Chart 1: Classes of Insurance Business carried on by Insurers



Insurance Brokers

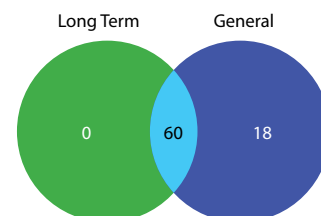
An insurance broker is a company incorporated under the Companies Act, No. 7 of 2007 and registered

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 78 companies registered as insurance brokers. Out of the said companies, 60 companies were registered in both long term and general insurance brokering business while 18 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 commission solicits or procures insurance business for such insurer or insurance broker. Qualifications for registration as an Insurance Agent 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.

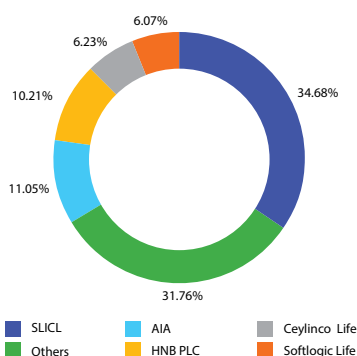
GENERAL REVIEW

As per information given by Insurers, the total number of individuals recruited as Insurance Agents during the year was approximately 17,989, which is a 13.50% increase from the previous year (15,850).

The total number of individual insurance agents representing insurers as at the end of year was approximately 47,192, a 0.19% increase from the previous year (47,102).

Chart 3 depicts individual Insurance Agents registered with Insurance Companies.

Chart 3: Total Agents as at 31.12.2023



The total number of insurance agents representing insurance brokering companies as at the end of year was approximately 662.

Loss adjusters

29 persons were in operation as Loss Adjusters as at the end of the year.

The Loss Adjuster Registration Rules were published in Extraordinary Gazette No. 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 in Section 89A (2) of the Act for the registration requirement for the Loss Adjusters.

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.

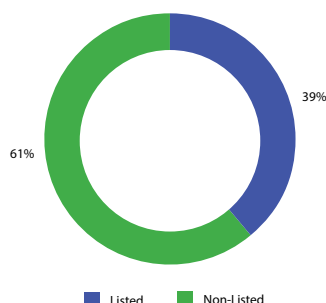
Accordingly, the Commission has specified in the aforesaid Rules the qualifications and/or experience required for a person to be registered as a Loss Adjuster.

Company Status and Changes in Capital

Of the insurers registered with the Commission, 11 companies were listed on the Colombo Stock Exchange as at 31st December 2023, namely: Union Assurance PLC, Softlogic Life Insurance PLC, HNB Assurance PLC, Amana Takaful PLC, Amana Takaful Life PLC, Janashakthi Insurance PLC, Arpico Insurance PLC, People's Insurance PLC, Sanasa Life Insurance Company PLC, Cooperative Insurance Company PLC and LOLC General 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. 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 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.

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. Chart 5 depicts the movement of the Cess and the Policyholders' Protection Fund.

Policyholders' Protection Fund

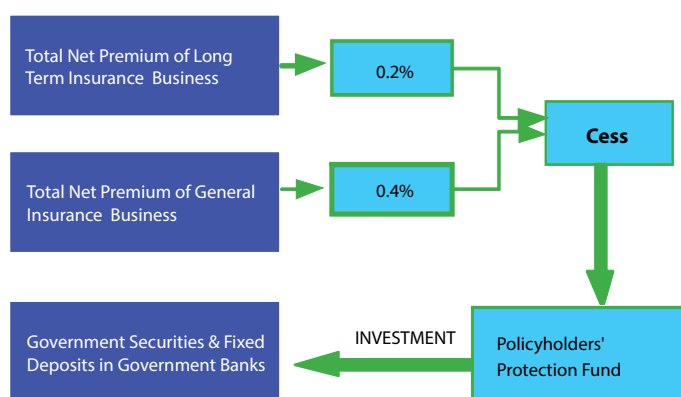
The Cess collected from insurers is deposited into the Policyholders' Protection Fund, established in terms of Section 103 of the Act.

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.

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 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.

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 reinsurance 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 2% of third-party insurance premium to the Road Safety Fund created under the NCRS (contribution of 1% was increased to 2% with effect from 1st October 2021).

The contribution is used to compensate hit and run victims of motor vehicle accidents. The IRCSL is represented in NCRS.

Financial System Oversight Committee

The Financial System Oversight Committee established by the Part XI of the Central Bank of Sri Lanka Act, No. 16 of 2023 substitutes the former Financial System Oversight Council that was set up by the Central Bank of Sri Lanka (CBSL). It consists of senior representatives of financial sector regulators and is chaired by the Governor of the CBSL. The objective of the Committee shall be to contribute to secure the stability of the financial system in line with the macroprudential policy. The Director General represents the Commission on the Financial System Oversight Committee.

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.

GENERAL REVIEW

The Executive Committee of IASL, which comprises of CEO's 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 (LIF)
- General Insurance Forum (GIF)
- Finance Technical Sub-Committee (FTSC)
- Legal Advisory Forum (LAF)
- HR Sub Committee (HRSC)
- IT Sub Committee (ITSC)
- Marketing and Sales Forum (MSF)
- Actuarial Sub Committee (ASC)

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 insurance examinations of such professional bodies. The Institute conducts various programmes in relation to Insurance education including short term diploma courses for persons employed in the insurance industry. In addition, it holds CPD seminars, Insurance related conferences, Inter-Insurance company Quiz programme

and the Inter-Insurance Company Cricket & Netball tournament, to name a few other activities.

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, in written form as well as computer-based online examinations with remote invigilation.

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.

Global Asia Insurance Partnership (GAIP)

The Global Asia Insurance Partnership (GAIP) is a move initiated by the Monetary Authority of Singapore together with the Nanyang Technological University in Singapore and global insurance industry partners with the vision of building long-term risk resilience in Asia while narrowing Asia's protection gaps. It is a non-profit tripartite partnership among the insurance industry, regulators and academia. GAIP has three pillars, comprising the Living Lab, policy think tank and talent development. With Singapore's Nanyang Technological University (NTU) as its academic partner, GAIP will produce actionable research, data, insights and policy recommendations to empower the industry and regional policymakers to address existing and new protection gaps confronting Asia.

The IRCSL joined as an Affiliate Partner of GAIP in the year 2019 on invitation, by which IRCSL will be benefitted inter alia from sharing of knowledge and capacity building for narrowing protection gaps in the insurance industry.

REVIEW OF OPERATIONS

SUPERVISORY REVIEW

The supervision division of IRCSL supervises the insurance industry, ensuring that prudential requirements and supervisory procedures are consistently applied. This ensures fairness, safety, and stability within the insurance market, and eventually provides effective protection for policyholders.

IRCSL's risk-based supervisory activities mainly comprises of off-site monitoring activities such as reviews of statutory returns and compliance status of rules and regulations, risk ratings of insurance companies, computation of early warning ratios, etc., and on-site inspection activities. Further, the division compiles statistical reports for various purposes.

Furthermore, the division is taking certain corrective measures to combat Money Laundering and Terrorist Financing in the insurance industry. These measures include reviewing risk rating tools, conducting AML/CFT on-site inspections in collaboration with the Financial Intelligence Unit of the Central Bank of Sri Lanka, etc.



Off-site Monitoring of Insurance Companies

1. Review of Statutory Returns

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

In accordance with Determinations 14 and 15, as amended on 31 December 2021, all registered insurance companies are required to furnish their annual statutory returns and audited financial statements to IRCSL within four months following the end of the respective financial year. Long-term insurance companies are required to submit actuarial reports and abstracts along with their annual statutory returns.

IRCSL monitored the submission of returns to ensure timelines and accuracy, as well as compliance with the applicable rules and regulations. Insurance companies were advised to rectify the deviations observed from statutory requirements, within stipulated deadlines. Follow-up actions were also taken by IRCSL where necessary. In addition, certain

matters observed during the review of returns were addressed at the onsite inspections conducted.

b. Assessment of Internal Controls, Governance and Risk Management of Insurance Companies

Insurance companies are required to submit their Risk Assessment Report (RAR) to IRCSL each year, as a part of their annual returns. These reports provided qualitative information about various aspects of insurance companies including organizational structure, ownership, business profile, senior management, functions such as marketing and distribution, claims management, risk management, etc. IRCSL uses this information to conduct a thorough assessment and gain insights into the governance, internal controls, and risk management frameworks implemented by the insurance companies.

c. Reinsurance/ Risk Transfer Programs

In accordance with the terms and conditions to be complied with by insurers in terms of section 31 (1) of

the RII Act, insurers are required to submit a report on the reinsurance/ risk transfer program for the year 2023, on or before 31 January 2023 and reinsurance treaty arrangements along with relevant certifications on or before 15 March 2023 to IRCSL. Ten insurance companies have failed to meet the deadline for submitting their treaty reinsurance arrangements while a general insurer failed to place reinsurance arrangements due to complications encountered in their procurement process. We have highlighting the risk associated in this regard to the relevant authorities and management of the institution. .

Further, all insurers are required to submit their facultative reinsurance arrangements on a quarterly basis. IRCSL reviewed the said arrangements, and the observed deviations were communicated to relevant insurers to take corrective actions where necessary.

d. Quarterly Returns

Insurance companies are required to submit their Quarterly Returns to IRCSL within thirty days from

SUPERVISORY REVIEW

the end of each quarter as per the amendment dated 06 October 2022 to Determination 12.

Throughout the year 2023, the quarterly returns were scrutinized to evaluate their performance and ensure compliance with the 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 assets and liabilities, capital adequacy (solvency), liquidity, and other risk areas. Any discrepancies, non-compliances, and significant variations observed during the review of quarterly returns were promptly communicated to the relevant insurers and instructed to rectify and clarify within given time limits.

To evaluate the quarterly performance of each insurer, IRCSL analyzed the premium income, underwriting profit, and net profit for both long-term and general insurance companies. Further, the division computes early warning ratios of insurance companies on a quarterly basis based on the quarterly returns submitted to IRCSL. These ratios include premium stability, claim ratio, expense ratio, retention ratio, combined ratio, underwriting results, return on assets, return on equity and profitability etc. The division monitors and compares the movement of these ratios company wise as well as at industry level and material variances are further evaluated with quarterly returns and communicated to insurers along with other observations of quarterly returns.

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 IRCSL and the relevant provisions of the Financial Transactions Reporting Act, No. 6 of 2006.

e. Monthly reporting

In 2023, one insurance company submitted monthly return as per the information requirements prescribed in Determination 12 adhering to the direction issued based on the non-compliances reported from time to time.

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 IRCSL to ensure compliance with the Solvency Margin Rule. If insurers are unable to fulfill the solvency margin requirements or if the computations are inaccurate, 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. IRCSL monitors compliance with the said provisions on a monthly, quarterly, and annual basis, based on the returns and relevant supporting documents submitted.

Non-compliances or deviations observed are communicated to relevant companies to rectify within stipulated timelines.

b. Other Investments as per the Determination 1

Every insurer is required to invest the balance assets of the Technical Reserve and the Long-Term Insurance Fund in accordance with Determination 1 of 1 March 2011 and its subsequent amendments. IRCSL reviews the investment details of the Technical Reserve and Long-Term Insurance Fund on a monthly, quarterly, and annual basis, based on the returns submitted to ensure compliance with Determination 1.

During the year, IRCSL observed non-compliances and deviations with the requirements of Determination 1 of two insurers. Accordingly, the relevant companies were informed to do necessary rectifications to comply with Determination 1 with immediate effect. Subsequently, both the companies have complied with Determination 1 requirements.

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

In situations where an insurer is at risk of failing to uphold the minimum capital adequacy standards specified in the Solvency Margin (Risk Based Capital) Rules, IRCSL steps in and implements corrective measures by enforcing adherence to 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 taken to resolve problems. This will enable IRCSL to commence supervisory intervention before a significant deterioration of financial conditions or solvency concerns leading to a crisis. During the year, three companies reported TAC below LKR 500 million, and four companies reported CAR between 120% and 160% and accordingly

they were requested to comply with requirements under the Enforcement Strategy.

5. On-site Inspections of Insurance Companies

In 2023, the division conducted four onsite inspections aimed at assessing the performance, procedures, and controls concerning specific aspects of the insurance company, including investments, operations, financial condition, enterprise risk management, and corporate governance. Key findings identified during these inspections were conveyed to the insurer, along with recommendations from IRCSL regarding areas requiring improvement.

Statistical Reporting and Other Activities

1. Industry Handbook 2022

The division has prepared the industry handbook (e-book) for the year 2022 based on the audited financial statements and statistics submitted to IRCSL. Accordingly, the industry handbook contains statistics pertaining to the industry and company-wise balance sheets, income statements, and concentration of assets, etc. The same was published on the IRCSL website.

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

In 2023, IRCSL submitted the following information to the Central Bank of Sri Lanka (CBSL) according to their request.

- Financial information relating to the performance of the insurance industry on a quarterly basis to the Macro-Prudential Surveillance Department of CBSL based on the information and statistics collated from the Quarterly Returns.

- Insurance industry information on an annual basis for the Insurance Industry Appendix of the CBSL Annual Report.
- Provincial data on premium income, claims paid, and other revenue, to fulfill the information requirement of Provincial GDP Estimates prepared by CBSL.
- Information requested by the CBSL to conduct group wide Supervision

3. Submission of Progress report to the Ministry of Finance

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

4. Risk Tool

Based on the financial and other pertinent data provided by insurers through annual and quarterly returns, IRCSL has developed an internal risk assessment tool. This tool serves as an early warning mechanism to identify the level of risk associated with each insurer. The risk profiling was carried out separately for long-term and general insurance companies based on quantitative and qualitative criteria set and relevant data gathered from risk assessment summary, solvency returns, and onsite inspections, etc. The main financial criteria considered include capital, assets, profitability, market share, etc. and compliance perspective includes compliance with solvency requirements, reinsurance terms & conditions, Determination 1, and delay in submissions, etc. Further, the governance and risk management perspective has also been considered for risk profiling which deals with the organizational structure, Board of Directors and Board sub-committees, internal controls, risk management, etc.

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

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

a. Onsite Inspection

IRCSL in collaboration with the Financial Intelligence Unit (FIU) of the Central Bank of Sri Lanka conducted five AML onsite inspections in terms of Section 15(1) (e) read with Section 18 of the Financial Transactions Reporting Act, No. 6 of 2006 (FTRA). These inspections aimed to evaluate whether the customer due diligence processes of insurance companies aligned with the legal and regulatory requirements outlined in the FTRA and associated rules and regulations. Observations from these inspections were communicated to the respective insurers to prompt corrective actions.

b. Risk Tool

In terms of the provisions of the FTRA, IRCSL in collaboration with the FIU of Central Bank has continued assessing the money laundering vulnerabilities of all long-term insurance companies and developed a risk tool to ascertain the AML/CFT risk.

Accordingly, IRCSL has circulated a questionnaire among long-term insurance companies for the purpose of collecting a wide range of information related to each company, such as products, customers, etc.

SUPERVISORY REVIEW

Politically Exposed Persons (PEPs), distribution channels, corporate governance, policies & and procedures, risk management, employee due diligence, compliance, internal controls etc. for the period from 1 October 2022 to 30 September 2023. Based on the information, IRCSL has updated the risk tool to ascertain the AML/CFT risk of long-term insurance companies.

6. Dividend Distributions

IRCSL received dividend declaration requests from insurers as per the provisions of Direction No. 01 of 2021 dated 10 March 2021 and its subsequent amendment dated 30 August 2021 and 20 September 2023. The amendment in 2023 primarily aimed to address the financial implications related to recovering all receivable sums from insurance companies to SRCC and T, as well as the capital requirements for implementing IFRS 17 and IFRS 9. Accordingly, insurers are required to meet the terms and conditions prescribed in Direction No. 01 of 2021 when declaring dividends, which include a confirmation from the Board of Directors of the respective insurance company that it has considered all the terms and conditions stipulated in the said Direction. IRCSL reviewed the dividend declaration requests separately in terms of the requirements of Direction No. 01 of 2021 along with other relevant financial and solvency conditions of the company prior to providing the consent.

7. Peer Review Process on Insurance Core Principle (ICP) 16 of International Association of Insurance Supervisors (IAIS)

During the year, IRCSL has performed the self-assessment and peer review on supervisory and enforcement measures relating to the ICP 16 which were part of the assessment strategy designed by IAIS to support its members with the implementation of the supervisory standards.

The main objective of this was to identify the nature and extent of any weakness or gaps in supervisory and regulatory frameworks, and to provide information on the level of current supervisory capacity and extent of future supervisory development.

8. Insurance Industry Exposure to Government Securities

IRCSL assessed the potential impact on holding of government securities by the insurance industry and requested the Ministry of Finance, economic stabilization, and national policies to consider the exemption of the insurance industry from any government debt restructuring.

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 IRCSL within 45 days from the end of each quarter as per the Gazette Notification No. 1642/16 of 25 February 2010 and its subsequent amendments.

During 2023, insurance brokering companies submitted their quarterly returns. IRCSL reviewed the quarterly returns to assess their financial position, performance, and compliance with the regulatory requirements. Non-compliance or deviations observed were communicated to respective brokering companies for clarification and rectification.

Insurance brokering companies are required to submit audited financial statements (AFS) within six months of the expiry of the accounting period in terms of Section 86 (2) of the RII Act. IRCSL reviewed the AFSs submitted and the deviations from regulatory requirements and material observations in financial statements were communicated to the respective

insurance brokering companies for clarification and rectification.

2. Renewal of Registration

Insurance brokering companies submitted applications for the renewal of their annual licenses for the year 2024. Before proceeding with the license renewals, IRCSL conducted an analysis of its Annual Financial Statements (AFSs) and quarterly returns to evaluate its financial position and performance.

3. Registration of New Insurance Brokering Companies

During the year, IRCSL received applications from proposed parties to obtain licenses to act as insurance brokering companies. The division 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.

4. Risk Tool for Insurance Brokering Companies

Based on the financial and relevant data provided by insurance brokering companies through their annual and quarterly returns, IRCSL has formulated an internal risk assessment tool. This tool functions as an early warning system, aiding in the identification of risk levels associated with each company. Risk profiling is conducted based on financial indicators such as total assets, net capital, commission income, delay in submission, etc.

Subsequently, insurance brokering companies are classified into "High," "Moderate," and "Low" risk categories based on their respective scores. The division particularly focuses on closely monitoring the performance of brokering companies categorized as "High Risk." Regulatory requirements and supervision intensity vary based on the risk score of each company, reflecting a risk-based approach.

REVIEW OF ACTUARIAL RETURNS



IRCSL discharges its responsibility of promoting market resilience and protecting stability of the insurance industry through prudential supervision of insurers. Actuarial Unit ensures a robust regulatory and supervisory framework for the insurance industry from an actuarial perspective. Unit observes insurance market activities through a combination of monitoring the compliance with rules and regulations issued by IRCSL and financial examinations through off-site inspections. Further, the Unit reviews actuarial certificates of long-term insurance products for the purpose of examining whether the interest of policyholders is being adequately safeguarded.

During the year under review, the IRCSL received 16 Actuarial Reports and Abstracts, 14 Reserve reports, and 120 quarterly returns (comprising 30 statutory returns submitted per quarter) from long term and general insurers. The Dynamic and competitive nature of Sri Lankan insurance market necessitates a proactive approach to regulation and supervision.

Off-site Monitoring of Insurance Companies

Review of Statutory Returns - Quarterly Returns – Policy Liabilities, Actuarial Abstracts and Reserve Reports

The Solvency Margin (Risk Based Capital) framework was implemented with effect from 1 January 2016 with a view to further strengthen the capital adequacy levels of insurers. In accordance with Determination 14 issued in terms of Sections 26 (1), 47 (1) & 56 of the Act and Determination 15 issued in terms of Section 48 (1) of the Act, all registered insurance companies are required to furnish annual statutory returns. Quarterly Returns are required to be submitted in terms of Determination 12 issued under Section 49 (b) of the Act.

To effectively monitor and assess the performance of each insurer and to ensure compliance status with rules and regulations, the Unit has established a comprehensive framework. This framework includes company reviews, supervisory risk assessments, follow-up actions on

identified issues and insurer response and feedback loop.

According to the RBC Rules, 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 computations along with quarterly and annual returns. As part of its supervisory review process, such computations are reviewed and analyzed by the Unit to ensure compliance with the rules. If insurers are unable to fulfill the solvency margin requirements or inconsistencies noted with respect to such computations, Unit instructs the companies to take necessary actions to comply with the rules and rectify inconsistencies within stipulated timelines. The Unit may also implement further follow-up measures as required.

Among other things, the financial position of all insurers at the end of each financial year is examined by the Unit, whether insurers have sufficient

REVIEW OF ACTUARIAL RETURNS

capital to meet their future obligations to policy holders and comply with solvency requirements and other regulatory standards. This analysis considers assets, liabilities, liquidity and capital adequacy as such factors play a major role in an insurer's ability to comply with solvency requirements and other requirements. This enables the Unit to anticipate uncertainties and rectify problems that may adversely affect an insurer's capacity.

While off-site monitoring allows for regular review of insurer compliance with valuation requirements, on-site inspections are crucial for addressing actual or potential supervisory concerns. These inspections complement off-site monitoring, forming an integral part of a robust supervisory process. However, due to lack of resources, no onsite inspections were carried out during the year under review. To strengthen its supervisory framework, the Unit plans to incorporate on-site inspections. These inspections will prioritize insurers' based on risk level, size, and complexity, identified through off-site monitoring. The frequency, scope, and the depth of each inspection will be tailored accordingly.

Review of Actuarial Certificates of Long-Term Insurance Products

In terms of Circular 1 of 2021, insurance companies are required to keep the IRCSL informed of the proposed date of launch of insurance product as referred to in Section 37 (1) of the Act and file details of the product. During the year under review, the Unit reviewed 22 products & riders and gave its opinion to clear the products after having satisfied that the terms & conditions are fair and equitable. During this process, the Unit sought clarification from companies on specific observations where necessary and considered their responses prior to finalizing.

Study Insurance Core Principle- ICP 14 of International Association of Insurance Supervisors (IAIS)

In line with the IRCSL strategic objective of "Ensuring a responsive Legal and Regulatory Framework", (Strategic Plan 2023-2027) the Unit performed a self-assessment and review of ICP 14 – "The Supervisor establishes requirements for the valuation of assets and liabilities for solvency purposes". The main objective of this task was to identify the nature and extent of any weaknesses and gaps in current supervisory and regulatory frameworks and to provide information on further development. The Unit will develop recommendations based on identified gaps and weaknesses to enhance supervisory processes.

REGULATORY REVIEW



Registration of Insurance Companies

No new registration was granted to any insurers by the Commission during the year. Accordingly, the number of registered insurers for the year is 28.

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 of registration was imposed on two insurance companies to carry on insurance business with effect from 11 April 2023 in terms of Section 18 (1) of the Act. The said suspensions were removed on 25 May 2023 and 16 May 2023 in view of the corrective measures taken by the said companies as directed by the Commission.

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.

Directions

1. The Commission has issued a Direction to an insurer in terms of Section 57(1) of the Act to remove the existing company secretary and to appoint an independent company secretary immediately upon finality of the composition of the Board of Directors of the insurer. Further, the Commission directed the said insurance company to refrain from any discretionary payments/ investments of any expenditure such as payment of bonus, salary increment, incentives other than payment of essential expenses of the company, and another direction was issued to remove the Principal Officer from his position and to take steps regarding operational and governance matters.

2. The Commission has issued a Direction to an insurer in terms of Section 57(1) of the Act to nominate a suitable person as the principal officer on an acting basis pending investigations.

Warnings

The Commission has issued warnings to insurance companies for violation of Determination # 14, Determination # 15 and for failing to obtain board approval for the payment of bonus for 2022 and for the actual payment exceeding the board approval budgeted for 2022.

The Commission also has issued a warning to a principal officer for the failure to adhere to the direction imposed by IRCSL regarding related party transactions.

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

The Commission received four new business proposals during the year from persons who are interested in being registered as insurance brokers. The Commission granted

REGULATORY REVIEW

name approvals to four people to incorporate a company during the year. The Commission also granted registration to three companies as insurance brokers during the year. Another two existing companies (carrying on general insurance brokering business) were granted registration to carry out Long Term insurance brokering business.

Applications from 78 insurance brokering companies, seeking renewal of registration for year 2024 were received by the Commission during the year, and renewal of registration was granted to 76 out of the said 78 companies in view of them fulfilling necessary requirements under the Act. The renewal of registration was not granted to two companies due to not adhering to the statutory time frame provided in Section 83 of 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

Directions

The Commission has issued a direction to a brokering company in relation to authorization granted to them regarding overseas health insurance.

Warnings

1. The Commission has issued a warning to the Principal Officer of a brokering company for the violation of Section 80(2)(b) of the Act.
2. The Principal Officer of a brokering company was warned for providing false, misleading/ inaccurate information to IRCSL and for contravening the provisions of Section 82 of the Act.

3. The Principal Officer and Directors of a brokering company were warned for the violation of Section 82(4) of the Act.
4. The Commission issued a warning to the Principal Officer of a brokering company on the grounds that intermediary activities were carried out for overseas health insurance policies without authority granted by IRCSL.
5. A warning was issued to the director of one brokering company for signing as a director without holding the office of director of that brokering company.
6. A warning was issued to the Principal Officer of one brokering company for failing to carry out the responsibilities and duties assigned in terms of Section 94 of the Act read with Direction # 5 of 2021.
7. The Principal Officer of one brokering company was warned for violating Circular # 36 regarding carrying out intermediary activities without the authority of IRCSL.
8. A warning has been issued to the Principal Officer of a brokering company for submitting application for authorization of Overseas Health Insurance after the expiry of registration.
9. The Commission has issued warning to a brokering company for non-submission of audited financial statements in compliance with Direction # 19.
10. The Commission has issued warning to Principal Officers of the brokering companies which have failed to submit the applications for renewal of registration for the year 2024 in compliance with section 83 of the Act.

11. A warning was issued to another brokering company for the loss of the certificate of registration.
12. A warning has been issued to the Principal Officer and Directors of a brokering company for violation of section 82(4) of the Act.

Suspensions

Suspension was imposed during the year for not meeting the minimum net capital requirement and thereafter suspension was removed upon meeting the minimum net capital requirement.

Registration of Loss Adjusters and Renewal of Registration of Loss Adjusters

The Commission granted registration to two persons as loss adjusters during the year and re-registration as a loss adjuster. The Commission also accepted annual payment from twenty-nine persons to function 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 the 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. 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.

2. One insurance company requested in 2023 to declare dividends for the fiscal year ending 31 December 2021. The Commission acceded to the said request subject to the Board of Directors of the company taking all necessary precautions and steps to safeguard the company as well as its policyholders.
3. Having reviewed the 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.
4. The Commission, having considered the request and the relevant documents submitted by one insurance company, has approved the proposed right share issue of LKR 350 Mn, subject to approval of the Central Bank of Sri Lanka, for the investment by a company and dilution of said insurer's stake in its parent company and further the Commission required insurer to fulfil the capital requirements (TAC and CAR) for both General and Life businesses within three months of after obtaining the aforesaid approvals of the Central Bank of Sri Lanka, failing which IRCSL to take regulatory action to suspend the said insurer in terms of Section 18 (1) (f) and (g) of the Act.
5. Observations of the Commission have been issued to one composite insurance company on the transfer of insurance business as required under section 102 of the Act. As per section 102 of the Act all transactions relating to any transfer and amalgamation of insurance business shall be approved by a District Court, and when applying for such approval, a copy of the IRCSL's observations on such transfer and amalgamation should also be submitted to Court for its perusal.

INVESTIGATORY REVIEW



The statutorily entrusted power to the Commission via the Regulation of Insurance Industry Act No. 43 of 2000 to inquire into any dispute arisen in relation to a claim and thereafter make an order if the Commission deems appropriate, is executed through the Investigation Division.

The Division ensures the right of being heard is provided to all parties of a dispute prior to making a decision in relation to disputes.

Claim disputes received are reviewed by the Division keeping in mind the statutory objective of safeguarding the interest of the policyholders. The Division will not hesitate to require an insurer to revise or revisit the decision made to repudiate a claim, if the evidence relied upon by the insurer to reject the same is not adequate or conclusive.

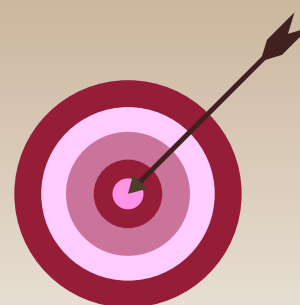
Strategic Focus of the Division

The divisional strategic focus is enshrined in the Strategic Plan of the IRCSL 2023-2027 approved by the Commission. The Key Results Area of the Division under the overall Strategic Plan is consumer protection. The Strategic Objective is to protect the interest of the insurance policyholders and their beneficiaries.

Under such objective, the main actions set for the Division are, to;

- conduct a comprehensive study on the current practices and procedures followed by the insurers in claims management and dispute resolution;
- identify issues in the claims management processes of the insurers to develop minimum criteria to be followed by the insurers to promote consumer protection; and
- Identify the gaps of the current system of dispute resolution against the relevant Insurance Core Principles (ICPs) and international best practices and make recommendations for improvement.

During the year under review, the Division conducted a jurisdictional research on claims and dispute handling procedures to understand the international best practices. Thereafter the division gathered information from several licensed insurance companies on claims and complaints handling procedures. Division having reviewed the policies and procedures forwarded by companies visited four selected companies representing two general insurance companies and two life

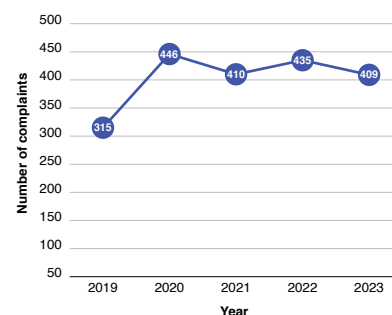


insurance companies to better understand the application of the said policies and procedures companies have documented.

Synopsis of Complaints

The Commission received 409 complaints during the period under review, out of which 308 matters (which includes matters brought forward from the previous year) were concluded upon inquiry. 88 matters were concluded in favour of the claimants with an approximate value of Rs.65 million.

Chart 1: Total number of complaints received during last five (2019 - 2023) years



The Division has received a total of 2015 complaints during the past five (5) year period. Number of matters referred to the Commission during

the period under review has slightly dropped compared to the previous year (2022).

Chart 2: Month wise analysis of complaints during 2023

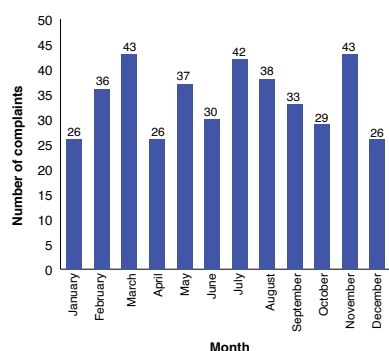


Chart 2 depicts the month-wise analysis of complaints received by the Division. The highest number of complaints were received during March and November while the lowest number of complaints were received in the months of January, April and December.

Chart 3: Classification of complaints based on the class of insurance business in 2023

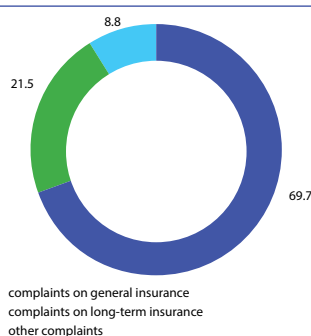


Chart 3 depicts the total matters referred to Commission during the year 2023. The majority of complaints, i.e. 285 (69.7%) were with respect to general insurance business and 88 (21.5%) complaints were relating to long-term insurance business. The balance 36 (8.8%) complaints were mainly relating to issues with insurance agents. When compared to the previous year, the percentage of complaints on general insurance

business has increased from 63.7% (in 2022) to 69.7%, and the percentage of complaints on long-term insurance business has decreased considerably from 31.7% (in 2022) to 21.5%. The proportion of other complaints has also increased from 4.6% (in 2022) to 8.8%.

Analysis of Complaints on General Insurance Business

An issue-wise analysis of complaints received by the Commission on general insurance business is given in Table 1.

Table 1 – Complaints on General Insurance Business: Issue wise

Issue	No. of Complaints	Percentage
Claim disputes	235	82.46
Non-acceptance of liability	145	61.70
Dissatisfied with the claim offered/ paid	45	19.15
Delays in settling claims	34	14.47
Other	11	4.68
Other Complaints	50	17.54
TOTAL	285	100.00

As shown in Table 1, out of the total complaints (285) under the general insurance business, 235 (82.46%) were claims disputes while the balance 50 complaints (17.54%) were other complaints such as mid-term policy cancellations, not responding to queries, requests for premium refunds and non-receipt of policy documents.

The root-cause-analysis of complaints on non-acceptance of liability (61.7%) revealed that the main causes for repudiation of 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, the Police, hospitals and 3rd party witnesses (where required).

Dissatisfaction on the claim offered was the other main reason for complaints (19.15%) under claim disputes. It was observed that most of the delays have occurred due to the company conducting further investigations into claims. In addition, delays on the part of the insured or the repairers in furnishing required information and documents to finalize the claims were also observed. The balance 34 (14.47%) disputes referred to the Commission were relating to the delay in settling claims. Misinterpretation of the policy wording and lack of clarity in explanations provided by insurers on loss adjustments/deductions were the main causes for complaints of this nature. Most of these disputes were resolved by providing the required explanations to claimants in writing or during the discussions held at the Commission.

INVESTIGATORY REVIEW

Analysis of Complaints on Long Term Insurance Business

Table 2 below illustrates an issue-wise analysis of the complaints on long term insurance business.

Table 2 – Complaints on Long Term Insurance Business: Issue wise		
Issue	No. of Complaints	Percentage
Claims Disputes	38	43.18
Non-acceptance of liability	23	60.53
Delay in settling the claim	06	15.79
Dissatisfied with the claims offered	08	21.05
Other	01	2.06
Other Complaints	50	56.82
Request to refund/cancellation of revival	12	24.00
Provision of information	01	2.00
Payment/misappropriation of premia	04	8.00
Maturity payment/ surrender value	12	24.00
Other	21	42.00
TOTAL	88	100.00

As per Table 2, the total complaints (88) related to the long-term insurance business consists of (43.18%) of claim disputes and (56.82%) of other complaints.

The main cause (60.53%) for claim disputes was relating to non-acceptance of liability. The main reason for such disputes is lack of comprehension of the policy wording and the inadequacy of explanations provided by insurers. Most of the disputes were resolved by providing required clarifications to policyholders, in writing and at the discussions conducted by the Commission.

Another 21.05% of claim disputes were related to dissatisfaction with the claims offered. The claim repudiations have been based on non-disclosure or misrepresentation of material facts by the insured at the commencement or revival of the policy. The fundamental legal principle relating to insurance contracts, *uberrimae fidei* (utmost good faith) acts *vice versa* on both parties of the insurance 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 applicable to an insurance contract 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 reason for non-disclosure and misrepresentation of facts by proposers has been due to lack of knowledge of the relevant insurance principles and of the obligation to disclose material information. The Commission was able to assist only in a 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 specified in the policy document. Claims have been repudiated where the policies have been lapsed, due to non-payment

of premium. The policyholders are obligated to maintain the policy by paying premiums on time and 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.

The majority (24%) of the other complaints referred to the Commission were requests to refund/cancel 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 poor 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 request to refund premiums paid to life insurance policies are the lack of understanding of the policyholders of the importance of life insurance and financial difficulties faced to pay regular premium.

Other Complaints

36 complaints referred to the Commission were mainly on unfair termination and educational qualifications of agents. Action was taken, where possible, in terms of the powers conferred on the Commission under the Act.

MARKET DEVELOPMENT AND EXTERNAL RELATIONS (MDER) REVIEW



Creating awareness is thought to be a crucial factor in both the expansion of the insurance sector and the protection of policyholder interests. The main players in the insurance industry, existing and prospective policyholders, need to be informed in order to safeguard their interests and make informed decisions when entering into insurance contracts.

Our approach to improving insurance literacy is founded on the ideas that increase in awareness will provide the public with helpful insurance knowledge, that taking greater responsibility will help them manage their overall risk exposure, and that having an insurance regulator to turn to in the event of a dispute about insurance coverage or claim will be beneficial. By educating policyholders about their rights and responsibilities regarding insurance coverage, the insurance industry and its latest advancements, selecting suitable insurance products, grievance redress mechanisms available to policyholders, etc., the IRCSL hopes to safeguard the interests of both present and potential policyholders.

The IRCSL has consistently conducted a number of insurance awareness programs in an effort

to provide current and potential policyholders with realistic understanding of their needs for risk coverage and select the policies that best satisfy those needs. In the year 2023, the IRCSL carried out its awareness campaigns, executing them with a balanced approach to mass and digital communication platforms. The details of the activities carried out during the year under review are as follows:

Mass Communication

Print Media

Press releases and articles are used to promptly inform the public of important corporate news and new developments. The IRCSL published several press advertisements and press releases during the period under review.

The following are the press releases published:

- a) "Insurance Industry Performance – Quarter 03, 2022 and performance from year 2017 to 2021" in January, 2023.
- b) "The Insurance Regulatory Commission of Sri Lanka (IRCSL) organizes a virtual

awareness session for insurance brokering companies on reporting requirements" in February, 2023.

- c) "President's Counsel, Razik Zarook assumes duties as the chairman of the Insurance Regulatory Commission of Sri Lanka" in March, 2023.
- d) "The IRCSL urges public against the purchase of pass cards/ coupon cards/discount cards relating to insurance products" in March, 2023.
- e) "Insurance Industry Performance – Quarter 04, 2022" in April, 2023.
- f) Selling discount cards to the public for a fee, offering discounts on certain insurance products" in June, 2023
- g) Insurance Industry Performance – Quarter 01, 2023" in July, 2023.
- h) Insurance Industry Performance year 2022" in September, 2023.
- i) "IFC Women's Insurance Programme: Creating the Insurance Market for Women in Sri Lanka" in October, 2023.

The following press notice was published:

MARKET DEVELOPMENT AND EXTERNAL RELATIONS (MDER) REVIEW

- a) “Selling Discount cards to the public for a fee, offering discounts on certain insurance products” in June, 2023.

The notice was circulated to all radio and TV channels to inform the public to refrain from purchasing such coupons/ discounts cards.

TV Programmes

The officials of the IRCSL participated in the following programme to create awareness on matters relating to insurance:

- ‘Hathveni Paya’, a live discussion telecasted on Independent Television Network (ITN).

Further, the background work has been completed to commence an awareness campaign on Television & Radio, and in Press from January, 2024 onwards.

Awareness through Digital Media

E- Handbooks

Elaborative e-booklets based on topics such as life insurance, health insurance, motor insurance, property insurance, travel insurance, tips on purchasing an insurance policy, and policyholder rights and duties were developed to enhance in-depth knowledge and policyholder awareness. The seven (07) e-handbooks in Sinhala language were published on the website of the IRCSL in June 2023.

E-Newsletter

The annual publication of E-Newsletter serves as an important channel to enhance the knowledge of both an existing and potential policyholders. The newsletter covers a wide array of topics including important insurance tips, why you need a life insurance, industry statistics, industry related topics and new directions and circulars with a focus on policyholders, potential policyholders and insurance

practitioners. The E-newsletter was circulated among more than 500,000 email recipients and was published in the IRCSL website and in social media pages during the month of October 2023.

Awareness through SMS

The IRCSL conducted the short messages (SMS) campaign, covering insurance related topics, insurance tips & policyholders’ rights and duties under the name tag of “IRCSL”. Twenty-two (22) such SMSs were delivered to a customer base of more than 6000 persons via the selected mobile network operator during the period under review.

Facebook page and LinkedIn page

During the period under review, the IRCSL has prepared and published Forty One (41) social media posts in Facebook and LinkedIn pages of the IRCSL on various aspects of insurance, policyholders’ rights & duties and insurance industry statistics with a view of educating the public and the IRCSL successfully strengthen the online presence and expanded the reach.

YouTube

The IRCSL created a new series of animated posts consisting of eight (08) animated posts based on policyholders’ rights & obligations and awareness on other matters related to insurance awareness.

Upgrading the website of the IRCSL into 3 languages

The website layout of the IRCSL has been upgraded to include Sinhala and Tamil languages.

Ensuring Policyholder Protection through regular monitoring of advertisements and products

1. Ensure policyholder protection through reviewing of new insurance products

The IRCSL reviewed new life and general insurance products

submitted by insurance companies and observations on benefits, terms & conditions and marketing programme of such products have been communicated to the insurance companies during the period under review.

2. Review of marketing/ advertising materials of insurance companies in terms of the Advertising Guidelines

During the period under review, the IRCSL evaluated product-related marketing material of Life & General insurance companies and insurance brokering companies with a view to promoting fair, honest and transparent marketing practices with regard to insurance products.

One thousand seven (1007) product related Advertisements were reviewed as at 31st December 2023.

Market Research

(A) The research on Confidence Level

The University of Colombo (UoC) completed the survey on confidence level in insurance with a view to ascertain the public perception and confidence in insurance and identify issues that needs to be addressed to improve public confidence. The UoC has presented the final report of the said survey, along with the research findings and recommendations to the Commission and all CEOs of Insurance companies. The IRCSL intends to implement the survey recommendations in 2024 and aims to address the issues identified, in order to improve public confidence on insurance.

(B) Market Research

The IRCSL made preliminary arrangements to conduct a market research to identify the existing policyholders’ attitude, perception and understanding about the benefits, policy conditions, exclusions, quality of the services offered by the insurers, distribution channels, processes

National Financial Inclusion Strategy (NFIS)

IFC WOMEN'S Insurance Programme

Financial Sector Modernization Project (FSMP)

The MDER Strategic Plan Activities 2023

1. A draft guideline on Market Conduct Regulations has been prepared with a view to formulating a market conduct regulatory framework.
2. A draft guideline for the Claims Management Procedure of Insurance Companies has been prepared and shared internally with a view of obtaining comments and for necessary further development.
3. The Division collected and analysed claims details of year 2022 of life insurance and general insurance businesses and the claims statistics were published on the website of the Commission in October, 2023.

Other Engagements

Responses to Public Queries

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

YEAR AT A GLANCE

Pictorials of publications and activities carried out, press releases & other publications



MARKET DEVELOPMENT AND EXTERNAL RELATIONS (MDER) REVIEW

YouTube



TV Programmes



IFC Women's Insurance Programme



FINANCE AND ADMINISTRATION REVIEW

The Finance and Administration Division is responsible for Finance, Human Resource Management, Administration and Information Technology of the IRCSL. The Division carries out the following functions under each area:



Finance

Overseeing and reviewing the annual budgeting and planning process, preparation of annual/monthly financial statements, collection of registration fees, CESS, annual fees and renewal of registration fees, prudently investing surplus funds, handling of payroll of staff, making relevant tax payments to the Inland Revenue Department etc.

Financial Review for the year under review is as follows:

Policyholders' Protection Fund (PPF)

The Policyholders' Protection Fund is established to credit money from the CESS levied and charged under Section 7 of the Regulation of Insurance Industry Act, No. 43 of 2000. The CESS levied at present is 0.4% of net written premium income of general insurance and 0.2% of net written premium income of long term insurance. The monies lying to the credit of the PPF is permitted to be utilized for the general protection of policyholders and for any other specific purpose as may be determined by the Commission, by rules made in that behalf.

As per Section 103 (3) of the Act, any money, which is not required immediately for the purposes envisaged, shall be invested by the Commission in prudent and safe manner to yield good returns. Accordingly, CESS collected has been invested by the Commission. Due to high-interest rates prevailed during the year under review, the overall interest income increased. Chart 1 depicts the CESS collection and investment income for the years 2019 to 2023.

Chart 1 - Cess Income and Investment Income for the period 2019-2023

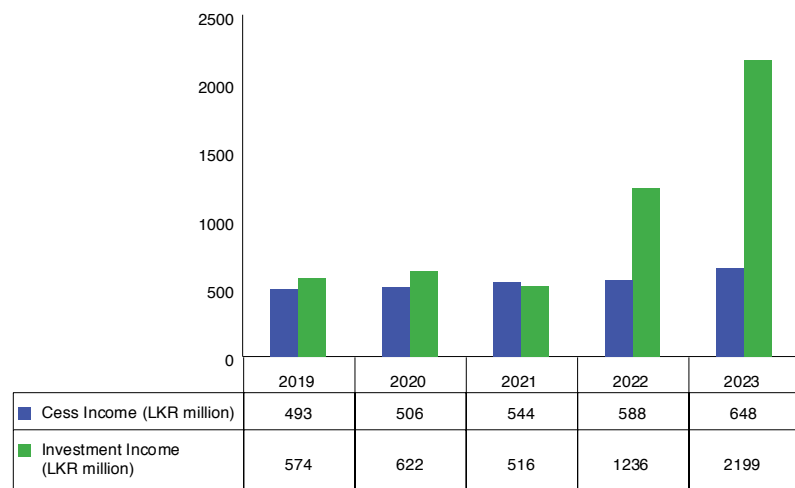
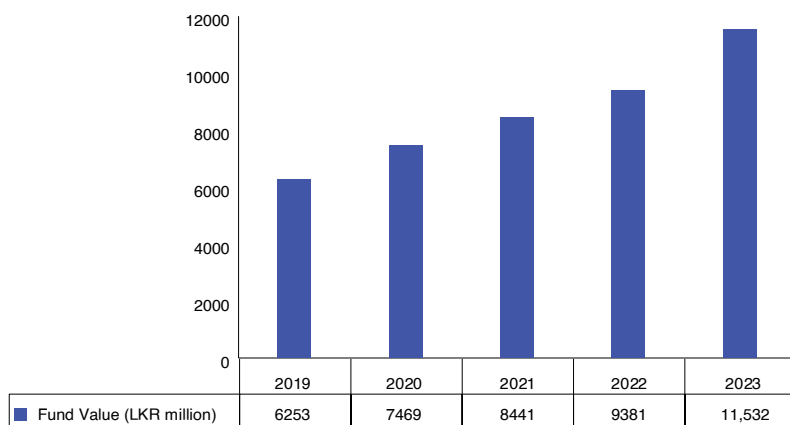


Chart 1 illustrates the growth of the CESS income over the last five years. Due to the impact of favorable market conditions, investment income has increased from 2019 to 2020 but due to drop of interest rates in year 2021, the investment income has reduced. However, in years 2022 and 2023, investment income has shown a rapid increase, because of high interest rates in such years.

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 until 2020 contributed to the steady growth in the PPF.

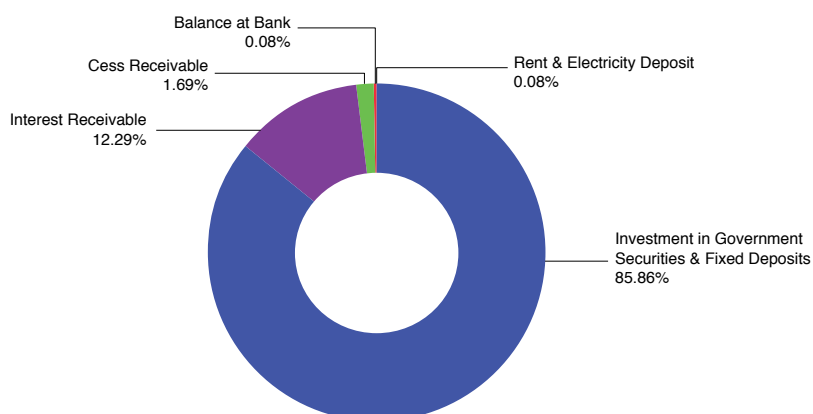
FINANCE AND ADMINISTRATION REVIEW

Chart 2 - Policyholders' Protection Fund Values for the period 2019 - 2023



The composition of assets of the Fund as at 31st December 2023 is depicted below:

Chart 3 - Assets Composition of Policyholders' Protection Fund as at 31st December 2023



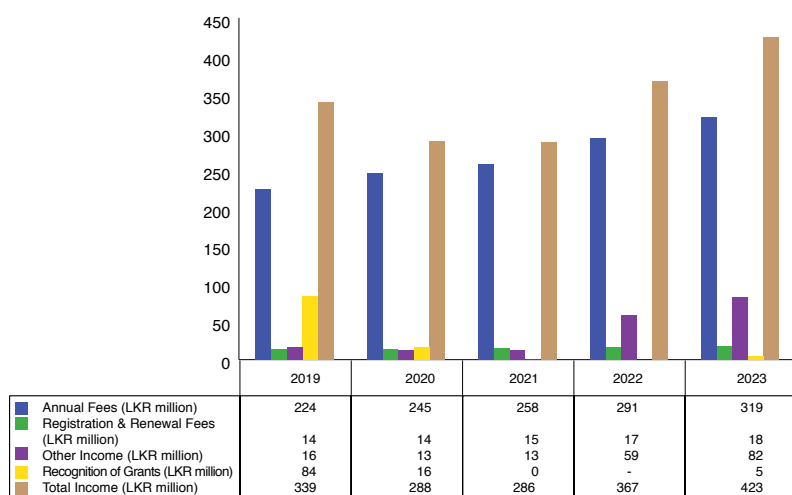
Income of the Commission

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

Chart 4 depicts the breakup of overall income received for the period 2019 to 2023.

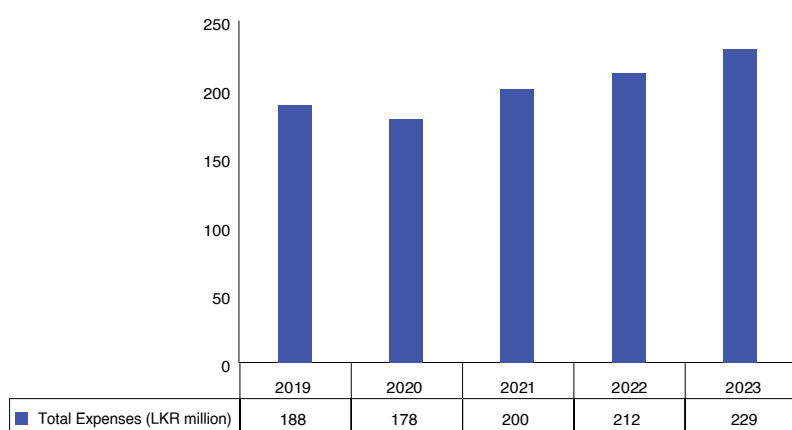
Chart 4 - Income of the Commission for the period 2019-2023



Expenses of the Commission

Chart 5 below depicts the total expenses of the Commission for the period 2019 to 2023.

Chart 5 - Total Expenses of the Commission for the period 2019-2023



Administration

Administration function includes; setting up the administrative processes and systems and continuously reviewing the established processes and systems to ensure the proper functioning of the administration of the IRCSL, preparing of annual procurement plan, procuring of goods and services, setting up and implementing sound processes and systems for the proper management of all assets and records, providing logistical assistance to the entire organization, ensuring availability of stationeries and other office supplies, ensuring a conducive and orderly office environment, maintaining the vehicle fleet, conducting the annual board of survey and identifying disposable assets.

In addition to routine functions, the Document Management Policy was approved during the year to ensure that all records/information/documents in the custody and control of the IRCSL are managed, stored and disposed of in a consistent

manner conforming to good practices set out and complying with applicable laws.

Human Resources Management

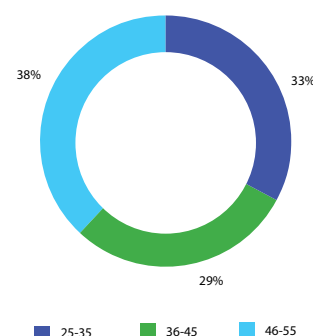
Human Resource function includes; attending to all matters of human resource planning, recruiting and selecting, maintaining personal files, performance management, confirmation, training and development, health & safety, career planning, maintenance of attendance and leave records, conducting of exit interviews, attending activities on resignations and retirements.

Staffing

Human resource is integral to the success of the IRCSL. Human Resource Management plays a significant role in the IRCSL by contributing to its productivity. The human resource is important because they can make the best use of their intellectual nature to create more resources by applying knowledge, skills and technology and they are the greatest asset of the IRCSL.

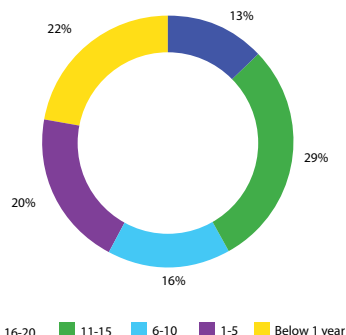
Due to various reasons including volatile economic conditions in the country, one Assistant Director, three Assistant Managers, six Executives, and one Secretary resigned during the year under review. 12 vacancies have already been filled as at 31st December 2023. The total staff strength of the Commission stood at 45 as at 31st December 2023.

Age Analysis

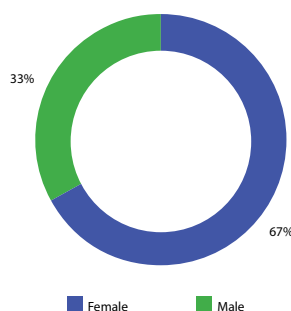


FINANCE AND ADMINISTRATION REVIEW

Service Information



Gender Composition



The revised Administration and Human Resource Management Policy Manual was issued during the year to provide awareness/guidance to the employees of the IRCSL on the administration and human resource management policy of IRCSL.

Employee Performance Appraisal scheme was introduced during the year and annual performance evaluation was carried out based on set criteria.

From the human resource perspective, a grievance-handling policy was introduced during the year. The objective of introducing such a policy was to resolve work-related or employee-related grievances properly and speedily within a set time frame, to facilitate an environment where employees build confidence to lodge grievances without fear of victimization, and to create a workplace in which employees are motivated, focused and productive.

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. Staff is provided with local and overseas training opportunities to sharpen their knowledge in relevant fields. Director Finance and Administration and Assistant Director Legal participated in overseas training on “Asian Insurance Meet” held in Nepal, one Manager participated in the “ERD, ADB Regional Forum on Strengthening the Enabling Environment for Disaster and Pandemic Risk” held in Thailand and an Assistant Manager and an Executive participated in the training on “China-ASEAN Insurance Supervision Workshop” held in China. The Director General and Director Supervision participated in the “OECD-OJK Roundtable on Leveraging Technology for Risk Assessment and Risk Reduction”, Bali, Indonesia during the year under review.

Apart from in person overseas training opportunities, many local training including online training opportunities are provided to staff including Training on Tax Amendments, Awareness Session on new Corporate Governance Rules for Insurance Companies, CBIRC Workshop on Asian Solvency Regulation & Cooperation, RBSIF & MAS’s Engagement Session with Asian Insurance Supervisors on Risk-Based Capital and Solvency Regimes, High-level Seminar on Gearing Up the Sustainable Finance of Developing Nations: Lessons for Sri Lanka, IFRS Training Course, Enhance employee performance by setting right KPIS, Technical Workshop on Estimating and Projecting COVID-19 Mortality Impact in Asia, ICCSL workshop on Introduction to Life Assurance (AML).

Further, staff is facilitated to participate in national conferences such as Cyber Security Summit

2023, the 44th National Conference of CA Sri Lanka and the South Asian Actuarial Conference. Moreover, the IRCSL organized the annual residential training programme after three years of silence due to the COVID-19 pandemic situation.

Internship

The IRCSL provides internships to undergraduates of National Universities to groom them for working in the corporate environment. Seven interns were offered internship training in the IRCSL to enhance their knowledge of relevant areas of specialization.

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, death and critical illness cover, vehicle and distress loan schemes and festival advances.

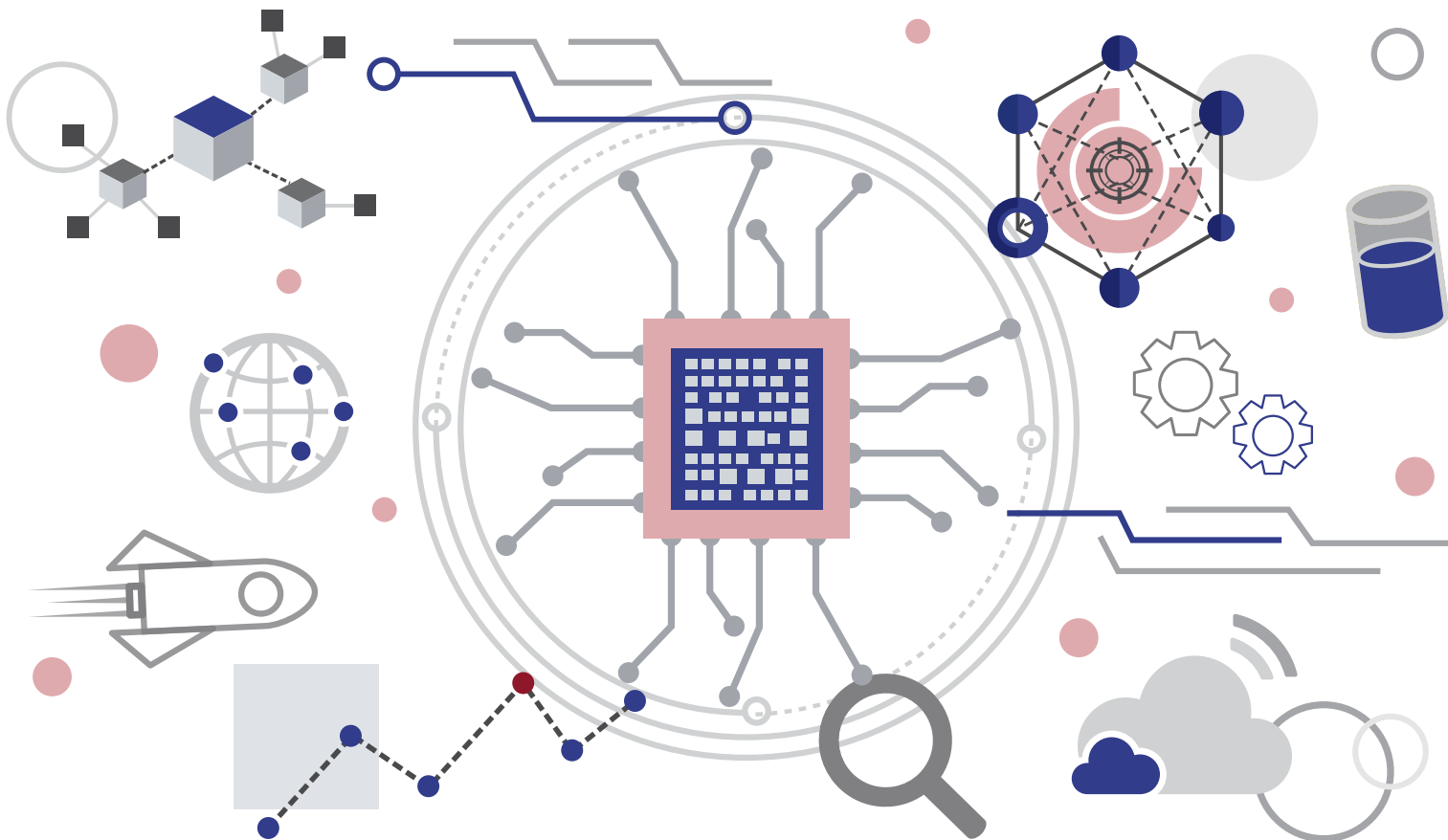
Information Technology

Ensures that technology is working for every team member so that there are minimal interruptions to IRCSL workflow. Attend to daily maintenance to make sure that data is kept safe. Regularly checking for weak points in network systems allowing IRCSL to stay proactive and avoid disasters. It stays focused on keeping the IRCSL hardware and software up-to-date.

Commencement of transforming the website of IRCSL with Trilingual, implementation of the backup procedure for O365, NAS-based software systems for the documents management system, implementation of a new CCTV camera system with voice recording facility, and implementation of cloud-based attendance system were some of the achievements recorded during the year under review.

In addition to the above new implementations/advancements, the IT unit is involved with routine work such as web maintenance, renewal of software applications and hardware maintenance agreements,

maintenance of servers, routers, access points and firewall and active directory and user management. Further, provision of tech support, security testing, network maintenance and perform device management.



CORPORATE GOVERNANCE

The Insurance Regulatory Commission of Sri Lanka in order to ensure that the powers and the duties vested with the Commission through the Regulation of Insurance Industry Act No 43 of 2000, are exercised with accountability, transparency, internal controls and in the best interest of its stakeholders, is committed to follow the governance standards at all times.

The Commission comprises of four appointed Members who are professionals in areas of law, insurance, accounting and finance, business administration, management consulting, marketing, Information Technology and human resources and possesses extensive experiences in the chosen fields. The Commission also comprises of three ex officio members namely, the Deputy Secretary to the Treasury, the Deputy Governor of the Central Bank and the Registrar General of Companies.

The Commission with qualified and experienced Members is committed to strategically and directs the organization to achieve the objectives through an approved plan. The Commission has set Key Performance Indicators (KPI) as SMART objectives

which are Specific, Measurable, Achievable, Relevant and Time bound and the progress of which is reviewed quarterly through reports called from the Director General and reviewed by the Commission.

The Commission in addition to the Audit subcommittee has appointed its Members to other Committees as and when required to provide guidance and thereby make recommendations to the Commission.

The Members of the Commission served in the following committees during the year under review;

- Audit Committee
- Organizational restructure committee
- Committee appointed to create and evaluate KPI of Director General
- Committee on Review of Administration Manual
- IT Steering Committee

Summary of participation of Members to the Commission meetings and meetings of sub committees of the Commission is depicted below.

Name of the Member of the Commission	Commission meeting	Audit Committee	KPI Evaluation Committee	Organization Restructure Committee	Review the Administration Manual	IT Steering Committee
Mr. A K Seneviratna (Ex-Officio member)	15/17	05/05	-	-	02/02	-
Mrs. T M J Y P Fernando (Ex-Officio member)	17/17	05/05	-	-	02/02	-
Mr. Sanjeewa Dissanayake (Ex-Officio member)	12/17	-	01/01	01/01	-	-
Mr. Brian Selvanayagam	17/17	05/05	-	01/01	01/02	-
Mr. Sanjeewa Anthony	16/17	-	01/01	-	02/02	-
Dr. Prasad Samarasinghe	12/12	-	01/01	-	-	02/02

The strategic direction of the Commission is implemented by the Director General being the Chief Executive Officer of the IRCSL. DG holds the responsibility of managing the day –to- day operations of the organization subject to the general direction and control of the Commission.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee has performed its duties independently and objectively in accordance with its charter approved by the Commission. The charter is in line with the Guidelines on Corporate Governance for State Owned Entities issued by the Department of Public Enterprises and in line with current business priorities approved by the Commission. The Audit Committee advocates a strong culture of governance, integrity, ethics, accountability and transparency for a long-term sustainable operation of the regulator.

The Audit Committee comprised three Commission members as required by the treasury guidelines. The members possess combined skills and expertise in finance, accounting, economics and business. The Deputy Secretary to the Treasury is the Chairman of the Audit Committee.

Details of the composition of the Committee are given below:

Name	Position in Audit Committee	Period of service	Position in IRCSL Commission
Mr. A.K. Seneviratne	Chairman	01.01.2023 to 31.12.2023	Ex-officio member
Mrs. Yvette Fernando	Member	01.01.2023 to 31.12.2023	Ex-officio member
Mr. Brian Selvanayagam	Member	23.03.2023 to 31.12.2023	Member

Profiles of the members can be found in pages 14 to 15 of the Annual Report 2023.

In 2023, the Audit Committee convened a total of five (05) meetings, with attendance by all members.

The Audit Committee's main activities during the year 2023 are summarized below:

1. Review of Financial Reports:

The Audit Committee reviewed significant information in the quarterly and annual financial statements of the Insurance Regulatory Commission of Sri Lanka, prepared in accordance with the Sri Lanka Public Sector Accounting Standards (SLPSAS) which are based on the International Public Sector Accounting Standards (IPSAS) with the Management and External Auditor. The Audit Committee discussed with the External Auditor on the accuracy and completeness of the financial statements, significant adjustments that affected the financial statements, adequacy

and suitability of accounting methods, evaluation of internal controls, accuracy and adequacy of information disclosure in accordance with relevant financial reporting standards for the benefits of the users of the financial statements.

2. Review of Internal Control System and Compliance function:

Review of Internal Audit report for the year 2021

The Audit Committee reviewed the Internal Audit report for the year 2021 at its 3rd meeting. This report was presented by BDO Partners. The report was recommended for approval of the Commission by the Committee.

Review of Detailed Management Audit Report 2021

During the 1st Audit Committee meeting, the Detailed Management Audit Report 2021 of the Auditor General was taken for discussion with comments for the same.

3. Review of Draft Budget, Draft Strategic Plan and Action Plan and Draft Procurement Plan:

- During 3rd Audit Committee meeting, revised budget expenses for the year 2023 was reviewed by the Audit Committee.
- During the 4th Audit Committee meeting, the Draft Budget, Action Plan, Draft Procurement Plan and delegation of financial authority for the year 2024 were reviewed and submitted for the approval of the Commission.

4. Review of Related Party Transactions:

The Audit Committee regularly reviewed the related party transactions.

5. Review of Document Management Policy

During the 3rd Audit Committee meeting, Document Management Policy was reviewed and recommended for the approval of the Commission,

REPORT OF THE AUDIT COMMITTEE

The Audit Committee was of the opinion that the financial statements had been prepared in conformity with financial reporting standards related party transactions were at arm's length with normal business conditions, risk management, and internal control and internal audit systems were adequate and effective, and that laws and regulations relating to the operations were fully complied with.

For and on behalf of the Audit Committee of the Insurance Regulatory Commission of Sri Lanka.



Mr. Brian Selvanayagam
Chairman of the Audit Committee

June 26, 2024



FINANCIAL INFORMATION

AUDITOR GENERAL'S REPORT



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எனது இல.
My No.

INF/B/05/IRCSSL/AR/2023

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

09 August 2024

Chairman
Insurance Regulatory Commission of Sri Lanka

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Insurance Regulatory Commission of Sri Lanka for the year ended 31 December 2023 in terms of Section 12 of the National Audit Act, No. 19 of 2018

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Insurance Regulatory Commission of Sri Lanka ("Commission") for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, 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, the accompanying financial statements give a true and fair view of the financial position of the Commission as at 31 December 2023 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 Opinion

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 opinion.





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1.3 Other information included in the Commission's 2023 Annual Report.

The other information comprises the information included in the Commission's 2023 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 2023 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 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.

AUDITOR GENERAL'S REPORT



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 Commission'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 Commission's 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 Commission to cease to continue as a going concern.



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- 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 includes 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;

AUDITOR GENERAL'S REPORT



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	<u>Reference to law/ direction</u>	<u>Description</u>
(a.)	Guideline 2.2.2 (a.) (i.) of the Guidelines on Corporate Governance for State Owned Enterprises 2021	The Chairman shall ensure that proper proceedings are followed during the meetings of the Commission. However, the audit has not been provided a documented policy for proceedings of the meetings in terms of the paragraph 4 (3) and first schedule to the Regulation of Insurance Industry Act No. 43 of 2000.
(b.)	Guideline 2.6 of the Guidelines on Corporate Governance for State Owned Enterprises 2021	The board secretary is mainly responsible for guiding the board on the discharge of its responsibilities and should ensure that all procedures are followed in compliance with statutory requirements and industry best practices and must possess the required qualifications stipulated in the guideline. Further, any employee already engaged in another function, should not be appointed as Board Secretary and Board Secretary shall function as the Secretary to Board sub-committees. However, there is no qualified secretary for the Commission. At present, the Director Investigation is functioning as Secretary to the Commission and Assistant Director – Legal is the Secretary to the Audit Committee in addition to their permanent responsibilities which is contrary to the guideline.
(c.)	Section 7 of the Chapter XXIV of the Establishment Code of the Government of the Democratic Socialist Republic of Sri Lanka	Although the provisions had been made for granting loans through the banks for the purchase of vehicles for executive category employees, vehicle loans amounting to Rs. 1,000,000 had been provided to an employee from the commission funds during the year under review at the interest rate of 4.2 percent.
(d.)	Management Services Circular No. 03/2018 dated 18 July 2018 and Section 03 of the Operational Manual for	The Circulars instructed that all ministries and other relevant authorities should refrain from recruiting employees and increasing the salaries and cadres without prior approval from the General Treasury. However, one (01) Director, thirteen (13) Managers/Assistant Managers and one (01)



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	State Owned Enterprises	Secretary position had been filled without the approval of the Department of Management Services, General Treasury.
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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 except for;

(a.) A performance incentive of Rs. 60,506,093 had been paid without obtaining approval of the General Treasury from the year 2010.

(b.) As per the scheme, incentive payment basis of one (01) month basic salary had been changed to one and half months (1 ½) gross salary from the year 2019 onwards without obtaining the prior approval of the General Treasury. To finance this increase the Commission had incurred Rs. 14,102,183 for the period of 2019 to 2023.

(c.) The commission does not have qualified professionals with insurance related knowledge and actuarial knowledge to discharge supervision and regulatory functions according to the act. Even though the post of actuary was approved in the year 2016, the position is still remained vacant.

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 National Audit Act no 19 of 2018.

3. Other Matters

(a.) The insurance core principles (ICPs) are globally accepted framework of principles developed by the International Association of Insurance Supervisors (IAIS). Those principles are key to assess the quality of regulatory and supervisory function of the insurance regulators and use as a framework to introduce regulations for the insurance sector in the country. As a member of the IAIS, the Commission had paid Rs. 6,009,935 as a membership fee for the year 2023. The information had been requested during the audit in the year 2021 to identify the way of compliance with insurance core principles by the Commission. However, the requested information had not been submitted for the audit.

(b.) Based on the Attorney General's opinion the commission had decided their own carder and the salary scheme. By the Memorandum dated 31 May 2019, Director General sought the approval of the chairman to effect the salary adjustment, carder

AUDITOR GENERAL'S REPORT



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revision, payment of cost-of-living allowance of Rs. 7,800, Competency Allowance of 15 per cent from Basic Salary and Special Living Allowance of Rs.12,500 for the commission staff with effect from 01 July 2018. Even though the commission is an entity subject to the purview of the Ministry of Finance the commission had not obtained the clearance or concurrence from the General Treasury to decide their carder and increase of salaries and allowances.

- (c.) The salaries of the commission had increased between 12.98 per cent to 59.73 per cent during the year 2019 based on Attorney General's opinion without obtaining the prior approval of the Management Services Department in contrary to the Management Service circular 03/2018 dated 18 July 2018 and the Good Governance Guideline.
- (d.) The commission had not taken necessary actions to introduce self-contributory insurance scheme for their employees. The commission spent funds of Rs.3.5 million for the year 2023 (2022 – Rs. 6.3 million) for obtaining insurance cover without any contribution from the employees.
- (e.) The Section 03 of the Regulation of Insurance Industry Act No. 43 of 2000 sets out the objectives and responsibilities of the Commission. Section 05 of the Act specifies the functions and duties to be performed by the Commission to achieve its objectives. For the performance of the Commission and the ease of administration, 06 departments have been established by the Commission, namely Finance and Administration, Supervision, Investigation, Legal, Actuarial and Marketing. To achieve the objectives of the Commission these departments shall be work interrelated and share common information regarding insurance companies and the industry. However, in order to fulfil the objectives of the Act, an integrated information sharing system had not been developed for the Commission.
- (f.) The Commission had appointed a firm of chartered accountants as their internal auditor for the year 2023. However, only first quarter of the year under review had been covered by the internal audit as of the date of the audit.

W.P.C Wickramaratne
Auditor General

MATTERS RAISED BY THE AUDITOR GENERAL AND THE RESPONSES MADE BY THE COMMISSION FOR 2023

Auditor General's Report		Responses of Insurance Regulatory Commission of Sri Lanka
2. Report on other Legal and Regulatory Requirements		
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;		
(a)	Reference to law/ direction Guideline 2.2.2 (a.) (i.) of the Guidelines on Corporate Governance for State Owned Enterprises 2021	Description The Chairman shall ensure that proper proceedings are followed during the meetings of the Commission. However, the audit has not been provided a documented policy for proceedings of the meetings in terms of the paragraph 4 (3) and first schedule to the Regulation of Insurance Industry Act No. 43 of 2000.
		Commission meetings are held according to the RII Act. Paragraph 8 (1) of the First Schedule to the Act specifically states Board proceedings and such requirements are followed by IRCSL. Further, a procedure manual for submission of papers and taking of minutes has been approved by the Commission at its 223rd meeting held on 16 August 2022.
(b)	Guideline 2.6 of the Guidelines on Corporate Governance for State Owned Enterprises 2021	The board secretary is mainly responsible for guiding the board on the discharge of its responsibilities and should ensure that all procedures are followed in compliance with statutory requirements and industry best practices and must possess the required qualifications stipulated in the guideline. Further, any employee already engaged in another function, should not be appointed as Board Secretary and Board Secretary shall function as the Secretary to Board sub-committees. However, there is no qualified secretary for the Commission. At present, the Director Investigation is functioning as Secretary to the Commission and Assistant Director Legal is the Secretary to the Audit Committee in addition to their permanent responsibilities which is contrary to the guideline.
		Request For Proposals (RFP) were sent to the top five audit firms. The closing date for sending the proposal was 26/09/2023. However, IRCSL did not receive any proposal in response to our request. The same was informed to the Commission at its 239th meeting held on 27 September 2023 and members of the Commission advised to extend the calling of applications to legal firms, secretarial firms and audit firms. IRCSL called RFP accordingly. However, no applications were received. Considering the facts, the Commission has decided at the 246th Commission meeting held on 18.01.2024 to appoint Director Investigation who is with legal background to appoint as Board secretary.
(c)	Section 7 of the Chapter XXIV of the Establishment Code of the Government of the Democratic Socialist Republic of Sri Lanka	Although the provisions had been made for granting loans through the banks for the purchase of vehicles for executive category employees, vehicle loans amounting to Rs. 1,000,000 had been provided to an employee from the commission funds during the year under review at the interest rate of 4.2 percent.
		IRCSL follows the Commission approved Administration and Human Resource Management Policy Manual developed as per section 2.3 of the Operational Manual issued by the Department of Public Enterprises (PED) on 16 November 2021. The vehicle loan scheme is part of the manual.

MATTERS RAISED BY THE AUDITOR GENERAL AND THE RESPONSES MADE BY THE COMMISSION FOR 2023

Auditor General's Report		Responses of Insurance Regulatory Commission of Sri Lanka
(d)	Management Services Circular No. 03/2018 dated 18 July 2018 and Section 03 of the Operational Manual for State Owned Enterprises The Circulars instructed that all ministries and other relevant authorities should refrain from recruiting employees and increasing the salaries and cadres without prior approval from the General Treasury. However, one (01) Director, thirteen (13) Managers/Assistant Managers and one (01) Secretary position had been filled without the approval of the Department of Management Services, General Treasury.	The Commission has obtained approval from the Ministry of Finance for 57 positions. All new recruitments of IRCSL have been made with the approval of the Ministry of Finance. Manager/Assistant Manager are the promotional grades to the post of Executive and included in the same cadre not affected by the total cadre. IRCSL has obtained clearance once again on 10.01.2024 from the Attorney General. They reaffirm that the Commission has power in accordance with the Act.
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 except for; (a) A performance incentive of Rs. 60,506,093 had been paid without obtaining approval of the General Treasury from the year 2010 (b) As per the scheme, incentive payment basis of one (01) month basic salary had been changed to one and half months (1 1/2) gross salary from the year 2019 onwards without obtaining the prior approval of the General Treasury. To finance this increase the Commission had incurred Rs. 14,102,183 for the period of 2019 to 2023. (c) The commission does not have qualified professionals with insurance related knowledge and actuarial knowledge to discharge supervision and regulatory functions according to the act. Even though the post of actuary was approved in the year 2016, the position is still remain vacant.	New Performance Incentive Scheme has been approved by the Department of Public Enterprises on 25.03.2024. Same as above. Procurement had been completed to get expertise knowledge in related to Actuarial and insurance skills. The Cabinet Consultant Procurement Committee has recommended. Draft Cabinet Memo was sent to ministry on 09.05.2024 and is waiting for Cabinet approval.
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	
3	Other Matters (a) The insurance core principles (ICPs) are globally accepted framework of principles developed by the International Association of Insurance Supervisors (IAIS). Those principles are key to assess the quality of regulatory and supervisory function of the insurance regulators and use as a framework to introduce regulations for the insurance sector in the country. As a member of the IAIS, the Commission had paid Rs. 6,009,935 as a membership fee for the year 2023. The information had been requested during the audit in the year 2021 to identify the way of compliance with insurance core principles by the Commission. However, the requested information had not been submitted for the audit.	ICP 1, 2, 9, 10 where assessment is largely observed. There are currently 25 ICPs recognized by the International Association of Insurance Supervisors. A review of all ICPs is being carried out by a committee formed by the Ministry of Justice to make amendments to the Insurance Act. The reviews will be shared once finalized. The IRCSL has provided comments and presentations on ICP 1-4 to the committee. The committee is in the process of reviewing the collated ICPs. The IRCSL plans to review 10 ICPs during 2024 and the remaining ICPs in 2025.

Auditor General's Report	Responses of Insurance Regulatory Commission of Sri Lanka
(b) Based on the Attorney General's opinion the commission had decided their own carder and the salary scheme. By the Memorandum dated 31 May 2019, Director General sought the approval of the chairman to affect the salary adjustment, carder revision, payment of cost-of-living allowance of Rs. 7,800, Competency Allowance of 15 per cent from Basic Salary and Special Living Allowance of Rs. 12,500 for the commission staff with effect from 01 July 2018. Even though the commission is an entity subject to the purview of the Ministry of Finance the commission had not obtained the clearance or concurrence from the General Treasury to decide their carder and increase of salaries and allowances.	The Attorney General's Department in the letter dated 10.01.2024 reiterated that: i) section 5 (e) of the RII act on power, duties and functions of the Commission in which the Act states that the Commission may exercise power in employing such officers and servants as may be necessary for the purpose of exchanging, performing and discharging the powers, duties, and functions of the Commission. ii) Section 5(h) further empowers the Commission to "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". iii) Section 10 (1) and (2) authorize the Commission to determine appointments, remuneration and conditions of service with regards to the staff.
(c) The salaries of the commission had increased between 12.98 per cent to 59.73 per cent during the year 2019 based on Attorney General's opinion without obtaining the prior approval of the Management Services Department in contrary to the Management Service circular 03/2018 dated 18 July 2018 and the Good Governance Guideline.	Same as above.
(d) The commission had not taken necessary actions to introduce self-contributory insurance scheme for their employees. The commission spent funds of Rs.3.5 million for the year 2023 (2022 — Rs. 6.3 million) for obtaining insurance cover without any contribution from the employees.	The non-contributory insurance cover has been provided to staff from the inception of the IRCSL as a part of their benefits and included in the letters of appointment. Accordingly, a self-contributory scheme will be not in line with the employment contracts issued. The IRCSL follows competitive bidding process on the selection of insurance providers as per the Public Finance Circular 06/2019 and 06/2019 (i).
(e) The Section 03 of the Regulation of Insurance Industry Act No. 43 of 2000 sets out the objectives and responsibilities of the Commission. Section 05 of the Act specifies the functions and duties to be performed by the Commission to achieve its objectives. For the performance of the Commission and the ease of administration, 06 departments have been established by the Commission, namely Finance and Administration, Supervision, Investigation, Legal, Actuarial and Marketing. To achieve the objectives of the Commission these departments shall be work interrelated and share common information regarding insurance companies and the industry. However, in order to fulfil the objectives of the Act, an integrated information sharing system had not been developed for the Commission.	It has been budgeted for re-engineering the regulatory IT system. Further, Web based information gathering portal has been developed as per the guidance of the IT steering Committee. It is in its pilot version. In the meantime, IRCSL has initiated the process of procuring a system for regulation.
(f) The Commission had appointed a firm of chartered accountants as their internal auditor for the year 2023. However, only first quarter of the year under review had been covered by the internal audit as of the date of the audit.	The internal auditors completed field work of supervision division as well.

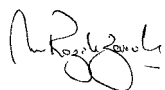
STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2023

	Notes	As at 31.12.2023 Rs.	As at 31.12.2022 Rs.
ASSETS			
NON CURRENT ASSETS			
Property, Plant and Equipment	1	23,108,368	27,301,799
Refundable Deposits (PPF)	2	9,593,949	9,593,949
Other non Current Asests	3	10,549,513	12,540,714
Total Non Current Assets		43,251,830	49,436,462
CURRENT ASSETS			
Inventories	4	581,384	535,914
Policyholders' Protection Fund- Investments & Others	2	11,522,878,141	9,371,226,885
Other Current Assets	5	21,384,321	38,597,160
Investments in Fixed Deposits		114,000,000	228,000,000
Investments in Government Securities - Repo		180,000,000	103,000,000
Investments in Treasury Bills		150,004,810	-
Deferred Tax Asset	21	7,090,385	7,137,274
Cash and Cash Equivalents	6	8,094,322	13,542,583
Total Current Assets		12,004,033,363	9,762,039,816
TOTAL ASSETS		12,047,285,193	9,811,476,278
RESERVES AND LIABILITIES			
RESERVES & FUNDS			
Policyholders' Protection Fund	7	11,532,472,092	9,380,820,835
Revaluation Reserve		34,972,754	32,439,194
Accumulated Fund		352,127,844	282,996,422
Total Reserves & Funds		11,919,572,690	9,696,256,451
LIABILITIES			
NON CURRENT LIABILITIES			
Grant	8	-	5,061,291
Deferred Tax Liability	21	3,922,087	4,672,066
Retirement Benefit Obligation	9	23,634,618	23,790,913
Total Non Current Liabilities		27,556,705	33,524,270
CURRENT LIABILITIES			
Receipt in Advance		34,126,830	17,685,781
Other Current Liabilities	10	66,028,968	64,009,776
Total Current Liabilities		100,155,798	81,695,557
TOTAL RESERVES & LIABILITIES		12,047,285,193	9,811,476,278

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

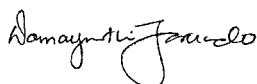
The above Statement of Financial position is to be read in conjunction with the accounting policies and notes appearing on pages 69 to 88.



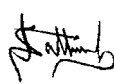
Razik Zarook
Chairman, IRCSL



Brian Selvanayagam
Chairman, Audit Committee



Damayanthi Fernando
Director General



Sathiesh Kumar
Director Finance & Administration

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31ST DECEMBER 2023

	Notes	Year Ended 31.12.2023 Rs	Year Ended 31.12.2022 Rs
REVENUE			
REVENUE FROM NON - EXCHANGE TRANSACTIONS			
Annual Fees & Renewal Fees	11	336,403,880	307,905,835
Recognition of Grant	8	5,061,291	-
Income from FSMP	12	-	750
REVENUE FROM EXCHANGE TRANSACTIONS			
Interest Income	13	81,638,422	58,821,625
Other Income	14	549,484	532,554
TOTAL INCOME		423,653,076	367,260,764
EXPENDITURE			
Staff Costs	15	(132,146,344)	(127,680,340)
Professional Charges	16	(224,300)	(227,120)
Operational Expenses	17	(96,697,394)	(83,834,958)
FSMP Expenses	18	-	(750)
Finance and Others	19	(140,396)	(297,028)
TOTAL EXPENDITURE		(229,208,435)	(212,040,196)
Net Surplus Before Tax		194,444,641	155,220,568
Taxation	21	(45,171,143)	(37,981,891)
Net Surplus After Tax		149,273,498	117,238,677
Surplus Transferred to Accumulated Fund		150,892,215	120,054,308
Actuarial Gain on Retirement Benefit Obligation	9	(1,618,717)	(2,815,631)
Net Surplus for the Year		152,510,932	122,869,939

The accounting policies and notes appearing on pages from 69 to 88 form an integral part of the Financial Statements.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31ST DECEMBER 2023

	Revaluation Reserves	Accumulated Surpluses/ (Deficits)	Total
	Rs.	Rs.	Rs.
Balance at 1st January 2021	17,689,652	92,731,913	17,206,631
Net Surplus for the Year 2021	-	69,783,461	69,783,461
Gain on property revaluation	12,679,107	-	12,679,107
Deferred tax	(1,775,075)	-	(1,775,075)
Actuarial Loss	-	496,209	496,209
Deferred tax		(69,469)	(69,469)
Balance at 31st December 2021	28,593,684	162,942,114	191,535,798
Balance at 1st January 2022	28,593,684	162,942,114	191,535,798
Net Surplus for the Year 2022	-	122,869,939	122,869,939
Gain on property revaluation	3,845,510	-	3,845,510
Actuarial Gain	-	(2,815,631)	(2,815,631)
Balance at 31st December 2022	32,439,194	282,996,422	315,435,615
Balance at 1st January 2023	32,439,194	282,996,422	315,435,615
Net Surplus for the Year 2023	-	152,510,932	152,510,932
Gain on property revaluation	2,533,560	-	2,533,560
Income tax on previous years		(35,430,918)	(35,430,918)
Actuarial Gain	-	(1,618,717)	(1,618,717)
Reversal of over provision previous years		3,670,125	3,670,125
Contribution to Consolidated Fund	-	(50,000,000)	(50,000,000)
Balance at 31st December 2023	34,972,754	352,127,844	387,100,598

Revaluation reserve represents the surplus/deficit arising on the valuation of Motor Vehicles, Furniture and fittings, Office Equipment and EDP

Accumulated Surplus/ Deficits represent the Surplus/ Deficit transferred from the statement of Financial Performance.

STATEMENT OF CASH FLOW

FOR THE PERIOD ENDED 31ST DECEMBER 2023

	NOTES	Year Ended 31.12.2023 Rs	Year Ended 31.12.2022 Rs
Cash Flow from Operating Activities			
Surplus for the Period		194,444,641	155,220,568
Provision for Depreciation	1	10,352,302	8,320,725
Provision for Retirement Benefit	9	6,430,322	5,438,479
Recognition of Grant		(5,061,291)	-
Reversal of over provision previous years		3,670,125	-
Payment made - Retirement Benefit	9	(4,967,900)	(446,775)
Interest Income	13	(81,638,405)	(58,821,625)
Net Increase before Working Capital Changes		123,229,795	109,711,372
Change of Working Capital			
(Increase)/Decrease in Inventories	4	(45,470)	62,516
(Increase)/Decrease of Receivables	5	3,596,983	(29,049,200)
Increase/(Decrease) of Receipt in Advance		16,441,049	1,305,452
Increase/(Decrease) of Creditors and Accruals	10	(1,190,107)	(1,129,065)
Cash Flow used in Operating Activities		18,802,456	(28,810,294)
Income Tax paid	21	(80,476,064)	(12,998,271)
Net Cash Flows from Operating Activities		61,556,187	67,902,806
Cash Flow from/(used in) Investing Activities			
Investment in Government Securities		(227,004,810)	117,000,000
Investment in Fixed Deposits		114,000,000	(228,000,000)
Interest Income		99,625,674	58,821,625
Purchase of Property Plant and Equipments	1	(3,625,311)	(7,949,650)
Net Cash used in Investing Activities		(17,004,447)	(60,128,025)
Cash Flow from Financing Activities			
Grant Received from MOF		-	(552,384)
Contribution to Consolidated Fund		(50,000,000)	
Net Cash Flows from Financing Activities		(50,000,000)	(552,384)
Net Increase/(Decrease) in Cash and Cash Equivalents		(5,448,260)	7,222,397
Cash and Cash Equivalents at the beginning of the year		13,542,583	6,320,185
Cash and Cash Equivalents at the end of the year		8,094,323	13,542,583
Cash at Bank and in Hand			
	6 & 22		
Balance at Fund Management Account		7,775,887	13,550,961
Cash at Bank- BOC		317,804	-
Savings - NSB		632	614
		8,094,323	13,551,575
Cash at Bank - as per Ledger		-	(8,993)
		8,094,323	13,542,582

The accounting policies and notes appearing on pages 69 to 88 form an integral part of the Financial Statements.

POLICYHOLDERS' PROTECTION FUND STATEMENT OF CASH FLOW

	Year Ended 31.12.2023 Rs	Year Ended 31.12.2022 Rs
Cash Flow from Operating Activities		
Net Increase of Policyholders' Protection Fund	2,151,651,257	939,396,269
Net Increase before Working Capital changes	2,151,651,257	939,396,269
Change of Working Capital		
(Increase)/Decrease of Interest Receivable on Government Securities	(364,760,935)	(1,581,250,000)
(Increase)/Decrease of Cess Receivable	(39,599,688)	6,815,722
Increase/(Decrease) of Payable	(868,580,507)	884,809,359
Increase/(Decrease) of Receivables	(88,690,828)	-
Increase/(Decrease) of Amount to be Transferred from PPF	18,970,175	(540,000)
	(1,342,661,783)	(690,164,919)
Net Cash Increase/(Decrease) from Operating Activities	808,989,474	249,231,350
Cash Flow from/(used in) Investing Activities		
Investments in Government Securities	(7,800,000)	-
Investments in Fixed Deposits	(817,312,649)	(224,970,912)
Net Cash Increase/(Decrease) from Investing Activities	(825,112,649)	(224,970,912)
Net Increase/(Decrease) in Cash and Cash Equivalents	(16,123,174)	24,260,438
Cash and Cash Equivalents at the beginning of the year	25,562,131	1,301,693
Cash and Cash Equivalents at the end of the year	9,438,956	25,562,132
Balance at Current Account	1,000,000	1,000,000
Balance at Fund Management Account	8,438,956	24,562,131
	9,438,956	25,562,131

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) advice 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.

- 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 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 25th June 2024.

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;

ACCOUNTING POLICIES

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 Judgements, Estimates and Assumptions

The preparation of Financial Statements in conformity with SLPSAS requires management to make judgements, estimates and assumptions that affect the application of Accounting Policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Information about critical judgements 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

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

Deferred Taxation

Management judgement 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 of 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 are the 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

Liquidity risk is that 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 and impairment losses. 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.

Where an asset is acquired in a non-exchange transaction for nil or nominal consideration, the asset is initially measured at its fair value.

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 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.

Office equipment, furniture and fittings are revalued annually.

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 realizable value after making provision for impairment. All receivables are assessed for specific impairment by considering objective evidences.

2.5 IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of each financial period the Commission assesses events or changes in circumstances to indicate that there is an indication that non- financial assets may be impaired. If such an 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, deposits on call and liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

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

ACCOUNTING POLICIES

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 recognized 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,

3.5 Nature and purpose of reserves

The IRCSL creates and maintains reserves in terms of specific local requirements,

(a) Accumulated Reserve

The surplus/deficit of the Commission is transferred to the Accumulated Fund

(b) Revaluation Reserve

Gain/loss on revaluation of assets are transferred to the Revaluation Reserve.

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 the 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,

At the beginning of financial year 2023	23,790,913
Current Service Cost	247,958
Past Service Cost (Due to retirement age change)	-
Interest Cost	4,282,364
Actuarial gains	(1,618,717)
Charged to profit and loss of the statement of comprehensive income	4,811,605
Benefits paid	(4,767,900)
At the end of financial year 2023	23,634,617

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	:	13% per annum
Rate of salary increase	:	10%
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 Related parties

The IRCSL regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the IRCSL, or vice versa. Members of key management are regarded as related parties and comprise the Line Ministry and Members of the Commission.

4. INCOME & EXPENDITURE**4.1 REVENUE RECOGNITION****4.1.1 REVENUE FROM NON-EXCHANGE TRANSACTIONS****Fees and Taxes**

The IRCSL recognizes revenue from fees and taxes when the event occurs, and the asset recognition criteria are met. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

IRCSL revenue consists of Annual fees, Renewal fees, Registration fees and sale of publications, etc.

4.1.2 REVENUE FROM EXCHANGE TRANSACTIONS**Interest income**

Interest income has been recognized on a time proportion basis that takes into account the effective yield on the assets.

Sale of Assets

Revenue from the sale of assets is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods.

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 expenses are recognized in the Statement of Financial Position on an accrual basis.

4.3 INCOME TAX EXPENSES**Current Taxation**

Commission's tax expense is made up of current taxation and deferred tax gain or loss during the year. Provision for taxation is based on the profit/surplus for the year adjusted for taxation purposes.

Deferred Tax

Deferred Taxation is provided using the Balance Sheet liability, method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognized only to the extent that is probable that future taxable profits would be available against which the assets can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4.4 CASH FLOW STATEMENT

The Cash Flow Statement has been prepared using the indirect method.

4.5 BUDGET INFORMATION

The annual budget is prepared on the accrual basis; that is, all planned costs and income are presented in a single statement to determine the needs of the IRCSL.

These budget figures are those approved by the Commission at the beginning of the Financial Year.

5 POLICY HOLDERS PROTECTION FUND**5.1 Legal Form**

The Policy Holders Protection Fund of Insurance Regulatory Commission of Sri Lanka is established in terms of Section 103(1) of the Regulation of Insurance Industry Act No.43 of 2000 (RII Act) which reads as 'There shall be a fund to be known as the Policy Holders Protection Fund to which shall be credited the CESS charged under Section 7 of the RII Act.'

5.2 Principle activities and nature of operations

According to the Section 103(1) of the Regulation of Insurance Industry Act No.43 of 2000 (RII Act), the funds lying to the credit of this fund shall be utilized for the general protection of the policy holders and for any other specific purpose as may be determined by the Commission by rules made in that behalf.

Further, any money which is not immediately required for any of the purposes referred to above, shall be invested by the Commission in such prudent manner as would yield a good return and safeguard the investment.

There were no changes in the nature of the objects of the Policy Holders Protection Fund during the financial period under review.

ACCOUNTING POLICIES

Utilization

In terms of Sec 103(2) of the RII Act, the PPF should be utilized for the general protection of Policy holders and for other specific purposes as may be determined by the Commission, by the Rules made in that behalf. In terms of Rule No 10 of the gazette Extraordinary No 1412/30 dated 29th September 2005, money lying to the credit of the PPF, may be utilized for the following specific purposes in so far as it would be for the policyholders and potential policy holders.

- 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, and discharge and performance of its powers, functions and Duties.

5.3 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Property, Plant & Equipment

	Motor Vehicles	Furniture, Fixtures & Fittings	Office Equipment (EDP & Others)	Training Equipment	Software	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
COST/REVALUATION						
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
Balance as at 1st January 2021	10,300,000	17,025,562	32,146,704	141,450		59,613,716
Additions	-	-	3,025,000	-		3,025,000
Disposals	-	-	-	-		-
Impact on Revaluation	2,500,000	(7,950,627)	(11,817,033)	-		(17,267,660)
Balance as at 31st December 2021	12,800,000	9,074,935	23,354,671	141,450		45,371,056
Balance as at 1st January 2022	12,800,000	9,074,935	23,354,671	141,450		45,371,056
Additions			6,190,600		1,759,050	7,949,650
Disposals						
Impact on Revaluation		2,364,409	194,205	-	-	2,558,614
Balance as at 31st December 2022	12,800,000	11,439,343	29,739,476	141,450	1,759,050	55,879,319
Balance as at 1st January 2023	12,800,000	11,439,343	29,739,476	141,450	1,759,050	55,879,319
Additions		-	3,625,311		-	3,625,311
Disposals	-	-	-	-	-	-
Impact on Revaluation	-	1,728,510	805,050	-	-	2,533,560
Balance as at 31st December 2023	12,800,000	13,167,853	34,169,837	141,450	1,759,050	62,038,190
ACCUMULATED DEPRECIATION						
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
Charge for the year	2,575,000	1,499,751	3,786,704	-		7,861,456
Disposals	-	-	-	-		-
Impact on Revaluation	(7,725,000)	(9,878,066)	(12,343,701)			(29,946,767)
Balance as at 31st December 2021	-	5,393,207	16,009,034	141,450		21,543,691
Charge for the year	3,200,000	1,165,427	3,803,532	-	151,767	8,320,725
Disposals	-	-	-	-		-
Impact on Revaluation		(1,054,538)	(232,358)			(1,286,896)
Balance as at 31st December 2022	3,200,000	5,504,096	19,580,208	141,450	151,767	28,577,520
Charge for the year	3,200,000	2,360,506	4,352,033	-	439,762	10,352,302
Disposals	-	-	-	-		-
Balance as at 31st December 2023	6,400,000	7,864,602	23,932,241	141,450	591,529	38,929,822
WRITTEN DOWN VALUE						
AS AT 31ST DECEMBER 2023	6,400,000	5,303,252	10,237,596	-	1,167,521	23,108,368
WRITTEN DOWN VALUE						
AS AT 31ST DECEMBER 2022	9,600,000	5,935,248	10,159,268	-	1,607,283	27,301,799

NOTES TO THE FINANCIAL STATEMENTS

	Notes	As at 31.12.2023 Rs.	As at 31.12.2022 Rs.
2	POLICYHOLDERS' PROTECTION FUND INVESTMENTS AND OTHERS		
	NON CURRENT ASSETS		
	Rent and Electricity Deposits	9,593,949	9,593,949
		9,593,949	9,593,949
	CURRENT ASSETS		
	Investment in the Government Securities	7,800,000	-
	Investment in Fixed Deposits	9,847,662,649	9,030,350,000
	Interest Receivable on the Government Securities and Fixed Deposits	1,410,498,328	1,045,737,393
	CESS Receivable	193,986,407	154,386,720
	Balance at Fund Management Account	8,438,956	24,562,131
	Balance at Bank	1,000,000	1,000,000
	WHT Receivable	88,690,828	-
		11,558,077,168	10,256,036,244
	Less		
	Cess Payable	2,603,340	-
	Tax expense on PPF	18,970,175	-
	Interest and Penalty Payable on PPF interest income	21 (b) 13,625,511	884,809,359
		11,522,878,141	9,371,226,885
	Total Assets	11,532,472,090	9,380,820,834
3	OTHER NON CURRENT ASSETS		
	Refundable Deposit for rent	2,688,246	2,688,246
	Prepayments	-	332,247
	Staff Loans *	7,861,267	9,520,222
		10,549,513	12,540,714
4	INVENTORIES		
	Printing, Stationery and Computer Accessories	501,266	527,655
	Stamps	80,119	8,259
		581,384	535,914

	Notes	As at 31.12.2023 Rs.	As at 31.12.2022 Rs.
5 OTHER CURRENT ASSETS			
Receivable from non-exchange transactions			
Other Receivables		995,957	270,954
Receivable from Exchange transactions			
Provision for Acquisition	5.1	398,596	-
Staff Loans*		2,478,879	3,311,546
Festival advance*		1,070,100	1,190,100
Advance and Pre-payments		3,666,679	3,707,402
VAT Receivable		46,390	1,807,933
SSCL Receivable		25,551	-
Deposits	5.2	285,120	285,120
Interest Receivable - Government Securities		9,592,965	28,024,105
WHT Receivable		2,824,083	-
		21,384,321	38,597,160
5.1 provision for Acquisition is in respect of CCTV which was awarded in December 2023			
5.2 Deposits represent fuel deposit and NSB Fixed deposit for safety locker			
*Loans Granted to Staff (Staff loan and Festival Advance)			
Balance as at 1st January 2023		14,021,868	9,639,304
Loans Granted during the year		4,836,000	9,051,101
		18,857,868	18,690,405
Repayments during the year		(7,447,621)	(4,668,537)
Balance as at 31st December 2023		11,410,246	14,021,868

NOTES TO THE FINANCIAL STATEMENTS

	Notes	As at 31.12.2023 Rs.	As at 31.12.2022 Rs.
6 CASH & CASH EQUIVALENTS			
Cash at Banks			
Balance at Fund Management Account	22	7,775,887	13,550,961
Cash at Bank- BOC		317,804	-
Savings Account - NSB		632	614
		8,094,322	13,551,576
Cash at Bank - as per Ledger	22	-	(8,993)
		8,094,322	13,542,583
7 POLICYHOLDERS' PROTECTION FUND			
Opening Balance		9,380,820,835	8,441,424,564
Cess Received during the year		648,235,021	587,757,528
Interest on Treasury Bill Investment		29,399,915	-
Interest on Repo		30,757,138	3,505,521
Interest on Fixed Deposits		2,130,074,192	1,231,844,234
Interest on Fund Management Account		9,203,551	1,100,267
		12,228,490,651	10,265,632,115
Less:			
Income tax Penalty & interest		36,184,139	-
Income tax provision on interest income of PPF	21	659,828,733	884,809,359
Total transfers- Policyholders' Protection Fund		696,012,872	884,809,359
Bank charges		5,687	1,922
		696,018,560	884,811,282
Closing Balance		11,532,472,092	9,380,820,835

	As at 31.12.2023 Rs.	As at 31.12.2022 Rs.
8 GRANT		
Balance at the beginning of the year	5,061,291	5,061,291
Less: Amortized during the year	(5,061,291)	-
Balance at the end of the year	-	5,061,291

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)

Capital Expenditure transferred from Policyholders' Protection Fund was discontinued due to the surplus in the Commission Fund.

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	23,790,913	21,614,840
Provision made during the year	6,430,322	5,438,479
Actuarial (Gain)/ loss	(1,618,717)	(2,815,631)
(-)Payment made during the year	(4,967,900)	(446,775)
Balance at end of the year	23,634,618	23,790,913

Discount Rate	13%	18%
Future Salary Increment Rate	10%	15%

9.1 SENSITIVITY OF ASSUMPTIONS USED

A percentage change in the assumptions would have the following effects.

	Discount Rate (Rs.)	Discount Rate (Rs.)
1% Increase	22,451,026	22,251,194
1% Decrease	24,930,576	25,505,636

An actuarial valuation of the retirement gratuity obligation was carried out as at December 31, 2023 by a professional Actuary, Actuarial Management Services (Pvt) Ltd. The valuation method used by the Actuary to value the liability is the "Projected Unit Credit Method (PUC)", a method recommended by the Sri Lanka Public Sector Accounting Standard SLPSAS 19 on "Employee Benefit".

NOTES TO THE FINANCIAL STATEMENTS

	As at 31.12.2023 Rs.	As at 31.12.2022 Rs.
10 OTHER CURRENT LIABILITIES		
Accrued Expenses	27,454,042	26,369,239
EPF Payable	1,219,797	1,265,775
ETF Payable	182,971	189,868
PAYE Payable	284,257	43,545
Retention Payable	36,228	36,228
Income Tax payable	36,124,233	35,295,147
Refunds & Other payables	727,440	758,416
	66,028,968	64,009,776
11 REVENUE FROM NON- EXCHANGE TRANSACTIONS		
Annual Fees from Insurance Companies	318,586,057	290,823,507
Registration and Renewal Fees	17,817,822	17,082,329
	336,403,880	307,905,835
12 INCOME FROM FSMP		
FSMP - Non DLI Grant	-	750
	-	750
13 REVENUE FROM EXCHANGE TRANSACTIONS		
Interest on Fixed Deposit	34,979,369	41,262,360
Interest on Fund Management Account	3,115,182	1,121,610
Interest on T- Bills	31,099,450	-
Interest on Savings Account	18	19
Interest on Repos	12,444,405	16,437,636
	81,638,422	58,821,625
14 Other Income		
Interest on Vehicle Loan	233,007	291,708
Interest on Distress Loan	312,507	235,236
Sundry Income	3,970	5,611
	549,484	532,554

	As at 31.12.2023 Rs.	As at 31.12.2022 Rs.
15 Staff Costs		
Staff Salaries	76,631,836	77,625,084
EPF 12%	9,197,393	9,303,310
ETF 3%	2,300,215	2,325,828
Chairman - Allowance	950,685	1,200,000
Chairman - Fuel Allowance	422,452	594,935
Commission Members - Sitting Allowance	1,333,560	1,754,354
Interns Allowance	2,193,000	1,877,000
Overtime	357,507	426,546
Staff Medical Expenses	2,771,760	2,681,572
Staff Medical Insurance	2,973,423	2,785,293
Insurance Fire and Personal	423,780	498,166
Staff Welfare	1,730,359	867,855
Staff Training Local & Subscription	2,978,644	1,168,025
Performance Based Incentives	8,302,339	9,291,626
Advertising Recruitment	708,200	95,000
Directors Telephone Residence	711,020	665,203
Leave Encashment	1,246,709	744,985
Vehicle Operating Lease Charges	1,493,363	485,016
Directors Vehicle Allowance	4,550,000	4,487,603
Directors Fuel Allowance	3,469,420	3,364,460
Staff Gratuity	6,430,322	5,438,479
	132,146,344	127,680,340
16 PROFESSIONAL CHARGES		
Tax & Gratuity Valuation Fee	224,300	227,120
	224,300	227,120

NOTES TO THE FINANCIAL STATEMENTS

	As at 31.12.2023 Rs.	As at 31.12.2022 Rs.
17 OPERATIONAL EXPENSES		
Rent & Service Charge	56,504,536	48,254,736
Parking Fees	956,530	777,830
Telephone Expenses & Internet	989,218	1,463,367
Electricity	2,996,217	1,367,225
Office Upkeep	588,550	572,855
Printing & Stationary	1,223,906	1,560,693
Public Awareness	7,249,465	8,570,966
Traveling - Local	108,874	94,875
Office Equipment Maintenance EDP & Others	3,885,984	2,969,581
International Membership of IAIS	6,009,935	5,999,664
Advertising - Others	180,880	163,520
Meeting Expenses	1,436,438	537,250
Subscription Newspapers & Library Books	294,806	194,998
Postage & Courier Charges	137,177	87,426
Audit Fees - Auditor General	550,000	550,000
Audit Fees - Internal	1,700,000	1,300,000
Depreciation	10,352,302	8,320,725
Trade Tax	5,000	70,000
General Expenses	10,000	104,435
Legal Expenses	415,824	55,755
Investigation Expenses	7,110	13,070
Supervision Expenses	10,703	2,830
Vehicle Maintenance	721,584	459,196
Vehicle Insurance	87,098	81,088
Vehicle Running Charges	265,497	262,872
Surcharges & Penalty	9,761	-
	96,697,394	83,834,958
18 FSMP Expenses		
Visa Expenses	-	750
	-	750
19 FINANCE & OTHER EXPENSES		
Bank Charges	140,396	297,028
	140,396	297,028

		As at 31.12.2023 Rs.	As at 31.12.2022 Rs.
20	COMPARISON OF ACTUAL INCOME AND EXPENDITURE AGAINST THE BUDGET	Actual 2023 Rs.	Budget 2023 Rs.
			Variance Rs.
	Income		
	Annual Fees from Insurance Companies	318,586,057	338,940,000
	Registration and Renewal Fees	17,817,822	18,530,000
	Less: Expenditure		
	Staff Costs	132,146,344	162,640,000
	Professional charges & operational	96,921,694	207,096,000
	Finance and Others	140,396	360,000

21 TAXATION**a. Commission Fund**

Current Income Tax		
Current Income tax charge	45,874,233	42,345,148
Deferred Tax		
Relating to origination and reversal of temporary differences	(703,090)	(4,363,257)
Income tax expense reported in the statement of Financial Performance	45,171,143	37,981,891

The IRD has increased the standard rate of Income tax from 24% to 30% with effective from 1st October 2022 (IRD Amendment Act No 45 of 2022). Accordingly the tax computation has been carried out.

Reconciliation

	Total
A. Business Income	
Profit before Tax	194,444,641
Add: Deductions not allowed	
Accounting depreciation on PPE	10,352,302
Provision for retirement contributions (Gratuity)	6,430,322
Surcharges & Penalty	9,761
Directors Telephone Residence	711,020
Less: Allowable Deductions	
Contribution to Consolidated Fund	50,000,000
Capital allowances on depreciable assets	4,066,036
Gratuity paid	4,967,900
	152,914,109

NOTES TO THE FINANCIAL STATEMENTS

	As at 31.12.2023 Rs.	As at 31.12.2022 Rs.
Total Business Income		
Tax payable 30%		45,874,233
Total Tax		45,874,233
Deferred Tax		
	As at 31.12.2023	As at 31.12.2022
Accelerated Depreciation for tax purposes		
Balance as at 1st January	(2,465,208)	1,898,049
Originating/(reversing) during the year	(703,090)	(4,363,257)
Balance as at 31st December	(3,168,298)	(2,465,208)
Deferred Tax provision as at the year end is made up as follows		
Deferred Tax Provision from temporary differences of		
- Property Plant and Equipment	3,922,087	4,672,066
- Gratuity	(7,090,385)	(7,137,274)
	(3,168,298)	(2,465,208)

b. Policy Holders Protection Fund

The IRCSL was categorized under Section 7 of the Inland Revenue Act, No 10 of 2006 and profit and income, other than profit and income from dividend or interest was exempted from income tax. However, with the introduction of Inland Revenue Act, No. 24 of 2017, the said exemption was removed. Considering the above fact and impact on same, IRCSL had discussions with the Ministry of Finance and with the IRD. However, the IRCSL received a letter from the IRD to pay tax on interest income of the PPF from 2018 onwards. Accordingly, following payments other than Q3 of 2023 (due in 2024) were made during the year.

Year	Interest Income	Tax rate	Tax
2018/19	455,331,220	28%	127,492,742
2019/20	574,484,713	28%	160,855,720
2020/21	622,183,692	24%	149,324,086
2021/22	516,248,353	24%	123,899,605
			561,572,152
2022/23			
9 months	794,963,330	24%	190,791,199
3 months	441,486,692	30%	132,446,008
			323,237,207
2023/24	2,199,429,109	30%	659,828,733
			1,544,638,092

The IRCSL has received the following assessments to pay tax on interest income of the PPF with penalty and interest.

	Penalty	Interest
2018/19	6,438,033	79,187,797
2019/20	9,189,397	74,434,113
2020/21	7,995,684	50,455,844
2021/22	6,666,336	18,999,058

Tax provisions, penalty and interest has been made in the accounts as per the tax assessment issued by the IRD and paid accordingly. Penalty for the year of Assessment 2018/2019 and 2019/2020 and interest for 2021/22 will be paid in year 2024.

22. FUND MANAGEMENT ACCOUNTS, LEDGER BALANCES & BANK BALANCES

IRC SL operates two Fund Management Account linked to our current account for the Commission and accordingly, over and above favorable balance of Rs. 1,000,000/- prevailed in the current account (in bank records) will automatically be transferred to Fund Management Account. Since the cheques that have already been issued by the IRC SL 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 2023 are as follows.

Balance of Fund Management Account	Rs. 7,775,886.65
Balance of Current Account	Rs. 317,803.65
Total	Rs. 8,093,690.30

23. CAPITAL COMMITMENTS

There were no capital commitments as at 31st December 2023.

24. CONTINGENT LIABILITIES & CONTINGENT ASSETS

There were no contingent Assets and Liabilities as at 31st December 2023.

25. EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the reporting date other than mentioned in the note 24, which would require adjustments to or disclosure in the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

26. TAXATION

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

Description	Amount (Rs)
A. Business Income	
Profit before Tax	194,444,641
Add: Deductions not allowed	
Accounting depreciation on PPE	10,352,302
Provision for retirement contributions (Gratuity)	6,430,322
Surcharge & Penalty	9,761
Directors Telephone Residence	711,020
Less: Allowable Deductions	
Contribution to Consolidated Fund	50,000,000
Capital allowances on depreciable assets	4,066,036
Gratuity paid	4,967,900
Total Business Income	152,914,109
Tax payable at 30%	45,874,233
Less: Tax Credits	
Self -Assessments paid	(9,750,000)
Balance Payable	36,124,233

27. SRI LANKA FINANCIAL SECTOR MODERNIZATION PROJECT (FSMP)

Balance available in the FSMP bank account (BOC 73613) amounting to Rs. 507,827.74 was transferred to the "Deputy Secretary to the Treasury" on the 18th of November 2022, to settle the DA account as all payments had been completed of the FSMP project.

28. RELATED PARTY DISCLOSURES

Mr. Razik Zarook, PC was appointed as the Chairman of the IRCSL with effect from 2nd January 2020 to 2nd January 2023 and re-appointed on 10th March 2023.

Mr. A.K. Seneviratne was appointed as an EX-officio member by virtue of him holding office as Senior Deputy Secretary to the General Treasury with effect from 26th August 2022.

Mrs. T.M.J.Y.P. Fernando was appointed as an EX-officio member by virtue of her holding office as Senior Deputy Governor to the Central Bank of Sri Lanka with effect from 1st January 2021.

Mr. Sanjeewa Dissanayake was appointed as an EX-officio member by virtue of him holding office as Registrar of Companies to the Department of Registrar of Companies with effect from 8th July 2021.

Mr. Brian Selvanayagam was appointed as a Member of the Commission with effect from 24th February 2023.

Mr. Sanjeewa Anthony was appointed as a Member of the Commission with effect from 24th February 2023.

Mr. Prasad Samarasinghe was appointed as a Member of the Commission with effect from 26th May 2023. (Joined as a member at the 234th Commission Meeting held on 8th June 2023).

28.1 The following table depicts the relationships held by the Members of the Commission who held office during the year under review.

Name of the Member	Name of Related Institution	Relationship	Period
Mr. Razik Zarook	Finance Commission	Member	01.01.2023 – 02.05.2023
	Lalith Athulathmudali Foundation	Trustee	01.01.2023 – 31.12.2023
	Bandaranaike National Memorial Foundation	Member	01.01.2023 – 31.12.2023
Mr. A. K. Seneviratne	Civil Aviation Authority of Sri Lanka	Board Member	01.01.2023 – 31.12.2023
Mrs. T.M.J.Y.P. Fernando	Credit Information Bureau of Sri Lanka	Chariperson	01.01.2023 – 31.12.2023
	Institute of Bankers of Sri Lanka	Chariperson	01.01.2023 – 31.12.2023
	Api Wenuwen Api Fund	Member of Board Management	01.01.2023 – 31.12.2023
	Securities and Exchange Commission of Sri Lanka	Commissioner	01.01.2023 – 31.12.2023
Mr. Sanjeewa Dissanayaka	Accounting Standards Committee	Ex. Officio Member	01.01.2023 – 31.12.2023
	Securities and Exchange Commission of Sri Lanka	Ex. Officio Member	01.01.2023 – 31.12.2023
	Sri Lanka Accounting and Auditing Standards Monitoring Board	Ex. Officio Member	01.01.2023 – 31.12.2023
Mr. Brian Selvanayagam	Ceylon Biscuits Private Limited	Director	18.09.2023 – 31.12.2023
	Econsult Global Capital (Private) Limited	Director	01.01.2023 – 31.12.2023
	Renuka Foods PLC	Director	01.01.2023 – 08.09.2023
	Renuka Agri Foods PLC	Director	01.01.2023 – 08.09.2023
	Galle Face Capital Partners PLC	Director	01.01.2023 – 08.09.2023
	Vision One Private Limited	Director	01.01.2023 – 31.12.2023
	Loo[s Creative (Private) Limited	Director	01.01.2023 – 31.12.2023
Mr. Sanjeewa Anthony	None	-	24.02.2023 – 31.12.2023
Dr. Prasad Samarasinghe	HNB PLC	Director	01.01.2023 – 31.12.2023
	Sri Lanka Rupavahini Corporation	Chairman/DG	11.07.2023 – 31.12.2023
	Lanka Bell Limited	Managing Director	01.01.2023 – 31.12.2023
	Bell Solutions (Private) Limited		
	Bellvantage (Private) Limited		
	Hayleys Fiber PLC	Director	01.01.2023 – 31.12.2023
	HNB Assurance PLC/ HNB General Insurance	Alt. Director	01.01.2023 – 06.06.2023

28.2 Other than the transactions in the ordinary course of business no other transactions were recorded by the Insurance Regulatory Commission of Sri Lanka, with the governing body may consist of elected or appointed representatives of the Ministry of Finance, Finance Minister and Secretary to the Treasury during the year.

28.3 Transactions with key Management Persons (KMP)

As per the Sri Lanka Public Sector Accounting Standard – SLPSAS 14 on “Related Party Disclosures”, the KMPs include those who are having authority and responsibility for planning, directing and controlling the activities of the entity.

NOTES TO THE FINANCIAL STATEMENTS

28.4 Remuneration to Key Management Personnel (KMPs)

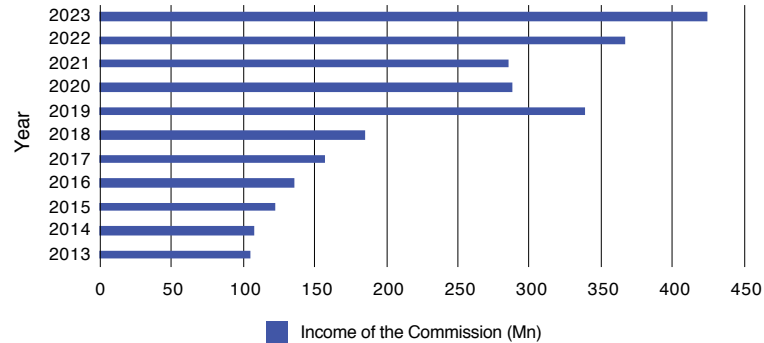
Members of the Governing Body	
Aggregate remuneration & Sitting Allowance (7 Members)	Rs. 2,706,697
Chief Executive and Senior Management Group	
Aggregate remuneration for 6 persons	Rs. 27,353,220
Non cash benefits	Rs. 360,000
Medical Insurance Premium for 6 person	Rs. 380,182

29. COMPARATIVE INFORMATION

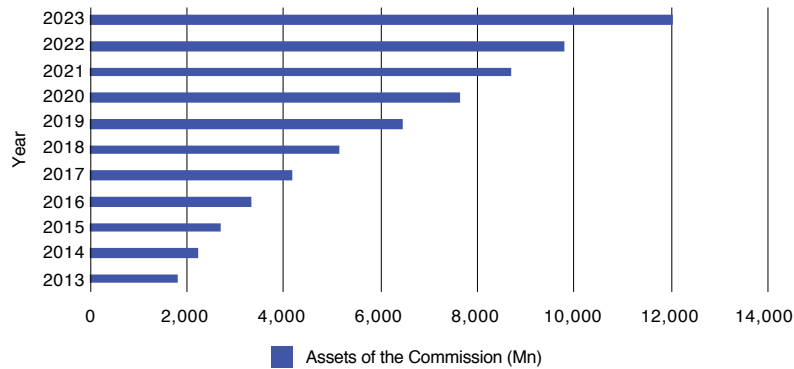
The IRC SL initiated the application of deferred taxation as per the requirement of LKAS 12 – Income Taxes. Previously IRC SL did not provide temporary timing differences, which amounts to a change in the accounting policy. As such, the previous two years (From 2021) have been reinstated in order to comply with the requirements of SLPSAS 3 – Accounting Policies, Change in Accounting Estimates and Errors.

FINANCIAL HIGHLIGHTS

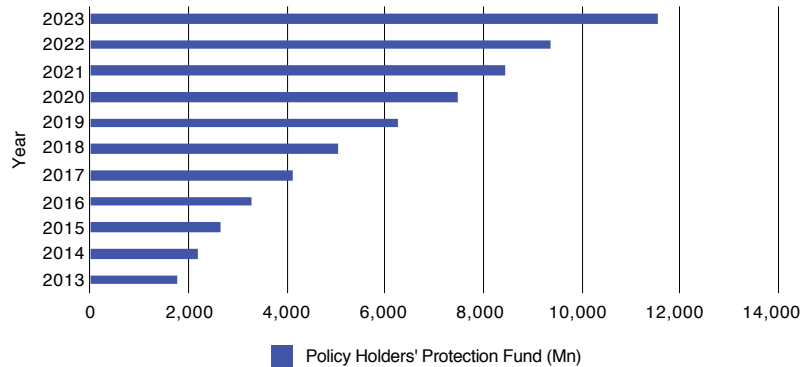
Income of the Commission (Mn)



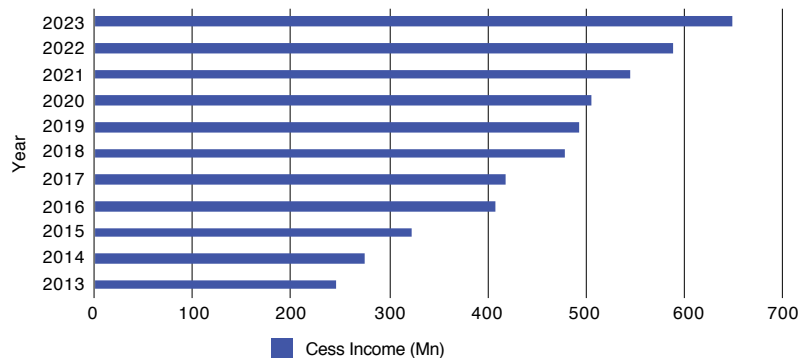
Assets of the Commission (Mn)



Policy Holders' Protection Fund (Mn)



Cess Income (Mn)



APPENDIX I

Insurance Companies Registered under the Regulation of Insurance Industry Act, No. 43 of 2000 as at 31st December 2023

No	Name of the Insurance Company	Class of Insurance Business
1	AIA Insurance Lanka Ltd.	Long Term Insurance
2	Allianz Insurance Lanka Ltd.	General Insurance
3	Allianz Life Insurance Lanka Ltd.	Long Term Insurance
4	Amana Takaful Life PLC	Long Term Insurance
5	Amana Takaful PLC	General Insurance
6	Arpico Insurance PLC	Long Term Insurance
7	Ceylinco General Insurance Limited	General Insurance
8	Ceylinco Life Insurance Limited	Long Term Insurance
9	Continental Insurance Lanka Ltd.	General Insurance
10	Continental Insurance Life Lanka Ltd.	Long Term Insurance
11	Cooperative Insurance Company PLC	General Insurance
12	Cooplife Insurance Limited	Long Term Insurance
13	Fairfirst Insurance Limited	General Insurance
14	HNB Assurance PLC	Long Term Insurance
15	HNB General Insurance Ltd.	General Insurance
16	Janashakthi Insurance PLC	Long Term Insurance
17	Life Insurance Corporation (Lanka) Ltd.	Long Term Insurance
18	LOLC General Insurance PLC	General Insurance
19	LOLC Life Assurance Limited	Long Term Insurance
20	MBSL Insurance Company Limited **	Long Term Insurance and General Insurance
21	National Insurance Trust Fund	General Insurance
22	Orient Insurance Limited	General Insurance
23	People's Insurance PLC	General Insurance
24	Sanasa General Insurance Company Limited	General Insurance
25	Sanasa Life Insurance Company PLC	Long Term Insurance
26	Softlogic Life Insurance PLC	Long Term Insurance
27	Sri Lanka Insurance Corporation Ltd.	Long Term Insurance and General Insurance
28	Union Assurance PLC	Long Term Insurance

** The company has provided a confirmation that they have ceased 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 2023

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	Acorn Insurance Brokers (Pvt) Ltd.	Long Term and 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	Aquiline Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
9	Aseki Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
10	Asia Corp Insurance Brokers (Pvt) Ltd. [former JF Insurance Brokers (Pvt) Ltd.]	Long Term and General Insurance
11	Assetline Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
12	BIMA Lanka Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
13	Brilliance Insurance Brokers Co. (Pvt) Ltd.	Long Term and General Insurance
14	Ceyexxe Insurance Brokers Ltd.	General Insurance
15	Ceylan Insurance & Reinsurance Brokers Company (Private) Ltd. [former Ceylan Insurance Brokers Co. (Pvt) Ltd.]	General Insurance
16	Ceynergy Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
17	CF Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
18	Charenco 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	Commercial Credit Insurance Brokers (Pvt) Ltd. [former A.M.W. Insurance Brokers. (Pvt) Ltd.]	General Insurance
22	D S Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
23	Delmege Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
24	Eagle DVRS Insurance and Reinsurance Brokers (Private) Limited	General Insurance
25	Eagle Insurance Brokers (Private) Limited	Long Term and General Insurance
26	Equity Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
27	Esna Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
28	Essajee Carimjee Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
29	Fairway Insurance Brokers (Pvt) Ltd	Long Term and General Insurance
30	Find My Insurance & Reinsurance Brokers (Pvt) Ltd.	Long Term and General Insurance
31	Foremost Insurance Brokers (Pvt) Ltd	Long Term and General Insurance
32	George Steuart Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
33	Global Insurance Brokers and Services (Pvt) Ltd.	Long Term and General Insurance
34	Grand Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
35	Green Alpha Insurance Brokers (Pvt) Ltd	General Insurance
36	Guardian Insurance Brokers (Pvt) Ltd.	General Insurance
37	Icon Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
38	IIRM Insurance Brokers (Pvt) Ltd. [former Finlay Insurance Brokers (Pvt) Ltd]	Long Term and General Insurance

APPENDIX II

No	Name of Broker	Class of business
39	Imperial Specialty Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
40	Infinity Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
41	InsureMe Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
42	J B Boda Insurance & Reinsurance Brokers Lanka (Pvt) Ltd. [former Ax Insurance Brokers (Pvt) Ltd.]	General Insurance
43	Jay Insurance Brokers and Consultants (Pte) Ltd.	Long Term and General Insurance
44	K.M. Dastur Insurance Brokers (Pvt) Ltd. [former Lak Insurance Brokers (Pvt) Ltd.]	Long Term and General Insurance
45	L M & A Insurance Brokers & Consultants (Pvt) Ltd	Long Term and General Insurance
46	Life & General Insurance Brokers Ceylon (Pvt) Ltd.	Long Term and General Insurance
47	M R U S Insurance Brokers (Pvt) Ltd	Long Term and General Insurance
48	Maxwell Insurance Brokers (Private) Ltd.	Long Term and General Insurance
49	Mercantile Fortunes Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
50	Mercantile Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
51	Mutual Insurance Brokers (Pvt) Ltd	General Insurance
52	My Insurance Brokers (Pvt) Ltd.	General Insurance
53	Nations Insurance Brokers Limited	Long Term and General Insurance
54	Penfield Insurance Brokers (Pvt) Ltd.	General Insurance
55	Pflege Insurance Brokers & Consultants (Pvt) Ltd.	Long Term and General Insurance
56	Placid Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
57	Planet Insurance Brokers (Pvt) Ltd	Long Term and General Insurance
58	Prestige Insurance Brokers Ltd	Long Term and General Insurance
59	Priority Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
60	Procure Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
61	Protection & Assurance Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
62	Reliance Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
63	Rinkoon Lanka Insurance Brokers (Private) Limited	General Insurance
64	Samson Insurance Brokers (Pvt) Ltd.	General Insurance
65	Senaratne Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
66	Senkadagala Insurance Brokers (Private) Ltd.	Long Term and General Insurance
67	Serendib Insurance Brokers (Private) Ltd.	Long Term and General Insurance
68	Strategic Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
69	Sungate Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
70	SUNTRUST Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
71	Trust Insurance Brokers (Pvt) Ltd.	General Insurance
72	UN Insurance Brokers (Pvt) Ltd.	General Insurance
73	United Insurance Brokers (Pvt) Ltd.	General Insurance
74	Veracity Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
75	Victor Emmanuel Insurance Brokers (Pvt.) Ltd	Long Term and General Insurance
76	Volanka Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
77	XGen Insurance & Re-Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance
78	Zenith Insurance Brokers (Pvt) Ltd.	Long Term and General Insurance

APPENDIX III

Loss Adjusters Registered under the Regulation of Insurance Industry Act, No. 43 of 2000 as at 31st December 2023

No	Name of loss adjuster	Effective date of License
1	Entrust International (Pvt) Ltd.	08th June 2020
2	The Shield Adjusters (Pvt) Ltd.	29th March 2019
3	Mr. A.W.M. Bandula Wijekoon	29th March 2019
4	Mr. Ahmed Nazim Nazvi Rahman	25th June 2018
5	Mr. Anthony Preshant Royce De Mel	28th September 2022
6	Mr. Dissanayaka Mudiyanse Indika Sanjeeewa	26th May 2022
7	Mr. Gunawardena Mudiyanse Ananda Udaya Kumara Gunawardena	25th June 2018
8	Mr. Hema Gotabaya Mahanama Liyanage	16th March 2021
9	Mr. Jasin Basthian Arachchige Ravinath Niroshana	26th September 2019
10	Mr. Johann Amarathunga	08th February 2021
11	Mr. Lalindra Krishantha Karunaratne	29th May 2019
12	Mr. Mahabalage Don Sisira Upali Perera	26th June 2018
13	Mr. Mampe Vithanage Rupasena Perera	07th July 2021
14	Mr. Mangala Keerthi Ashoka Kumara Dharmaratne	12th August 2020
15	Mr. Meda Walawwe Ananada Bandara Rambukwella	24th August 2022
16	Mr. Piyal Watudura	05th July 2021
17	Mr. Rajapaksha Pathirage Don Kanchana Surangika	10th September 2018
18	Mr. Sithira Pandithasundara	12th August 2020
19	Mr. Sreenath Bandula Amarasekera	12th August 2020
20	Mr. Sugath Weeraratna	07th July 2021
21	Mr. Susantha Mahindaratna Weerakoon	26th June 2018
22	Mr. Swarnakamal Sujiin Swarnaraj	21st January 2021
23	Mrs. Thanuja Higulage	06th December 2021
24	Ms. Udithamala Jinadarie Kurukulasuriya	13th June 2018
25	Mr. Wijithasena Leelaratne Fernando	25th June 2018
26	Mr Keerthi Delwatta	26th June 2023
27	Ms. Ursula Wijeyasuriya	02nd October 2023
28	Mr Anura M Dedigama	12th August 2020
29	Mr Ran Banda Tennakoon	25th June 2018

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GENERAL INFORMATION

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Fax : +94112396190
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. A. K. Seneviratne	(01.01.2023 - 31.12.2023)
Mr. Brian Selvanayagam	(23.03.2023 - 31.12.2023)
Mrs. T. M. J. Y. P Fernando	(01.01.2023 - 31.12.2023)



INSURANCE
REGULATORY
COMMISSION OF
SRI LANKA

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