

CO-OPERATIVE INSURANCE COMPANY LIMITED

Annual Report 2020



EXPANDING WITH
EXCELLENCE
FOR THE NATION





EXPANDING WITH EXCELLENCE FOR THE NATION

At Co-operative Insurance, excellence is in reinventing and reimagining ourselves to better serve our stakeholders. While our customers remain at the heart of what we do, we are committed to creating value for all stakeholders, by redefining how we define service and business excellence.

While envisioned strategic investments and transformations is expected to pave the way for renewed growth, Co-operative Insurance will continue to enhance the standards of our services and products, reaffirming our assurance of protection and financial stability for all our valued customers: securing a safe future for all our loyal customers.

And, we continue to grow amidst uncertainties with more resilience than ever before: ready to embrace change, ready to set the pace for a new definition of excellence.

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OUR VISION

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

OUR MISSION

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

VALUES

Based on co-operative principles and ethics.

ABOUT THE INTEGRATED REPORT

Co-operative Insurance presents its 23rd consecutive Annual Report and 6th integrated Annual Report for the year 2020. The report is a presentation of the Group's financial and non-financial performance, developed to disseminate comprehensive information to Shareholders, investors and other key stakeholders.

The Group's journey in Integrated Reporting commenced in 2015, aligned with the International <IR> Framework of 2013. Since then the Annual Report has evolved and improved each year, ensuring that it encompasses a holistic and integrated approach to reporting. The report provides performance of the Group and its subsidiaries, covering the period from January 1st to 31st December 2020, as per the Group's financial period.

Scope and Boundary

The Annual Report of 2020 provides readers the performance and developments of both operational (non-financial) and financial aspects, respectively. It provides information and developments on the Group and segregated information on its subsidiaries, which includes Cooplife and Co-operative Insurance Training Academy (CITA). Information on subsidiaries is provided where applicable and relevant.

Changes that occurred as a result of the pandemic are mentioned across the report, especially in capital reports.

Principal Frameworks

Co-operative Insurance complies with the following frameworks and guidelines mandated by several regulatory bodies. In addition, the organisation has voluntarily adopted contributing towards SDG Goals.

Financial Reporting

- Sri Lanka Accounting Standards (LKAS/SLFRS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- Regulation of Insurance Industry Act No. 43 of 2000
- Regulations and Directions Issued by Insurance Regulatory Commission (IRCSL)

GOVERNANCE

- Code of Best Practices on Corporate Governance Issued by CA Sri Lanka and Securities and Exchange Commission of Sri Lanka
- Corporate Governance Framework for insurers issued by the Insurance Regulatory Commission of Sri Lanka
- Statement of Recommended Practice (SoRP) by IRCSL
- Companies Act No. 07 of 2007

SUSTAINABILITY

- United Nations – Sustainable Development Goals (SDGs)

Holistic Reporting

Development of the Annual Report was done in an objective manner, with good judgement in matters that should be presented to Shareholders and other Stakeholders. The report also provides an integrated overview of the Group's operations, its strategic workings, annual developments and future objectives.

Integrated Reporting

By adopting the IR framework as guiding principles for integrated reporting, Co-operative Insurance has focused on the entire model of value creation focusing on the management of capitals and how it generated value for relevant Stakeholders. Over the years, with development and new initiatives coming into effect, Co-operative Insurance has included all five capitals into our capital reports and covers – financial, human, intellectual, social and relationship and manufactured capitals.

About the Integrated Report

Information Integrity, Reliability and Completeness

In preparing the Annual Report, information was obtained from relevant Heads of Departments along with information sourced through our core business systems, HRM system and through interviews conducted with the Top Management of CICL. Data and information on the external environment was adapted from reliable and verifiable sources such as the Annual Report of the Central Bank of Sri Lanka, the Insurance Regulatory Commission of Sri Lanka and the International Monetary Fund (IMF).

Information provided in the report has been approved by the Board of Directors, Audit Committee and relevant Sub-Committees. All financial information and statements were verified by the Head of Finance and the Independent Auditor. The Financial Statements and all relevant notes are provided across pages 142 to 231 and have been audited by Messrs. Jayasinghe & Co., Chartered Accountants, ensuring the accuracy of financial information. The Independent Auditors Report can be viewed on pages 140 and 141.

With the objective of ensuring reliability and completeness, the Group has provided information on all relevant material matters, mainly through capital management reports, providing all respective information that has a direct impact on how the Group creates value for all Stakeholders.

Using the Report

The report can be navigated using the following panel.

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Equitable Reporting

Giving priority to inclusivity and clarity, the report was developed in both Sinhala and English for the convenience of both Sinhala speaking and English speaking stakeholders. The report was distributed amongst Shareholders prior to the Annual General Meeting on 30th June 2021.

Your Opinion Matters

Co-operative Insurance welcomes feedback and constructive inputs from all stakeholders, for the purpose of enhancing the report. Any comment or inquiry can be directed to:

Name: Mr. Amila Kumara

Designation: Manager – Investment and Financial Planning

Tel: 011-2 557 318

Fax: 011-2 557 311

E-mail: info@coopinsu.com

ABOUT CO-OPERATIVE INSURANCE

The only insurer to have its roots in the Co-operative Sector, Co-operative Insurance was initiated in 1999 and claims a 22 year history to this date. What's unique about the organisation is the purpose of its formation to provide financially affordable and inclusive insurance solutions. Back in the late 90s, insurance amongst the co-operative societies and amongst grassroots communities was an afterthought. The Company was thus formed as the vision of a like-minded few who faced challenging situations while shaping Co-operative Insurance to its present state.

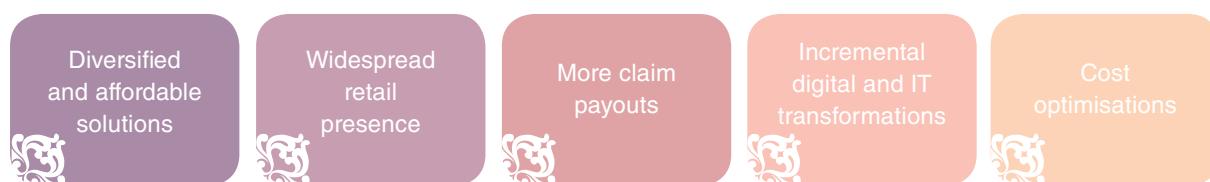
Co-operative Insurance pursues a model of organic growth driven by cost optimisations alongside prudent investments in new technologies and innovations that enable the organisation to grow sustainably. Recent regulatory changes and aggressive competition has become challenges which the Group aims to overcome with efficiencies through digital transformations and a strong retail presence. Co-operative Insurance believes in having a strong local presence, while utilising investments towards improving services and providing affordable solutions that paves the way for sustainable growth, away from the aggressive buzz of mass communications – enabling pure, organic growth.

The organisation has taken strong incremental steps in digitisations and technological transformations – ensuring that Group companies do not unnecessarily adopt trends with a short life span. Co-operative insurance takes decisions that are strategic for sustainable including prudent risk management, efficient processes and unique policy solutions. As a result of its focus on these aspects, Co-operative Insurance has one of the highest claim ratios in terms of the overall revenue at around 70%. However, due to the recent economic slowdown and pandemic based risk management, this has decreased to 52%.

Principles that Govern

Group companies work on the principles of the Co-operative movement. Mutual cooperation and unity remains the key pillars of the co-operative sector with a focus on empowerment of the working class in minimising their exposures to financial risks. Moreover the Group works with a passion for making insurance affordable and widespread by building awareness on the need for insurance as a financial security for life.

Pursuing Organic Growth



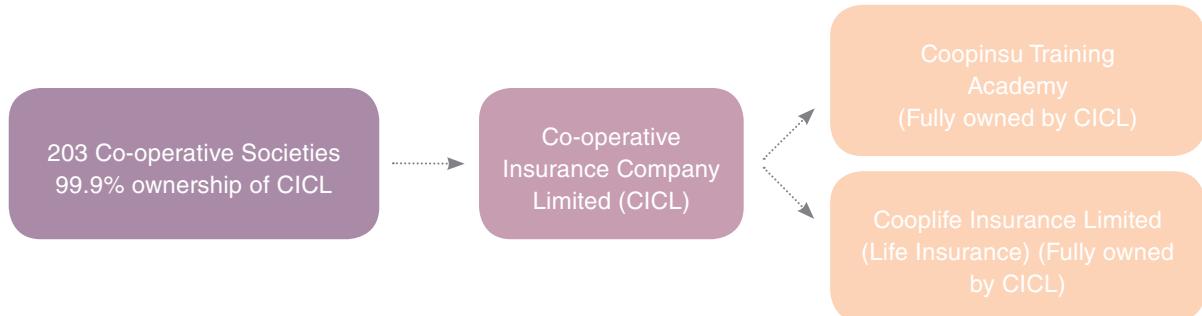
International Recognition

The Group's main insurance entities, Co-operative Insurance Company Limited and Cooplif Insurance Limited are members of the International Co-operative and Mutual Insurance Federation (ICMIF) of UK. The organisation is a global network of co-operatives with 120 co-operative insurance companies, spanning 65 developed and developing countries. These nations also represent autonomous regional associations. ICMIF provides members with support in reinsurance, training, consultancy, research and publications. In addition, Co-operative Insurance is also an active member of the Asia and Oceania Association (AOA).

ABOUT CO-OPERATIVE INSURANCE

GROUP OWNERSHIP

During the year, CICL made a strategic decision to purchase the remaining 16% of shares of Cooplifelife, bringing both the life insurance business and CITA under the purview of Co-operative Insurance Company Limited.



Subsidiary Companies

Life Insurance – Cooplifelife Insurance Limited

The life insurance company of Co-operative Insurance, Cooplifelife is now fully owned by CICL. Cooplifelife provides insurance solutions under the categories of Health, Fire, Retirement and Education. Cooplifelife operates through a team of young and dedicated professionals including Advisors, equipped to educate and guide customers to choose the right solution that best suits payment capacities, financial background, perceived risk exposures and future financial needs.

Health

Life

Retirement

Education

The subsidiary was established as a separate company with the segregation of General and Life Insurance as two business entities, back in 2015: a consequential effect of Section 53 of Regulation of insurance industry (Amendment) Act No.3 of 2011, which mandated composite insurers to segregate.

Coopinsu Training Academy (CITA)

CITA is one of the few insurance education institutes to conduct exams recognised and approved by the Tertiary and Vocational Education Commission of Sri Lanka. Established in 2015, CITA is now well-stationed to groom newcomers to professional and technically adept individuals – ready to face the demands of the industry. CITA's course programs are from some of the world's renowned institutions such as the Chartered Institute of Insurance (CII) UK and the Insurance Institute of India.

- CII and III qualifications
- Certificate, diploma and skill development programs
- Online and classroom learning
- TVEC approved examinations

The Coopinsu academy provides students with a quality learning experience with the ability to obtain internationally accepted professional qualifications. At present, CITA provides certificate and diploma level programs in addition to technical, sales and personal skill development programs.

HISTORY

Looking back at its journey, Co-operative Insurance has remained loyal and grounded to its co-operative roots, committed to providing affordable insurance solutions, encased in the spirit of mutual understanding and people-focused growth.

Co-operative Insurance is the result of the collective efforts of veterans within the co-operative sector, who shared the same vision. This vision revolved around providing a financial safety net to those within the state and co-operative sectors. Now, more than two decades later, Co-operative Insurance provides solutions to all masses, providing the economic benefits of the organisation's business model with shareholders, customers, employees and communities it works with.

Co-operative Insurance takes services to populations within rural, urban and sub-urban areas, informing and creating awareness of the social and financial benefits of being insured. A concern that was non-existent within the rural communities a few decades ago, Co-operative Insurance continues to fulfil its responsibility of providing accessible and affordable

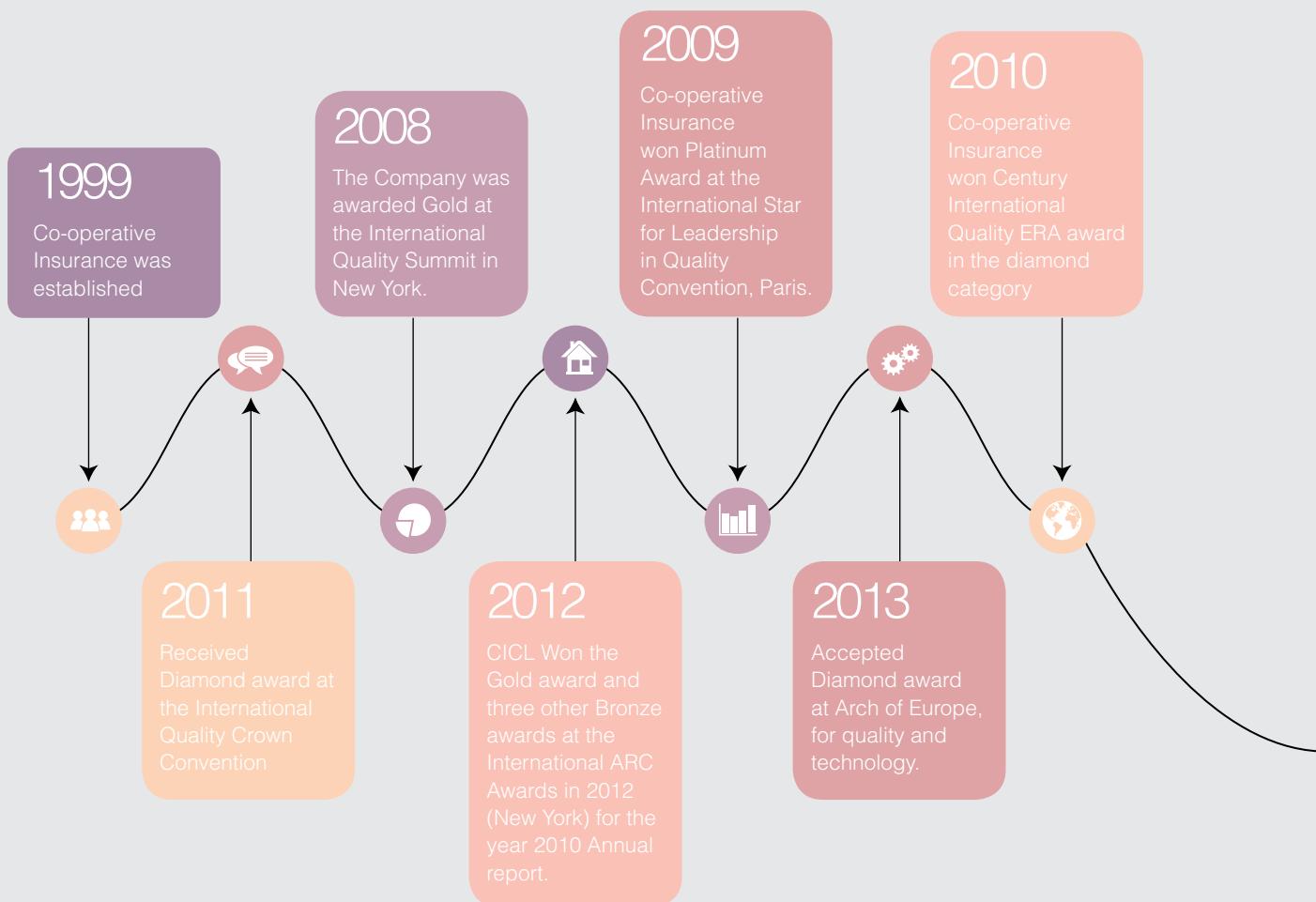
insurance. Since the inception, Co-operative Insurance has also worked in creating awareness, breaking negative perceptions on insurance as unnecessary, complex and unaffordable within the rural and semi-urban masses.

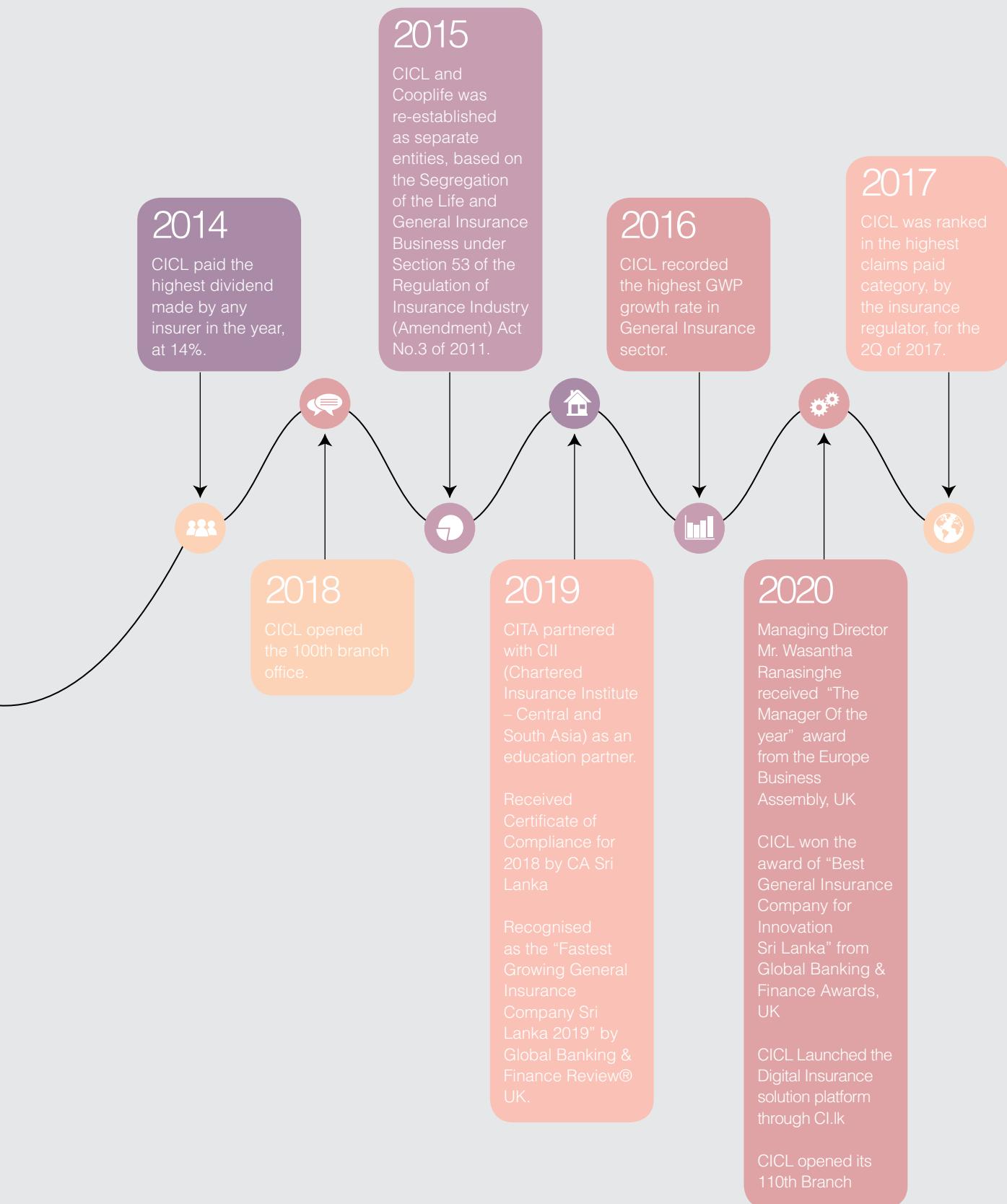
In recent years, Co-operative Insurance began investing in technological transformations and digitisations, pursuing growth objectives through cost optimisations and by increasing efficiencies across core business units and administrative processes. Growing to serve all market segments while diversifying insurance solutions, Co-operative Insurance invests in prudent strategies apart from technological transformations, making all forms of innovation a core part of the Group's future growth.

Despite strategic changes, Co-operative Insurance will not shift its focus from being a people-oriented organisation. Co-operative principles and values will continue to be the guideposts on which the Group will continue to thrive – remaining a company for the people, by the people.



AWARDS AND MILESTONES





MATERIALITY ASSESSMENT

Co-operative Insurance assesses material matters that are both internal and external in nature, which has the potential to impact the Group's ability to create value for Stakeholders. By identifying such matters, the organisation is able to assess their impact in generating value, based on the level of importance placed by Stakeholders and the organisation. The organisation also recognised the importance of the Group's growth strategy, value creation model and sustainability efforts, and the external operating environment as key material matters, in addition to the continued importance on the management of capitals.

Prioritising Material Matters

| Material Aspect | Level of Importance | |
|---|---------------------|---|
| | Group Stakeholders | |
| Growth Strategy and Value Creation | 1 | 1 |
| Sustainability | 1 | 1 |
| Human Capital | | |
| Training and development | 1 | 1 |
| Rewards and recognition | 1 | 1 |
| Employee retention | 1 | 1 |
| Gender parity | 1 | 1 |
| No discrimination | 1 | 1 |
| Equal opportunities | 1 | 1 |
| Positive work environment | 1 | 1 |
| Health and safety | 1 | 1 |
| Systems for productivity | 1 | 1 |
| Career growth | 1 | 1 |
| Social Capital | | |
| Speed of service and improved efficiency | 1 | 1 |
| Increased access and diversified channel network | 1 | 1 |
| Digital solutions | 1 | 1 |
| Enhanced customer service | 1 | 1 |
| Diversified portfolio and affordable solutions | 1 | 1 |
| Improved relations with business partners | 1 | 1 |
| Increased contributions to society | 1 | 1 |
| Socio economic compliance | 1 | 1 |
| Financial Capital | | |
| Increasing returns to Shareholders | 1 | 1 |
| Increasing GWP, revenue and profitability | 1 | 1 |
| Optimum operational costs | 1 | 1 |
| Manufactured Capital | | |
| Optimum use of property, plant and equipment for services | 1 | 2 |
| Better management of property for customers and employees | 1 | 2 |
| Risk, Governance and Compliance | | |
| Risk Assessment and Management | 1 | 1 |
| Corporate Governance, Compliance and Internal Controls | 1 | 1 |
| Operating environment | 1 | 2 |

High 1

Medium 2

Low 3

SUSTAINABILITY DEVELOPMENT GOALS



Towards a Sustainable Future

Co-operative Insurance is committed to uplifting the lives of all, irrespective of financial capacities and social stature. This purpose complements and directly reflects the overall objective pursued by UN's sustainable development goals (SDGs) – achieving a sustainable future for all. Co-operative Insurance deliberately works towards ensuring that its actions and decisions create equality, contributes towards poverty alleviation and honours fair treatment of customers, employees and other stakeholders.

The Group's commitment to sustainable development is endorsed by a focus on sustainable contributions to stakeholders and to the society, and it strives to create equitable solutions that are not driven by a focus on the bottom-line alone, but while also focusing on empathy and empowerment. As part of its commitment to sustainable development on social and economic fronts, Co-operative Insurance follows relevant goals within the UN's 2030 agenda for sustainable development.



Goal 1: No Poverty

Co-operative Insurance serves customers from grassroots, rural backdrops, and from the co-operative sector, which forms a majority of its customer portfolio. As a result, both CICL and Cooplife is vested in providing financial relief and stability when death, accidents and natural disasters upends normality in customers' personal and professional lives. Moreover, through affordable and clear solutions and by promoting the numerous benefits of insurance, Co-operative Insurance delivers to its customers, especially those from grassroots and rural communities, some level of stability during times of distress and financial relief during hardships - being a buffer against undesirable financial circumstances and unexpected losses.

Co-operative Insurance now provides protection to over 900,000 customers through affordable premiums that are comprehensible and accessible.



Goal 03: Good Health and Well-being

Co-operative Insurance's focus on health begins with its offering of health insurance, which is devised to complement individual and group-based medical health concerns. Solutions are coupled with the primary focus on affordability, as well as in providing speedy compensation. In 2020, as a result of the pandemic, Co-operative Insurance took an active stance on extending medical policies based on surge in demand.

Moreover, the well-being of employees remains a key focus. As an employer and an insurance provider, Co-operative Insurance understands first-hand the importance in balancing both personal and professional lives, and physical and psychological well-being. As a result, the Company encourages staff to undertake various recreational and sports activities, which includes weekly Zumba classes conducted for the staff and participation in leather and softball cricket, which are supplemented by investments in training and resources. Professional development programs and grooming sessions are also conducted, in addition to annual health check-ups that are conducted by a team of medical professionals. However in 2020, many of these activities were impeded due to restrictions imposed as a result of the pandemic.

Co-operative Insurance ensures the safety of employees and customers continuously, maintaining proper distancing measures, safety equipment and sanitisation – creating a safe environment for all, against the COVID-19 pandemic.

Sustainability Development Goals



Goal 04: Quality Education

Co-operative Insurance is dedicated to providing avenues of growth for budding insurance professionals. In addition, a key focus is to provide all resources that help cultivate knowledge in employees, while honouring their expectations of professional growth.

In this regard, the group's education arm - Coopinsu Training Academy (CITA), is a Government approved academic institution and training centre established in 2015 to provide not only local accreditations but internationally recognised qualifications in insurance. CITA works in partnership with two internationally accredited insurance institutions and is an online centre for CII (UK) exams.

Additionally, Co-operative Insurance provides employees and learners access to online learning resources for course and exam preparations as well as self-directed learning. And with the outset of remote work and learning demands due to the pandemic, Co-operative Insurance commenced in-house creation of audio-visual content for educational and training purposes.



Goal 5: Gender Equality

As an employer endorsing equal opportunities for all, Co-operative Insurance ensures that there is an acceptable balance in the level of male and female employees. As at the end of 2020, Co-operative Insurance Company Limited maintained a male to female ratio of 1.5:1.

Salaries, job responsibilities and other facilities are structured equitably among employees engaged in similar work roles, irrespective of gender, sexual orientation and ethnicity. Co-operative Insurance is non-tolerant of any form of workplace harassment, ensuring a secure, peaceful and respectful environment for all employees.



Goal 6: Clean Water and Sanitation

Co-operative Insurance in the aim of ensuring employee well-being ensures a pleasant and clean work environment. With the onset of COVID-19, hygiene of offices and head office was further heightened through regular sanitisations, sanitary liquids for customers and employees, as well as reminders of social distancing and mandatory wearing of masks. In addition, employees are given purified water and sanitation facilities while ensuring that operations do not produce any pollutants on water and the exterior environment.



Goal 8: Decent Work and Economic Growth

Employee salaries are annually increased based on performance and based on the newly implemented key performance indicators - for employees of all job levels. Co-operative Insurance also provides two bonus payments each year, in addition to increments and benefits such as insurance covers, medical covers, and welfare benefits etc. Moreover in 2020, Co-operative Insurance maintained payment of salaries despite the challenges posed by pandemic-based constraints.

Furthermore, year-after-year, Co-operative Insurance maintains compliance with statutory employee regulations in addition to honouring its commitment of 8% to the Employee Provident Fund and 3% to the Employee Trust Fund on behalf of all employees.

With promotions and succession plans in place, employees also benefit from work-based growth within an encouraging environment. Moreover, they are expected to maintain camaraderie without communicating any negative comments and attitudes towards each other. Redress for grievances are addressed formally through mediation by the management.



Goal 9: Industry, Innovation and Infrastructure

Evolving with innovations, the adoption of new tech systems has enabled Co-operative Insurance to share benefits of cost optimisations and efficient work processes with its customers – while equipping employees towards a productive work environment. Introducing new digital tools has also elevated accessibility for customers in an era where physical mobility is restricted due to COVID-19.



Goal 10: Reducing Inequality

While ensuring gender equality and equitable treatment to all, Co-operative Insurance also respects persons with disabilities. We have provided room for growth for employees with disabilities and have improved accessibility to customers with physical limitations. Further, Co-operative Insurance stands against recruitment of persons below the age of 18. All these measures are set in place through relevant policies.



Goal 12: Responsible Consumption and Production

Co-operative Insurance is increasing focus on reducing its overall carbon footprint, beginning with optimised consumption of energy. Across the Group, usage of paper is being reduced with the use of its document management system. Employees are encouraged to minimise any excessive consumption of energy as well as use of air conditioners and printers, which are responsible for carbon emissions. Moreover, newly developed branches are fitted with energy optimising LED bulbs and e-mails are for internal communications - reducing paper consumption.



Goal 16: Peace, Justice and Strong Institutions

Co-operative Insurance ensures that its actions and decisions are based on ethics, integrity, and are executed under morally agreeable conduct. As an insurer, Co-operative Insurance is responsible for the financial investments of customers and their stability during adverse times; hence, the Group maintains funds in a transparent manner, while periodically disclosing financials to regulatory authorities. Furthermore, Co-operative Insurance ensures that employee conduct does in no way degenerate and takes corrective action if such occasions arise.



Goal 17: Partnership for the Goals

Co-operative Insurance works in compliance with regulations and policies set forth by IRCSL, ensuring responsible business practices. Co-operative Insurance also works with reputed partners for banking, reinsurance, brokerage and independent business streams – developing value for stakeholders by working with the experience and strategies of these partner companies.

Co-operative Insurance also holds membership in international industry associations such as the International Co-operative and Mutual Insurance Federation (ICMIF) of UK as well as the Asia and Oceania Association (AOA).

FINANCIAL HIGHLIGHTS

| | | 2020 | 2019 | 2018 | Growth Trend |
|--|--------|----------|----------|----------|--------------|
| Financial Performance (Group) | | | | | |
| Gross Written Premium | Rs.Mn. | 5,171.82 | 5,075.05 | 4,368.32 | ↑ |
| Net Earned Premium | Rs.Mn. | 4,358.52 | 4,143.88 | 3,416.09 | ↑ |
| Claims Incurred | Rs.Mn. | 2,677.55 | 3,034.73 | 2,404.32 | ↓ |
| Underwriting results | Rs.Mn. | 1,595.80 | 1,045.83 | 934.34 | ↑ |
| Profit Before Taxation (PBT) | Rs.Mn. | 940.05 | 426.93 | 414.75 | ↑ |
| Income Tax Expense/ (Income) | Rs.Mn. | 244.57 | 154.35 | 3.10 | ↑ |
| Profit After Taxation (PAT) | Rs.Mn. | 695.48 | 272.58 | 411.65 | ↑ |
| Financial Performance (General Insurance) | | | | | |
| Gross Written Premium Motor | Rs.Mn. | 3,848.67 | 3,784.59 | 3,254.68 | ↑ |
| Gross Written Premium Non-Motor | Rs.Mn. | 551.43 | 521.20 | 496.16 | ↑ |
| Net Earned Premium | Rs.Mn. | 3,633.78 | 3,426.60 | 2,844.44 | ↑ |
| Claims Incurred | Rs.Mn. | 2,336.58 | 2,810.32 | 2,181.90 | ↓ |
| Financial Performance (Life Insurance) | | | | | |
| Gross Written Premium | Rs.Mn. | 775.41 | 772.78 | 619.88 | ↑ |
| Net Earned Premium | Rs.Mn. | 728.43 | 720.81 | 574.05 | ↑ |
| Claim Paid | Rs.Mn. | 340.97 | 224.41 | 222.43 | ↑ |
| Profitability Ratios | | | | | |
| Return on Total Assets | % | 6.40% | 2.94% | 7.49% | ↑ |
| Return on Capital Employed (ROCE) | % | 25.2% | 15.4% | 29.9% | ↑ |
| Investment Yield | % | 10.0% | 10.5% | 10.7% | ↑ |
| Shareholder Returns | | | | | |
| EPS (Group) | Rs. | 4.80 | 1.91 | 0.26 | ↑ |
| Capital Base | Rs.Mn. | 1,515.76 | 1,515.76 | 1,430.19 | ↑ |
| Return on Equity | % | 17.7% | 8.8% | 15.2% | ↑ |
| Net Asset Value Per Share | Rs. | 27.50 | 22.30 | 1.89 | ↑ |
| Dividends Per Share** | Rs. | 1.15 | - | 1.25 | ↑ |
| Dividend Payout Ratio | % | 23.7% | 0.0% | 43.4% | ↑ |
| Employee Benefits | | | | | |
| No. of staff | No. | 1,359 | 1,352 | 1,093 | ↑ |
| GWP per employee | Rs.Mn. | 3.81 | 3.75 | 4.00 | ↑ |
| Profit per employee | Rs.Mn. | 0.51 | 0.20 | 0.38 | ↑ |
| Economic value added per employee | Rs.Mn. | 1.92 | 1.51 | 1.59 | ↑ |
| Customer Value | | | | | |
| Claims incurred- group | Rs.Mn. | 2,677.55 | 3,034.73 | 2,404.32 | ↓ |
| Customer base-Group | No. | 951,952 | 865,827 | 710,155 | ↑ |
| Economic Value added | | | | | |
| Business partners fees and commission | Rs.Mn. | 523.65 | 497.64 | 458.16 | ↑ |
| Government | Rs.Mn. | 259.91 | 136.87 | 117.98 | ↑ |
| Policyholders as increase in life fund | Rs.Mn. | 238.00 | 340.84 | 110.74 | ↓ |
| Manufactured Capital | | | | | |
| Capital Expenditure | Rs.Mn. | 47.54 | 90.24 | 96.06 | ↓ |
| No. of branches | No. | 110 | 104 | 102 | |

**Due to Covid-19 Company was not able to declare dividend for 2019 and Company has declared that dividend in 2021 as an interim Dividend of Rs. 1.15 per share. Further, declared final dividend of Rs. 0.75 per share in 2021.

GWP - Group

Rs. Million

5,171

2019 - 5,075

ROE - Group

Rs. Million

17.7%

2019 - 8.8%

PBT - Group

Rs. Million

940

2019 - 426.9

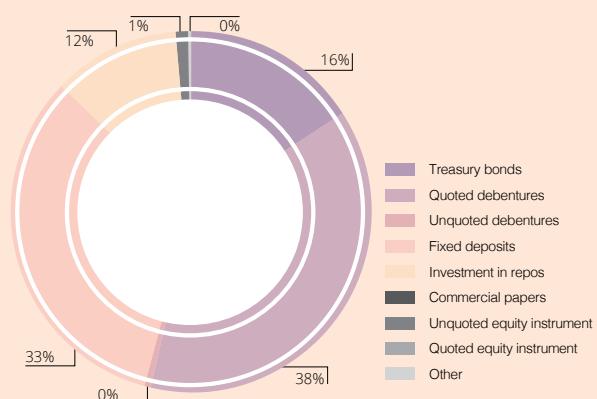
EPS

Rs.

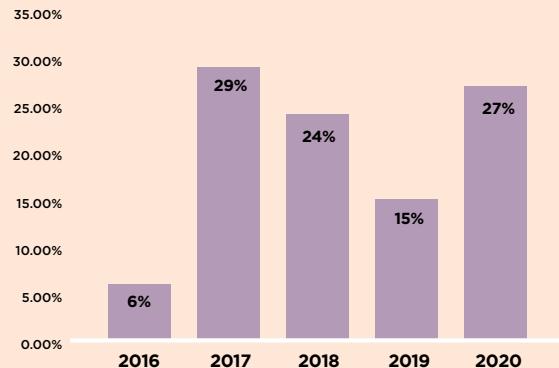
4.80

2019 - 1.91

Investment Composition



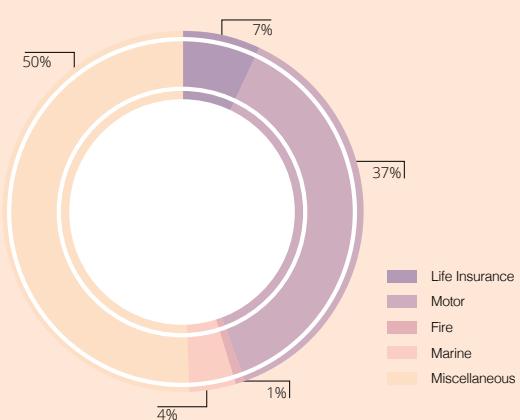
Growth in Net Assets



Growth in Life Fund

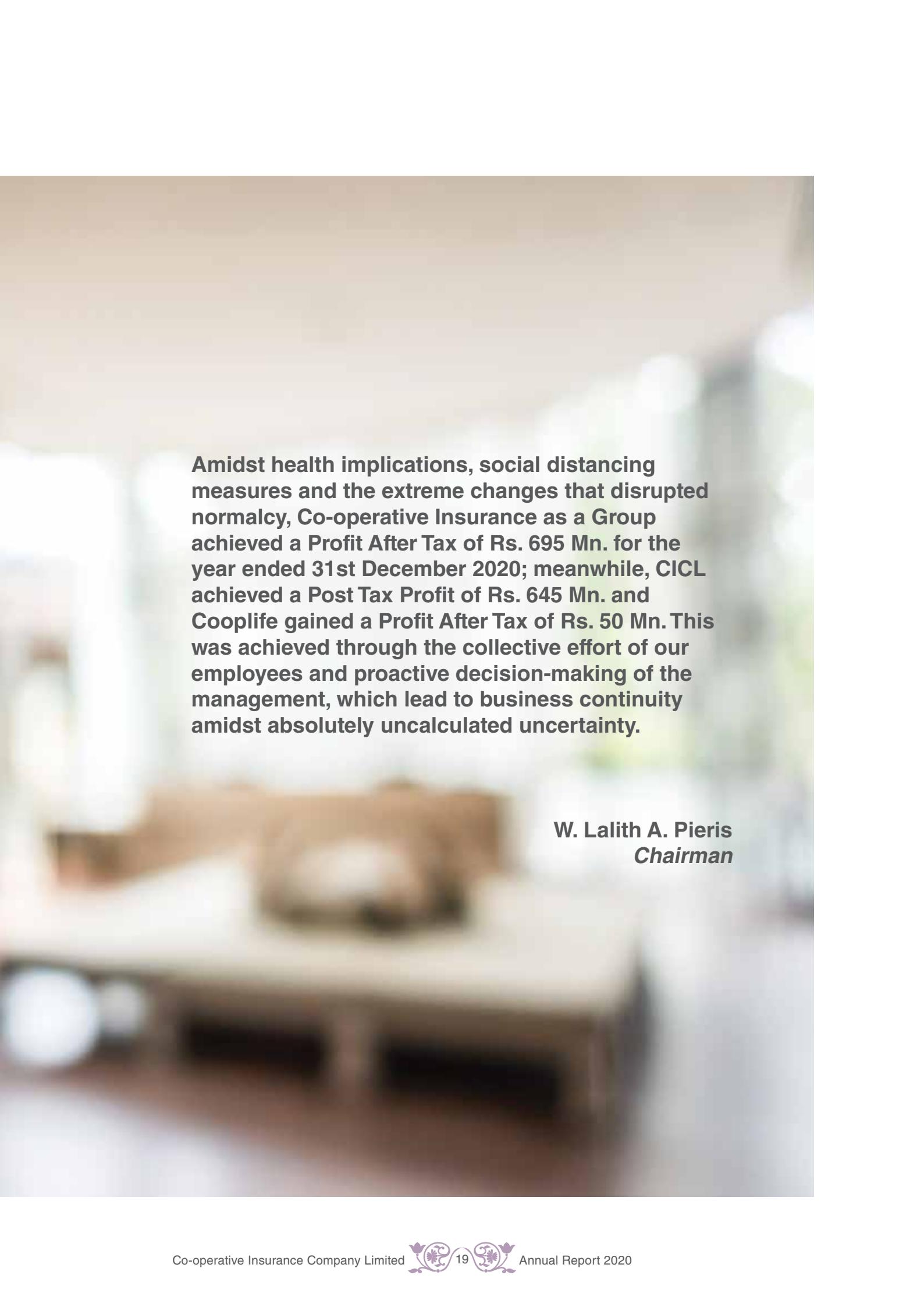


Revenue Composition



CHAIRMAN'S MESSAGE





Amidst health implications, social distancing measures and the extreme changes that disrupted normalcy, Co-operative Insurance as a Group achieved a Profit After Tax of Rs. 695 Mn. for the year ended 31st December 2020; meanwhile, CICL achieved a Post Tax Profit of Rs. 645 Mn. and Cooplifel gained a Profit After Tax of Rs. 50 Mn. This was achieved through the collective effort of our employees and proactive decision-making of the management, which lead to business continuity amidst absolutely uncalculated uncertainty.

W. Lalith A. Pieris
Chairman

Chairman's Message

Fellow Shareholders:

In the past we have spoken of challenges, which are mainly macroeconomic and regulatory in nature. Never have we encountered the dismal realities of a pandemic and its health, social, economic and regulatory implications that shook the entire world. Such an unprecedented risk was not predicted even in the calculative and analytical business of Insurance.

Each year, we also speak of resilient performance and profitability amidst unprecedented contexts, but 2020, was extraordinary in all measures, and the resilience shown by each of us, was extraordinary in its own way. Every year, we convey to you the resilience and commitment of our people; however, in 2020, the same resilience of our teams at CICL and Cooplife exceeded all expectations.

Amidst health implications, social distancing measures and the extreme changes that disrupted normalcy, Co-operative Insurance as a Group achieved a Profit After Tax of Rs. 695 Mn. for the year ended 31st December 2020; meanwhile, CICL achieved a Post Tax Profit of Rs. 645 Mn. and Cooplife gained a Profit After Tax of Rs. 50 Mn. This was achieved through the collective effort of our employees and proactive decision-making of the management, which lead to business continuity amidst absolutely uncalculated uncertainty.

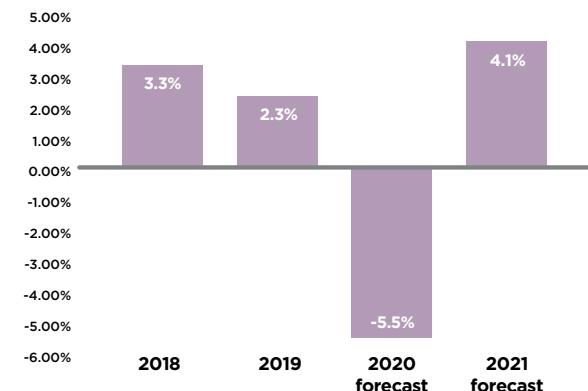
Presenting the details and developments of the Financial Year, it is my pleasure to present to you our 6th Integrated Annual Report, while welcoming you all to the 23rd Annual General Meeting of Co-operative Insurance Company.

The Global Economic Arena

The words 'pandemic', 'lockdowns' and 'new normal' are now etched in our minds forever. These phrases will continue to govern our world for an unpredictable time to come. The global impacts of COVID-19 continue to unfold, tragically with millions of precious lives lost, long-lasting health implications for those who survived the battle and heightened risk of contraction by the immunocompromised and the elderly. Reasons for optimism are now dependent on the availability of vaccines and the efforts taken by global leaders to roll

out vaccines, although with disheartening and varied views on its success.

GDP Growth Rate : Sri Lanka (% per year)



Source : Asian Development Bank, Asian Development Outlook (ADO) 2020 Update (September 2020)

In 2020, the global economy staggered to -3.5 % as per IMF projections. According to global predictions, the regression in global economic growth was named as the worst since the great depression of 1930s. Nevertheless, certain policy measures such as debt moratoria have given way to fewer bankruptcies during the recent crisis than in previous global recessions.

Given the substantial shifts in working conditions ILO records a working-hour loss of 8.8% (against Q4 2019) and worldwide employment losses amounting to 144 million; 33 million have also shifted to unemployment due to unprecedented disruptions in labour markets.

Local Operating Context

The aggregated effect from the pandemic, the consequential lockdowns, restrained world demand and disruptive weather conditions impacted economic growth, plummeting Real GDP during the first quarter of 2020. According to the CBSL publication 'Recent Economic Developments: Highlights of 2020 and prospects for 2021', the national economy is said to have contracted by 1.6% in the first quarter of 2020 - based on estimates by the Department of Census and Statistics. As per the projections by Asian Development Bank, the local economy is said to have contracted by 5.5% - as per ADB Outlook (September, 2020).

Although the local financial system maintained stability in the eight-month period up to August, the insurance sector decelerated in the same period. According to CBSL, as at end June 2020 total assets of the sector rose by 13% (Y-o-Y), while the industry's GWP plummeted to a negative 2.8 %. Claims across the industry's general insurance segment dropped by 28.2 % alongside a marginal drop of .7 % in long-term life insurance – a possible effect of the lockdown and inactivity.

During this period, the Central Bank introduced accommodative policies to slash interest rates and boost market liquidity. The financial regulator also brought down key policy rates such as the Statutory Reserve Ratio to the lowest in recent history. Sharp reduction of interest rates directed by CBSL also relieved the pressure on the population in addition to providing support through rescheduled loan payments and other concessionary benefits for businesses and individuals. CBSL also granted working capital loans of Rs. 175 Bn. by the end of September (2020) to 60,175 borrowers.

Adapting to the New Norm

For the year ended 31st December 2020, CICL achieved an upward growth trend of 2%, despite disruption to business for a short period of time in March and thereafter. (Cooplife growth to go here). With the onset of COVID-19 across the world in based on the first reported patient in Sri Lanka, we took intuitive and proactive measures to secure the necessary IT hardware including laptops and dongles for our employees. We also made necessary transportations in delivering Company personal computers to respective employees – making the transition to 'working from home' manageable for our employees.

Maintaining the link with our customers, we empowered employees to attend work according to a roster basis. The management also ensured employees' safety by providing transportation on key routes and set in place necessary procedures according to regulations issued by the Ministry of Health.

Although the first lockdown and the second wave of the pandemic was a dismal reality, it provided the backdrop for us to revamp Company's digital touch points, making us digitally prepared to provide certain services to customers even during periods of lockdown. The team at CICL worked together to achieve the said growth, and paired with management direction, business continuity was regained in a short period of time, taking into advantage the Government's announcement of Insurance as an essential service.

Motor related business grew by 1.7%, though importation of personal vehicles plummeted by 43.4% between the first eight months of 2020 – due to policy measures to reduce import expenditure as the trade deficit widened subsequent to pandemic-led economic impacts. This packed a direct punch on the insurance business as vehicle registrations dropped significantly.

The Group's Life Insurance business recorded subdued growth when compared to 2019. Net earned premium was at Rs. 728 Mn. Although while we could not achieve the expected growth, it was a creditable achievement. Total Assets of the Group also increased upto Rs. 10.8 Bn. contributed by Rs. 8 Bn. from CICL.

The Company also declared dividends of Rs. 1.15 and recorded an earnings per share of Rs. 4.80. The group's Fitch Rating remained unchanged to BBB+.

We began challenging the new norm, by being vigilant and proactive in providing assistance to customers in the difficult time, we provided a three-month extension period for premium payments, while providing claims to motor policies, which were not renewed during the first lockdown period. Expansion plans also proceeded with new branches, notwithstanding operational challenges caused by the pandemic and lockdowns.

Chairman's Message

Compliance and Governance

In 2020 as per Corporate Governance procedures three members exited the Board, while three new Board members were appointed during the year. Board Meetings and Sub-Committee meetings functioned as scheduled, except for one Board Meeting. The Board maintained close oversight with our committees in assessing the external situation and in mitigating negative impacts to ensure business stability. The Board alongside the Audit Committee and Compliance and Risk Committee monitored and assessed the operating environment and regulatory decisions, balancing negative external influences with Group operations.

Group's leadership and relevant Department Heads maintain Compliance with Governance best practices and statutory regulations – monitoring transparent and accountable conduct at all levels. As a member of the Co-operative sector's ecosystem, we continue to bolster our ethical conduct and proper governance honouring macroeconomic changes, regulatory decisions, while ensuring business continuity in unprecedented scenarios such as the COVID-19 pandemic.

Furthermore, the Company maintained an above average Risk-based Capital (RBC) remaining at 232%, well above the average of 120%. This manifests the well above average financial health of the Company. The Company also remained compliant with all other statutory and legal regulations across the year; however, the Company is yet to list with the Colombo Stock Exchange and adopt IFRS 17.

Co-operative Insurance continued to set in place necessary pre-requisites and changes in order to list the Company in the Colombo Stock Exchange as stipulated by IRCSL.

As preparatory procedures in adopting IFRS-17, the Company also formed internal teams in addition to obtaining the services of an external consultancy firm in conducting relevant procedures such as gap analysis in implementing IFRS.

Prospective Context

2021 commenced with hope due to the distribution of vaccines across the globe. According to IMF (Jan. 2021), the pandemic is expected to reach low local transmission levels by end 2022 as vaccines become increasingly available alongside improved testing and contact tracing. As more people adapt to the new normal, economy activity is likely to move on with subdued activity over time. The long term effects of the pandemic hopefully would be addressed, these include worsening inequality, rise in poverty and debt and human capital related challenges, as most of these are pre-pandemic trends intensified.

As for nations such as Sri Lanka that has a high debt level, global community support, monetary concessions and relief is deemed to be essential in keeping up with overburdened costs and poverty lines. Restructured debt should be explored by countries, taking into consideration the new Common Framework agreed by the G20, as mentioned in the IMF January 2021 World Economic Outlook Update.

World output is projected to rise to 5.5% in 2021 with a rebound to 6.3% in the Emerging Market and Developing Economies – providing some hope for economic normalcy.

Sri Lanka too can expect some rebound in economic activity as ADB projects our economy to recover to 4.1%. In alleviating the pressure on the country's external sector, policies that target domestic production growth are expected to provide a boost.

In this context, the Group maintains our focus on future growth, as we will take on strategic restructuring of the Group after the listing on the Colombo Stock Exchange in 2021. In addition, implementation of IFRS 17 will go ahead as scheduled complying with financial regulatory requirements.

Co-operative Insurance as a Group will continue to provide innovative products matching the needs of the market. Our Digital Insurance platform will be upgraded gradually. In the short-to-mid term, our focus will be on introducing new digital tools and interfaces for the convenience of our customers. At present, there are multiple solutions being developed, in the areas of claims and quotations, and online insurance.

Appreciations

In light of the extraordinary challenges we faced in 2020, I commend my management teams at CICL and Cooplife, lead by Mr. Wasantha Ranasinghe, for the sound governance and resilience shown in the midst of surmounting concerns and uncertainties. Your intuitive guidance demonstrated that good management is not only a matter of managing calculated risks but weathering disruptive challenges, proactively.

I also praise our Senior Management Team and Branch Managers for guiding your respective teams during the operational challenges and pulling through the pressures.

Our employees showed a strong attitude in adapting to the new demands, and as a result most worked in a spirit of full determination and earnest dedication to their duties while juggling personal roles as parents, spouses and family members. I commend you for the long hours and your courage in returning to work even amidst concerns.

I also thank our agents, brokers and other partners for your support across the year; and in operating even with less than ideal situations.

I am also grateful to all our Board Members for their continued leadership and to our Shareholders and customers for maintaining your confidence in us.



W. Lalith A. Pieris
Chairman

IMF (January 2021) World Economic Outlook Update

ILO Monitor: COVID-19 and the world of work. Seventh edition Updated estimates and analysis

CBSL (2020), October, Ch. 1, Overview, Recent Economic Developments: Highlights of 2020 and Prospects for 2021.

CBSL (2020), October, Ch. 8, Financial Sector Performance and System Stability, Recent Economic Developments: Highlights of 2020 and Prospects for 2021.

CBSL (2020), October, Ch. 8, Financial Sector Performance and System Stability, Recent Economic Developments: Highlights of 2020 and Prospects for 2021, p. 152.

MANAGING DIRECTOR'S REVIEW



As we concluded the financial year, our Profit After Tax was reported as Rs. 695 Mn., after a Gross Written Premium of Rs. 5.2 Bn. earned Group-wide. The growth in GWP is a 2% improvement over 2019, while the after-tax profit jumped 155% over the previous year.

Total assets of the Group grew by Rs. 11 Bn., a near 17% increase, which surpassed our annual average of 15%, contributed by an asset increase of 19% to Rs. 08 Bn. pertaining to CICL.

Wasantha Ranasinghe
Managing Director

Managing Director's Review

Dear Shareholders,

Delivering this message during a new normal, I am pleased to declare that Co-operative Insurance has concluded the year ended 31st December 2020 with profitability and positivity. I am pleased to inform that despite the negative connotations of the pandemic, your Group achieved Rs. 695 Mn. in after-tax profit.

With regard to the pandemic, no other time has ever posed such life-threatening risks, unlike the COVID-19 pandemic. Uprooted safety, muted social lives and mounting uncertainties continued to increase across the world. However, it did show us the importance of life, of living every moment with gratitude, as it demonstrated that the future remains uncertain in so many ways – leaving us with gratitude for the present.

Although it was undoubtedly a most challenging year for all of us all, Co-operative Insurance developed a level of resistance to the pandemic's impacts on working conditions and operational challenges. Our experience in assessing and managing risks geared us to recognise potential risk scenarios. Thus, enabling the Group to maintain business continuity and always ensure the safety of our employees.

Multi-Dimensional Growth

Similar to businesses across the world, the pandemic created doubts of regression over business performance. Nevertheless, as we concluded the financial year, our Profit After Tax was reported as Rs. 695 Mn., after a Gross Written Premium of Rs. 5.2 Bn. earned Group-wide. The growth in GWP is a 2% improvement over 2019, while the after-tax profit jumped 155% over the previous year.

Total assets of the Group grew by Rs. 11 Bn., a near 17% increase, which surpassed our annual average of 15% contributed by an asset increase of 19% to Rs. 08 Bn. pertaining to CICL. The market value of our fixed assets grew over the year, bearing a positive outcome on our decision to invest on a land in Jala. Plans are now underway in conceptualising the infrastructure to be built on the acquired land. Expediting development plans will commence in 2022.

Each year, branch expansion took a hard-line approach; however, due to pandemic restrictions in 2020, Co-operative Insurance opened only three branches. Besides challenges in mobility for our sales team and agents, the ban on vehicle imports due to the foreign exchange crisis directly impacted our motor insurance segment, which counts for around 87% of our business.

Furthermore, the Company's plans to declare a dividend of 11.5% upon regulatory approval. The Group plans to pay the dividend for our Shareholders in 2021.

Group-wide net claim ratio declined to 58% (based on total income), as pandemic-based lockdowns reduced social activities and interactions. Nevertheless, Co-operative Insurance remains one of the top insurers in fulfilling claims, as per IRCSL data. Moreover, the claim settlement process underwent improvements during the year, especially in providing speedy and efficient claim disbursements to our customers.

The Co-operative Spirit

As an institution with our roots in the cooperative sector, we share the values of mutual cooperation. This shared attitude amongst employees became our strength in regaining operational mobility during the initial COVID-19 lockdown - with minimum disruptions, securing our customers against risks and new threats. Leaving no room for chance, we took early initiatives to provide laptops, dongles and computers for our employees, delivering them to their homes if needed. As a result, we managed to ensure faster continuity of operations – resuming services to our customers.

Despite the unusual and daunting circumstances, we continued with our recruitment, ensuring that our momentum for growth is maintained. We also ensured that our employees received payments and remunerations on time, giving them a sense of stability amidst a subdued operating environment. The Group also provided staff with a bonus payment, which equals to two months salary for the year ended 31st December 2020.

As the pandemic muted the usual pace of operations, we focused on technological improvements across the Group. Such enhancements included the full implementation of our HR software, developed in-house to facilitate all functions from fingerprint scanning to payroll management. With our new KPI model that came into place in 2019, we integrated the new framework in assessing employee performance across both CICL and Cooplif. The new KPI based performance management model provides the necessary assessments for annual increments, recognitions and rewards based on performance – across every level of the Group – even including support staff at the ground level.

Moreover, in 2020, we saw the emergence of MDRT members, commendably from rural provinces, proving yet again the growing capabilities and commitment of our sales force and agents. Our MDRT members continue to represent the Group at international forums while gaining tremendous exposure to industry best practices and global resources.

Segmental Performance

During the year, Cooplif, our life insurance arm, achieved a GWP of Rs.775 Mn. Subsequently, Cooplif achieved a Profit Before Tax of Rs. 70 Mn., whilst the Profit After Tax amounted to Rs. 50 Mn. in the year under review. In a strategic move that culminated after years of gradual developments, CICL purchased the remaining stake of Cooplif with an investment of Rs. 89 Mn. The decision to buy the remaining shares is a result of our plans to restructure the Group in 2021. During the year, we diversified the product portfolio of Cooplif, offering a comprehensive solution best-suited for diverse requirements.

Our academic subsidiary, CITA adopted technological improvements in 2020. The academy now includes an online examination centre, facilitating computer-based examinations for students. Students also receive free tuition and learning material and access to videos and learning materials online. CITA now has a dedicated team to curate videos by lecturers and resource personnel for developing and training internal staff.

Changing the learning curves, we adopted online-based training for our staff through pre-recorded videos on technical areas and induction training for recruits. Implemented out of necessity during periods of lockdowns, we will be adopting more online-based staff training in the future as it shows great potential in creating targeted learning content, keeping costs at an optimum. Most importantly, it fuels self-learning and flexibility for students to access learning material. For this purpose, we have purchased relevant recording and editing equipment and conduct in-house video development. We now plan on expanding this unit. As a result of our efforts in making learning material accessible via the web, CII has taken an interest in providing reduced fees for student examinations through CITA.

Adopting technological solutions and creating digital windows for customer service is an ongoing process. Prior to 2020, Co-operative Insurance began upgrading its website with the gradual shift towards digital insurance. Last year, as the pandemic began disrupting operations, we speedily expedited our plans to revamp the CI website while giving priority to establishing a digital insurance portal. We now offer third-party motor insurance and facilitate online payments through the digital revamp in addition to updated information on solutions: making it our digital window to the world.

Progressing with our strategies for digitisations, we upgraded our in-house assessor app, developed to cut down the time taken for assessors to reach an accident site. The app, which connects directly with our call centre, provides representatives with the ability to track assessors close to the location. The app also facilitates digital image capture and upload, maintaining digital proof of damages on vehicles. As a result, we have improved our claims ratio by ensuring that garages receive payments for the repairs necessitated by accidents.

Managing Director's Review

Furthermore, during lockdowns, our employees renewed motor insurances of customers who could not physically visit branches. A digital copy of the renewed insurance card was sent to customers - assuring that they do not meet with any undue inconvenience.

Plans are now underway to enhance the app's back-end operability in creating a customer-usable mobile app for claims during accidents.

The capabilities and skills of our IT team enable group companies to maintain development costs at a minimum, with minimum involvement by third-party service providers. With strong in-house development potentials, we can continuously streamline operations, creating seamless integrations and upgrades to existing ICT systems and digital tools, such as our mobile apps and web portals.

Prudent Leadership

Several aspects were presented for Board discussions and approval in 2020. These included the restructuring of the Group, which was initially proposed by Shareholders – with a focus on diversifying our holdings and business interests. Listing the Company on the Colombo Stock Exchange and the purchase of Cooplife's remaining shares were discussed and approved by fellow Board Members, providing key recommendations and feedback on the necessary implementations.

Sound governance continues to be the compass of our operations, playing a critical role in ethical conduct and accountability – across all group levels. Across the year, the management, employees, brokers and on-field officers worked with integrity amidst the challenges they endured.

The Audit Committee, Risk Management Committee and the Internal Audit Team all worked cohesively – resolving probable risk exposures, providing necessary information and recommendations to the leadership and the Board.

Across 2020, sound governance played a crucial role in adapting to regulatory changes due to the pandemic. The Group leadership also tackled challenges due to subdued economic progress and escalating uncertainty around the spread of COVID-19.

Transformational Future

As mentioned before, new digitisations and tech-based growth will continue. In 2021 our focus will be on the proposed restructure of the Group, as mentioned by the Chairman in his message. The restructure will be completed after listing the Company in the stock market.

Growing our tech-centric approach, we will be developing mobile apps that cover multiple operational functions. In 2020, an online quoting system was developed and will be implemented in the near future. It will allow employees to generate a quotation in a matter of minutes – giving convenience to customers. The Company also plans to develop a similar app for customer use.

The pandemic created an increased need for health insurance, which was observed through increasing number of inquiries and interests conveyed by corporate entities and individuals. Seeing the present need for medical coverage against COVID-19 as well as for more common ailments, we have taken a dynamic leap towards expanding health insurance services. Diversifying and extending solutions, we are now planning towards commencing an in-house unit to assess medicals, optimising costs and returning the financial benefit to customers through reduced premiums. Negotiations with potential clients are already underway.

Appreciations

What we achieved in 2020 is highly commendable. Therefore, it is with an immense sense of gratitude that I convey my appreciation to Chairman, Dr. Lalith Peiris - for his resolute leadership and resilient mindset that had an affirmative impact on me and the staff.

I also convey my gratitude to the management team and all our employees, for having worked selflessly throughout the year. I greatly appreciate their initiatives that helped turn challenges into an advantage and their optimistic and forward-thinking attitude. Most worked tirelessly, as working from home somewhat dissolved the boundaries between work and personal life.

I also thank my fellow Board Members for exercising sound judgement and for providing critical feedback for managing operations and risk concerns in the year. Their direction in operational matters and insights in reducing risk exposures were instrumental given the unprecedented circumstances.

I am also sincerely grateful to all our partners and service providers, including our banking partners, brokerages and agents, for your support and for helping us continue operations with minimum disruptions. I also thank our customers for the cooperation shown throughout and for being our raison d'être.



Wasantha Ranasinghe
Managing Director

GENERAL MANAGER'S MESSAGE



With a mix of prudent technical and operational strategies and an optimistic outlook in finding opportunities even amidst the challenging reality, Co-operative Insurance was able to secure and maintain its 2% growth rate, a positive sign in relation to the overall performance of the industry.

***M.G.U.P. Kumara
General Manager – Technical***

General Manager's Message

The impacts of the pandemic in the first half of 2020 propelled Co-operative Insurance to revise our positions across several technical areas. This was mainly driven by concerns for the financial performance of the Company owing to the volatility within the macro environment.

With a mix of prudent technical and operational strategies and an optimistic outlook in finding opportunities even amidst the challenging reality, Co-operative Insurance was able to secure and maintain its 2% growth rate, a positive sign in relation to the overall performance of the industry.

Prudent Underwriting

Pandemic-driven prudence mainly focused on strengthening and revising strategies in underwriting and is now established in manoeuvring around risks and uncertainties surrounding the ongoing health crisis and suspensions in economic and social activities.

As a result of controlling macro-level impacts on underwriting profitability, the Company assessed underwriting appetite while shaping ourselves to be more prudent in our technical aspects. Moreover, in strengthening underwriting operations, the Company focused on improving technical knowledge of employees and on prudent pricing. As a result of the combined effect of these strategic measures, Co-operative Insurance managed to be one of the few insurers to maintain underwriting profitability.

Simple and Convenient Solutions

Co-operative Insurance has always prided itself in providing affordable insurance since its inception. Our model of affordable premiums, offered through a wide range of unique solutions now provides financial security to thousands of customers from the micro and grassroots levels. However, in elevating our service offering, Co-operative Insurance now focuses strongly on simplifying insurance solutions, while making processes more convenient. As mentioned under Managing Director's message, Co-operative Insurance is on a journey of making our services more streamlined and efficient through the use of digital technologies and IT platforms – developed by our competent and experienced IT staff.

Enhanced and Efficient Services

Although many challenges persist amidst the dismal effects of the pandemic, the pandemic has become a catalyst for many companies to innovate. Similarly, for Co-operative Insurance the outset of the pandemic provided a push towards rapidly embracing certain technological aspects that up until the initial lockdown developed gradually.

In ensuring uninterrupted services for customers, Co-operative Insurance initiated payments through our website, while providing digital insurance to third-party motor cover policies. While also there are additional solutions that are still in the development phase, Co-operative Insurance succeeded in launching a customer care app in 2020, as well as fully establishing the Company's self-developed assessor app that is seamlessly connected with all call centers for assisting customers speedily during motor accidents.

CICL continued to enhance operations in motor insurance, which is now an entirely digitally driven operation with a document management system that perfectly complements all process-based requirements. As a result, exchange of documents between branches and head office is now a thing of the past, making it a paperless internal operation. Moreover, due to digitally enhanced efficiencies, CICL is now capable of providing 'rapid claims settlements' with claims up to a certain limit being fulfilled within a day.

Furthermore, Co-operative Insurance was proactive in preparing for work from home protocols even before the lockdowns initiated. We were able to ensure that services such as claim processing and policy renewals operated with minimal hassle and disruptions. Furthermore, staff also took dedicated measures to contact customers individually, in reminding them to update policies through timely renewals, whilst the Company shared renewed policy details, especially related to motor insurance renewals through digital communication methods.

New Prospects

Across the outbreak, CICL witnessed a surge in demand for medical insurance, with requests for more corporate and group-based policies. With the organic demand for health insurance rising due to health risks associated with the pandemic, Co-operative Insurance is now actively focused on providing comprehensive and requirement-specific health insurance covers for both corporate and state institutions as well as individuals. The medical insurance category of CICL witnessed a 155% growth rate mostly driven by the notable growth within the medical insurance portfolio, during the year under review.

Furthermore, the Company introduced a kind of, personal cyber security policy – aimed at indemnifying individuals who face financial losses due to cyber-based hacks and device compromises. The policy provides unique benefits to individuals, ensuring financial security at a time when remote work arrangements and increased online activities have heightened the probability of exposures to hacking incidents and data breaches.

In addition, Co-operative Insurance has a unique portfolio of solutions catering to those from micro economic segments to the high-end of the income strata. CICL's micro insurance policies include cattle insurance, insurance for fisherman's vessel, personal accident insurance and agricultural insurance solutions for farmers - providing financial inclusion to customers who require it the most.

Developing Human Capital

Bridging skills and technical capabilities is vital in providing enhanced customer service. While digital technologies provide fast tracked services, human interactions with customers in a professional and empathetic manner is vital in identifying needs and providing the right solutions to clients. From grassroots or from a higher income-based segment, employees, especially those who within the call centre are trained to maintain professionalism and compassion with all customers, while all employees are encouraged to use layman terms when describing solutions to customers. Moreover, training programs are organised for staff on communication, professionalism and other soft skills while also increasing their knowledge of job-related expertise.

Appreciation

Co-operative Insurance has overcome the initial challenges of the pandemic and lockdown based limitations, by devising prudent strategies in underwriting, capitalising on opportunities and by taking proactive steps towards ensuring business continuity. In this regard, the entire staff, senior leadership and the corporate management played a dedicated role in providing direction to employees and in establishing the right measures, at the right time.

I would like to thank Chairman, Dr. Lalith Peiris and Managing Director Mr. Wasantha Ranasinghe, for the excellent leadership offered in navigating around the circumstances of the pandemic. I would also like to thank the senior management for being committed to maintaining services during this challenging time, as well as to the staff for their professionalism and dedication in adapting to the changes which were necessitated by the pandemic.

I would also like to thank the Board of Directors for setting the direction and in devising prudent measures together with the management, to mitigate risky circumstances, which ultimately paved the way for a profitable financial year.



M.G.U.P. Kumara
General Manager – Technical

BOARD OF DIRECTORS

CO-OPERATIVE INSURANCE CO. LTD.



1

Dr. W. Lalith A. Peiris
Chairman

2

Mr. K.R.W. Ranasinghe
Managing Director

3

Mr. K.J. Sesiri
Vice Chairman

4

Mr. R. Sooriyaarachchi
Director

5

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

6

Mr. P.B. Jayaratna
Director



7
Mr. S.S. Weerasekara
Director

8
Mr. A.D.T.S. Palitha
Director - Professional

9
Mr. C.P. Jayasinghe
Director

10
Mr. D. Thilakawardena
Director

11
Mr. A.B. Senadira
Director

12
Mr. D.L. Samarawickrama
Director

Board of Directors

Co-operative Insurance Co. Ltd.



①

Dr. W. Lalith A. Peiris

Chairman

Dr. W. Lalith A. Peiris is the Chairman of Co-operative Insurance Company Limited and its subsidiaries Cooplifce Insurance Limited and the Co-operative Insurance Training Academy (CITA), in addition to Chairing several Co-operative Councils and Societies – which includes the National Co-operative Council of Sri Lanka and the Wennappuwa Multi-Purpose Co-operative Society Limited. Dr. Peiris was also a former Chairman of the Sri Lanka Co-operative Rural Bank Federation and the Chilaw District Co-operative Society. At present, he serves as a Director on the Board of the National Institute of Co-operative Development - Polgolla.

In addition, he is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (F.C.A), the Society of Certified Management Accountants Sri Lanka (FSCMA), and a member of the Institute of Data Processing Management UK (LIDPM). Previously, he was also CEO, CFO and a former director of the Laugfs Group. Academically, he holds an MBA (PIM), Business Administration (Special) degree and B.Sc. Management (Special) Degree from University of Sri Jayewardenepura.



④

Mr. R. Sooriyaarachchi

Director

Member of the Board of Directors of CICL, Mr. Sooriyaarachchi also serves as Vice Chairman of Airport and Aviation Lanka Limited. He was also engaged as the Chairman of the Gampaha District Co-operative Rural Bank Union Limited and was the former Chairman of Puttalam Salt Limited.



⑤

Mr. C.P. Jayasinghe

Director

A Board member, Mr. Jayasinghe is also Chairman of the Sri Lanka Rural Bank Union and the Dambadeniya Multi-purpose Co-operative Society Limited. He was a previous Vice Chairman of Wayamba Co-operative Rural Bank Union Ltd. and was also a Director of the Co-operative Leasing Company Limited and the Wayamba Co-operative Consumer Society Limited. Academically, he holds a Bachelor of Arts Degree.



⑥

Mr. A.D.T.S. Palitha

Director - Professional

Board Director of CICL, Mr. Palitha is also a member of the Institute of Chartered Accountants of Sri Lanka (ACA). At present, he is the partner at TSP Associates, Chartered Accountants, and academically, Mr. Palitha holds a B.Com (Special) Degree, obtained from the University of Kelaniya.



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Mr. J.M.V.P. Jayasooriya

Director

Mr. Jayasooriya, holds directorship on the Board of Co-operative Insurance Company Limited. Previously, he has served as Chairman of Galigamuwa Multi-purpose Co-operative Society Limited and served as Director of Kegalle District Co-operative Rural Bank Union and the District Co-operative Council of Kegalle; he was also a Director on the Board of Cooplife Insurance. He holds a Bachelor of Arts Degree and a Master of Arts (Sociology) Degree from University of Kelaniya. He also serves as the parliamentary secretary to the deputy speaker.



10

Mr. A.B. Senadira

Director

Mr. Senadira holds several leadership positions within the Co-operative Sector, in addition to holding membership of the board of CICL. He is Chairman of the New Thalawakale Multi-purpose Co-operative Society and co-operative district council - Nuwara Eliya, and also holds Directorships at the Sri Lanka Consumer Co-operative Federation, the National Co-operative Council, and Central Province Co-operative Rural Bank.

He is also the Director of Chakie Transport Agents Pvt. Ltd., and of New Chakie Transport Agent Pvt. Ltd.



8

Mr. S.S. Weerasekara

Director

Mr. Weerasekara holds several positions of seniority, in addition to being a Director on the Board of CICL. At present, he is Chairman of Weligama Multi-purpose Co-operative Society Limited, as well as the Chairman of the Matara District Tea Producers Co-operative Society Union and Sri Lanka Tea Producers Co-Operative Society Union. Further, he is also a vice Chairman of Matara District Co-operative Rural Bank Union and Director of Matara District Co-operative Council.



11

Mr. P.B. Jayarathna

Director

Mr. Jayarathna presently provides leadership to the Nochchiyagama Multi-purpose Co-operative Society as its Chairman. He was a former Director of the Anuradhapura District Rural Bank Union and was also a Director of the North Central Province Consumer Co-operative Federation. Moreover, he was also a Director at the Sri Lanka National Sanstha Sabhawa and the Anuradhapura District Co-operative Society.



9

Mr. D.L. Samarawickrama

Director

Mr. Samarawickrama is Chairman of the Colombo South Co-operative Union and is also serves as Chairman of the Public Service Co-operative Credit and Thrift Society Limited. He was a past Chairman of the Jayawardeneppura Multi-purpose Co-operative Society Limited and of the Ja-Ela MPCS. At present, he holds Directorships at Colombo District Rural Bank Union and Cooplife Insurance Limited.



12

Mr. D. Thilakawardena

Director

Mr. Thilakawardena is the present Chairman of the Post & Telecommunication Co-operative Society.

BOARD OF DIRECTORS COOPLIFE INSURANCE CO. LTD.



1

Dr. W. Lalith A. Peiris
Chairman

2

Mr. K.R.W. Ranasinghe
Managing Director

3

Mr. D.L. Samarawickrama
Director

4

Mrs. W.P.M. Chaturani
Directress

5

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



①

Dr. W. Lalith A. Peiris

Chairman

Dr. W. Lalith A. Peiris is the Chairman of Co-operative Insurance Company Limited and its subsidiaries Cooplife Insurance Limited and the Co-operative Insurance Training Academy (CITA), in addition to Chairing several Co-operative Councils and Societies – which includes the National Co-operative Council of Sri Lanka and the Wennappuwa Multi-Purpose Co-operative Society Limited. Dr. Peiris was also a former Chairman of the Sri Lanka Co-operative Rural Bank Federation and the Chilaw District Co-operative Society. At present, he serves as a Director on the Board of the National Institute of Co-operative Development - Polgolla.



②

Mr. K.R.W. Ranasinghe

Managing Director

As Managing Director of Co-operative Insurance, Mr. Ranasinghe works with over three decades of expertise and experience in both public and private sector companies. He is also the Managing Director of Cooplife Company Limited and is Director - Studies of the Coopinsu Training Academy (CITA). Currently, he also holds several Directorships, which include board membership at Pela Holidays Private Limited, Prime Engineering Lanka (Pvt) Ltd., Prime Engineering Technology (Pvt) Ltd., Sirioya Hydro Power (Pvt) Ltd., and Prime Teleservices (Pvt) Ltd.

In addition, he is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (F.C.A), the Society of Certified Management Accountants Sri Lanka (FSCMA), and a member of the Institute of Data Processing Management UK (LIDPM). Previously, he was also CEO, CFO and a former director of the Laugfs Group. Academically, he holds an MBA (PIM) and B.Sc. Management (Special) Degree from University of Sri Jayewardenepura.



③

Mr. D.L. Samarawickrama

Director

Mr. Samarawickrama currently holds Chairmanships of Colombo South Co-operative Society and Public Service Co-operative Thrift and Credit Society. He was the Chairman of Jayawardeneppura Multi-purpose Co-operative Society Limited and Ja-Ela Multi-purpose Co-Operative Society Ltd. Mr. Samarawickrama also serves the Colombo District Rural Bank Union and the Co-operative Insurance Company Limited and Cooplife Insurance Limited as a Director.



④

Mrs. W.P.M. Chaturani

Directress

Mrs. Chathurani has longstanding experience gained in the field of accounting and she is a Member of the Institute of Chartered Accountants of Sri Lanka and Certified Management Accountants of Sri Lanka. In addition to her role as a Director of Cooplife Insurance Limited, She fulfils duties as an Audit Manager at P.E Mathew & Company. She graduated in the field of physics from University of Colombo.



⑤

Mr. R.M.B.M. Bandara

Director

Mr. Bandara was the Chairman of Polonnaruwa Multi-purpose Co-operative Society Limited in which currently holds the position of a Director, in addition to his position as Director on the Board of Cooplife Insurance Limited. He held several positions of leadership as the Chairman of North Central Province Industrial Development authority and as the Vice Chairman of the Polonnaruwa District Co-operative Rural Bank Union Limited and as a Director of Polonnaruwa District Co-operative Council and the Co-operative Rural Bank Federation.

CORPORATE MANAGEMENT TEAM

CO-OPERATIVE INSURANCE CO. LTD.



K R W Ranasinghe

Managing Director



M G U P Kumara

General Manager - Technical



Laksiri N Bandara

Chief Financial Officer



L A N C Weerasinghe

Head of Marketing



N D Baduraliya

Asst. General Manager (GI)



K M Jayasundara

Asst. General Manager



Amila D Kumara

Manager - Investment and
Financial Planning



A Sumith

Manager - Human Resources



H S P I G P Wijerama

Manager - Legal



N N D De Silva

Manager - Administration



P H C S Silva

Manager - Internal Audit



D D S Gamage

Manager - Finance and Operations



T S Rasanjali

Manager - Reinsurance



J M H Jayasinghe

Senior Manager - Motor



W H Somathilake

Consultant - Technical



A M J Abeysinghe

Consultant - Motor Engineer



S Weerasinghe

Consultant - Technical



Jayantha De Silva

Consultant - Marine Insurance

MANAGEMENT TEAM COOPLIFE INSURANCE CO. LTD.



K R W Ranasinghe

Managing Director



W M K Bandara

General Manager - Technical



B P S Kusumalatha

Asst. General Manager - Underwriting



W A L W Perera

Manager - Finance



S G Rathnapala

Asst. General Manager - Sales



D U P Rajapaksha

Manager - National Sales



R T K Hakmana

Manager - Life Operations
and Servicing



P H K Perera

Accountant



B S Mendis

Asst. Accountant



P Jayathunga

Asst. Accountant



R M K Rajakaruna

Regional Manager

Anuradhapura Region



A Ranjith

Regional Manager

Northern Region



D D P H K Saparamadu

Regional Manager

Colombo Region



D M S Jayantha

Regional Manager

Eastern Region



S A G A Sampath

Regional Manager

Southern Region



Emil Crishantha Perera

Regional Manager

Homagama Region

SENIOR MANAGEMENT TEAM

CO-OPERATIVE INSURANCE CO. LTD.



I I Senaratne
Manager - Legal



M S Rasanjali
Manager - Compliance
& Credit Control



G D V S Fernando
Senior Manager - Non-Motor



H A J S M Abeynayake
Manager - Salvage



R A A K Rathnayaka
Manager - Claims



C N Kaludewa
Manager - Brand



S R Senarath Epa
Manager - Non-Motor
Underwriting & Training



W K J Ranasingha
Manager - Non-Motor Claims



P W S Kumara
Manager - Non-Motor



N V P Jagathsiri
Regional Manager - South



M G U N Bandara
Regional Manager - Colombo East



W A Hemakumara
Regional Manager - North Central



D A C Hasantha
Regional Manager - Colombo North



A D Paranavithana
Assistant Regional Manager - Central



K G S P Rathnyaka
Regional Manager - North West



D S Waththuhewa
Regional Development Manager



A I Bandara
Regional Development Manager



R M S K Rathnayaka
Regional Development Manager



W S M Fernando
Manager - Corporate Division



M E K Fernando
Manager - Claims



H L N T Gunawardane
Asst. Manager - Human Resources



R M B D Sharmila
Assistant Accountant



E M N Nayanangani
Assistant Manager - Marketing



T A M T L Wickramasingha
Asst. Manager - Non-Motor Claims

Senior Management Team

Co-operative Insurance Co. Ltd.



Sewwandi Liyanarachchi
Assistant Manager - Non-Motor



J S P Kumara
Assistant Manager - Administration



R I Wijesingha
Assistant Manager - Internal Audit



D M Prasad
Assistant Manager - Motor Claims



R K Kapila
Junior Engineer



C P Ranasinghe
Junior Engineer



K P J Kumara
Junior Engineer



S I Jayalath
Assistant Manager - Regional UW



W T Randika
Assistant Manager - Regional UW



A P S Gayan
Assistant Manager - Regional UW



I K Perera
Officer In Charge - Postal Division



H P D K Kumarathunga
Assistant Manager - Internal Audit



G S P De Silva
Assistant Manager - Underwriting



J K A H R P Gunawardana
Assistant Manager - Non-Motor



Lalinda Lakmal
Manager - Information Technology



P D L Ranasingha
Senior Engineer - Software



W N V Sumanajith
Junior Engineer



K D M Silva
Co-ordinating Officer - Corporate



J P I C Perera
In Charge - Product Promotion

BRANCH MANAGEMENT TEAM

CO-OPERATIVE INSURANCE CO. LTD.



T Anup
Mannar



P P K Jayasinghe
Ambalantota



K Jeerasingha
Akuressa



P M S P Wijesinghe
Balangoda



P K L C Peramuna
Embilipitiya



H P C Jayasekara
Gampaha



K K S Chanaka
Homagama



A B Uduarawana
Kandy



L R B Gunawardhana
Kiribathgoda



M A M Mallawarachchi
Maharagama



W N M A N Fernando
Negombo



R Dayarathna
Ratanapura



A H M S M Abeyrathne
Wennappuwa



D S S M Kulathunga
Aluthgama



S Allapichchei
Ampara



W A U Wickramasinghe
Avissawella



E K M G Amarasingha
Badulla



S B Sampath
Bandarawela



K Pratheepan
Baticaloa



G H A Sanjeewa
Battaramulla



M L T L N Perera
City Office



S Wasantha
Dambulla



H K Jayarathna
Deniyaya



P A Weraniyagoda
Elpitiya



A P M P Jayasekara
Galewela



A D Kanishka
Horana



R J W N Rajapaksha
Kaduwela



L A Kumara
Kalawana



R M T D Rathnayaka
Kalmunai



M D R Srinath
Kalutara



H L Rajawasam
Karapitiya



H N P Priyankara
Kegalle

Branch Management Team

Co-operative Insurance Co. Ltd.



R C Gunasekara
Kekirawa



T Thushanth
Kilinochchi



H R A Ruwanthaka
Kirindiwela



D D C Fernando
Kuliyapitiya



T M U Tennakoon
Kurunegala North



R P D S Rathnayake
Kurunegala



M M D P T Perera
Malabe



P C B Rathnayake
Matale



K M Thewarapperuma
Mathugama



H E A P Edirisuriya
Metro



A V V M Gunawardane
Minuwangoda



R D S N Dharmasiri
Monaragala



G D Kariyawasam
Neluwa



W N S Bandara
Nikawaratiya



L L Jayasinghe
Nittambuwa



G S R D K Perera
Nugegoda



B C N Amarasingha
Panadura



W S N Kumara
Pelmadulla



T Mohan
Pilimathalawa



S S Kaluperuma
Piliyandala



R K Madanayaka
Polonnaruwa



M Mohanatharshan
Pottuvil



L M B Fernando
Puttalam



A A P Kumara
Rikillagaskada



S S M Silva
Thalawathugoda



H M Karunaratna
Thambuttegama



D K W Dewakaluarachchi
Tissamaharama



M F M Numaiz
Trincomalee



R S Sylvester
Vavuniya



D A C I Dissanayaka
Wariyapola



I M Liyanage
Wellawayaya



N Rajakulendran
Hatton

Branch Management Team

Co-operative Insurance Co. Ltd.



H M P Dharmarathna
Mahiyanganaya



L R Buddadhasa
Medawachchiya



D M C M Dissanayaka
Padiyathalawa



B V Kanakarathna
Ambalangoda



H S Lokuliyanage
Baddegama



J Thivaragasan
Chunnakkam



T M P B Tennakoon
Corporate Branch



R D N P Theekshana
Dankotuwa



M B O Indumal
Dehiwala



T H K K Heenliyadda
Digana



S S Rathnasiri
Galenbidunuwawa



E M N K Ekanayake
Gampola



P M P S Kumarasingha
Giriulla



C Mallawarachchi
Ja-Ela



B Ahilan
Jaffna



H I M S Perera
Kadawatha



R M I U Rathnayaka
Melsiripura



S Ragulan
Nelliyadi



S M P Priyankara
Nugegoda South



G L D Gamage
Nuwara Eliya

BRANCH MANAGEMENT TEAM COOPLIFE INSURANCE CO. LTD.



K M W Wedasingha
Homagama



K V P B Rupasena
Akurella



P N P Jayasinghe
Kurunegala



S D D Ramanayake
Kegalle



B A Humar
Jaffna



K Kanatheeepan
Chunnakkam



W M A K Wijesundara
Nikaweratiya - South



K P A Gongaledoda
Kandy



C M S Chandrasekara
Kuliapitiya



K L J D Liyanage
Balangoda



H N Bandara
Kekirawa



E M S K Ellepola
Dambulla



R M A B Madawala
Chillaw



U P K Rodrigo
Moratuwa



R M A Kumara
Monaragala



A J P Fernando
Mannar



M A S Ekanayaka
Gampaha



S Ketheeswaran
Vavuniya



G G W S Dissanayaka
Kiribathgoda



W P N Wijeyasingha
Wennappuwa



K Ranasingha
Avissawella



R M W P Rajapaksha
Anuradhapura



D M S Dissanayake
Badulla



G Rajeevan
Nelliyadi

Branch Management Team

Cooplife Insurance Co. Ltd.



S P U N Swarnalatha
Nikaweratiya - North



S Suranthiran
Kilinochchi



B G P Mangalika
Horana



P D Samarasekara
Nugegoda



G H W M Udara
City Office



H W M D De Silva
Maharagama



W M G Kumarihami
Mahiyangana



P G S R Kumara
Matara



S G R W Kumara
Puttalam



S M Rajapaksha
Negombo



W G D Gunarathna
Galgamuwa



K D Basil
Morawaka



S L Surasingha
Galle



R H T D Jayarathna
Ambalangoda



C M T N Chandrasekara
Thambuththegama



G D P Pushpamali
Polonnaruwa



A P H V Tennakoon
Matale



K A N Kalpani Kumarasiri
Malabe



J A Ramani
Nuwara Eliya



B D M Siriwardhana
Ampara



S Nagarajah
Trincomalee



P D S K Priyankara
Embilipitiya

OUR PRODUCTS

Solutions for all of life's insurance needs

The precept that uncertainty in life is constant was never truer than the age we now live in. Heightening health risks, socially and economically challenging circumstances are now the norm for all. It is the reason why insurance is a necessity rather than a privilege. With this view in mind, Co-operative Insurance continues to set out solutions, afforded by thousands within our network, making it our duty to make insurance accessible and attainable for customers with even minimal income capacities.

As people-focused insurance companies, Co-operative Insurance Company Limited and Cooplife provide a wide base of general and life insurance solutions with benefits and features that complements needs. The uniqueness of the portfolio is increased due to its concentration on micro insurance - developed for those within rural communities and grassroots, as well as general and life insurance solutions for individuals and enterprises with various financial concerns and risk exposures from state and private sector backdrops.



INSTANT MOTOR
Comprehensive Motor Insurance



INSTANT MOTOR MINI
Comprehensive Motor Insurance for
Threewheelers and Motorcycles



Smart Drive
Comprehensive Motor Insurance



SESATHA
Trade Combined Insurance



SAHANAYA
Coop Shakthi Micro Insurance



Siri Madura
Comprehensive Coverage
for Dwelling Houses



SORABIYA
Burglary Insurance



SUWAPATH
Surgical and Hospital Insurance



SARANA
Personal Accident Insurance



MAGA SURAKUMA
Money in Transit Insurance



LIVESTOCK INSURANCE



GINI
Commercial Fire Insurance



Suwa Daru
Personal Accident



Kedalla
Dwelling House Fire Policy

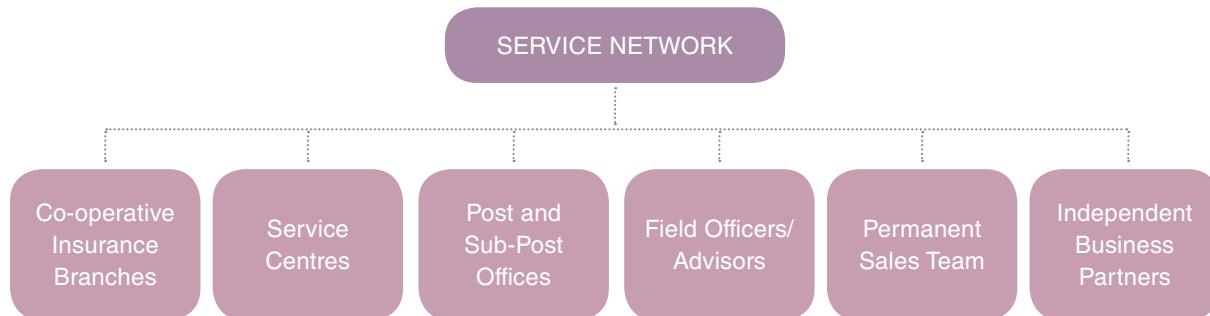
SERVICE NETWORK

With a well-dispersed service network across the island, Co-operative Insurance leverages on its retail footprint and partner channels. The positioning of branches in diverse locales and townships enables Co-operative Insurance to reach numerous cross-segments of markets and diverse social groups across further urban and rural settings. This diverse combination of channels also enables Co-operative Insurance to approach newer and wider rural and grassroots areas, especially in reaching various micro, small and medium businesses and trade sectors – which already form a considerable segment of the Group's customer portfolio.

Furthermore, in reaching customers and additional locales, Co-operative Insurance deployed a strategy of calculated expansions in its retail presence in the recent past; a strategy, adopted in pursuit of organic growth, it takes precedence over paid branding and mass communications. The strategy pays well in gathering targeted market segments, especially in providing services to customers within the Co-operative sector of the country. And as a result, Co-operative Insurance also claims a position, as the insurer with the 3rd largest service network within the country.

Diverse Service Network

Co-operative Insurance commands a well-distributed and highly saturated network of channels in providing easy access to services and information to existing and new clientele.



| Service Channel | Touch Points – CICL | Touch Points – Cooplife |
|---------------------------|------------------------|----------------------------|
| Branches | 110 | 51 |
| Service centres | 107 | 107 |
| Post and sub-post offices | 4,010 | 4,010 |
| Field officers/Advisors | 141 | 445 |
| Permanent sales team | 550 | 30 |
| Brokers | 59 | 19 |

CICL Branches

The momentum of rapid branch launches carried out in previous years came to a deliberate reduction in 2019, as the Group focused on enhancing existing branches and in optimising returns on new

branch investments. As a result, only 02 and 06 new branches were added to the network in 2019 and 2020, respectively; this is in contrast to 23 new branches launched in 2018. Nevertheless, this model of expansion is now providing the results of increased market presence and visibility that helps in expanding the total customer portfolio. Moreover, branch locations were selected based on footfall and population density.

Co-operative Insurance now focuses on directing branch investments towards enhancing the productivity within the head office and branches, and in improving efficiencies of employees through technological developments and digitised processes. This is done with a view on the overall bottom-line by reducing overall process times especially in time sensitive operations such as claim settlements and underwriting.

Service Network

Cooplife Branches

Operating across the island, subsidiary Cooplife, also commands a branch network of 51 in providing life insurance and related services. These locations, too, are dispersed across the island, covering major towns and cities, providing multiple cross-sections of customers with access to a host of solutions.

Service Centres (Co-operative Societies)

Similar to the previous year, in 2020, the number of service centres within the Group's service network remained unchanged at 107 centres. Through services centres, customers from the co-operative sector receives direct access to services such as carrying out payments and obtaining new policies based on group or individual requirements.

Post and Sub-Post Offices

Co-operative Insurance partnered with the Department of Posts in 2017, gaining access to its vastly dispersed network of post offices with a remarkably higher level of penetration across the country. This partnership enables customers the chance to fulfil payments without visiting branches – mostly beneficial to customers in deep rural and grassroots areas. The post office partner network also increased from 3,409 post and sub-post offices to 4,010 in 2020.

Field Officers/Advisors and Permanent Sales Staff

Co-operative Insurance's dynamic sales team works on the ground level, building customer relationships by understanding their financial insecurities and backgrounds to prepare the right insurance solution. In this regard, field officers and permanent sales staff conduct an invaluable service by taking solutions to customers, creating general awareness on insurance and solutions specific to Co-operative Insurance through sales activities. Sales personnel are hired either on permanent and temporary basis or as contractually hired advisors. They are provided with sales-based trainings by CICL and Cooplife and also by utilising educational resources through CITA.

By the end of the financial year under review, Co-operative Insurance had a force of 141 field officers/advisors and a 550-member permanent sales team, in addition to 445 such personnel working with Cooplife.

Independent Business Partners (Brokers and Agents)

The service network of CICL is made further competitive through partnerships with independent business partners, which includes 59 brokers; this is in addition to 19 brokers that works with Cooplife, furthering the Group's life insurance based solutions. This network of independent companies and service providers enable Co-operative Insurance to approach untapped customer segments and to rely on their relationships and networking capabilities.

DIGITAL CHANNELS

Website and Digital Tools

Co-operative Insurance continues to tap into the growing and almost infinite potentials of the digital and technological worlds. Co-operative Insurance is now invested in leveraging competitive feats of digital tools alongside a strong online presence, which connects Co-operative Insurance with customers anywhere in the world.

Taking into heed the absolute need for web and digital tools in service continuity within the pandemic-centred new normal, Co-operative Insurance continues to develop digital transformations and tech solutions for speed, ease and efficiency of services for customers. Through its revamped corporate website, CICL continues to focus on enhancing user experience on the website by offering access to updated, comprehensive information on solutions, and other service-related details. The website is now optimised to provide third-party motor insurance (Digital Insurance) and online payments – as an effort in providing customers undisrupted access to critical services, at all times. Moreover, the Group has also invested in increasing digital offerings – by foraying towards a life-based quotation app, customer care app; in addition to developing other process related technological enhancements which improve services to customers.

RISK MANAGEMENT

Risk Management Review

Risk Management remained a pertinent focus across the year under concern, as the Group continued to assess the extenuating circumstances of the pandemic. As early as January 2020, Co-operative Insurance began evaluating risk exposures before news of the first COVID-19 patient in Sri Lanka. Under the 'new normal' new scenarios emerged, leading to assessments and discussions on tolerance levels and new strategies to mitigate the impact.

At the onset of the global pandemic, we investigated risks and challenges that may impact business and operational continuity, primarily risks emanating from lockdowns. Co-operative Insurance took prudent steps to contain any work disruptions to a minimum, taking proactive measures to ensure remote working arrangements, online services and continuation for physical operations subsequent to regulatory clearance.

Co-operative Insurance continues to assess corporate and individual customers, ascertaining their risk appetites; a critical and proactive measure to protect the interests of both the business and provide better-personalised solutions to customers.

Implications of Risk

- Impact from the COVID-19 Pandemic

The pandemic impacted the insurance sector across several aspects. It affected assets risk, capital market volatilities and subdued prospects in premium growth. A decline in return on equity was spurred by the pandemic also, reducing insurable exposures as businesses met negative impacts from the economic slowdown.

- Macroeconomic challenges

The devaluation of the rupee continues to be an impediment, in addition to the ban on vehicle imports, which in turn impacted motor insurance. The decline in interest rates significantly impacted on investment returns.

- Technology

The increase in the use of online retail platforms encouraged insurers to remain relevant while aligning technological strategies with changes in the pandemic based new normal. However, with the increasing use of digital platforms, the risks in information and cyber-security also increase.

- Social Context

The pandemic and the lockdowns created a massive flux in the way consumers live and behave. Remote working conditions and restrictions on social gatherings shifted lifestyles unimaginably. As a result, for businesses, the safety of employees also became a key concern, alongside the need to ensure business continuity through roster schedules and work from home arrangements.

As a result of the lockdowns, claim ratios have also declined, probably due to fewer social interactions and reduced movement in vehicles. Individual and corporate demand for life insurance and health-related products increased, providing insurers with a unique opportunity to provide a solution to a timely concern.

- Regulation

Effective from January 1st, 2023, IFRS 17 creates a significant impact on the Group's operations. Upgrading and redeveloping management information systems, revising key strategies, realigning KPIs of staff and changes in business modules and reporting experiences considerable impacts. The Top Management of Co-operative Insurance selected an external consultant to carry out the initial gap and impact assessment as the first step in implementing the standard.

Risk Management

Managing Risk

As a fundamental part of insurance, Co-operative Insurance places significant focus on evaluating and managing risks and adequate risk control mechanisms as an inherent aspect of operations. Our risk management framework stands as a guide to ensure stability at times of external volatilities, regulatory changes and unexpected economic crisis, much like the effects created by the rapid spread of COVID-19. The economic ramifications of the pandemic impacted the insurance industry on many levels. While health implications impacted continuity of business for a short period, the pandemic's economic effects continue to further create impediments in the country's economic and monetary landscape. A good example is the reduction in new vehicle registrations due to the ban on vehicle imports, which had a direct impact on motor insurance. The decision was expected to control foreign exchange based issues due to subdued trade and muted tourism activities in 2020.

With proper risk management in place, we have asserted our attentiveness to prepare people, processes and strategies to face already established areas of risk. By establishing sound risk control mechanisms and by reviewing their effectiveness and relevancy periodically, the Group ensures that the interests of Stakeholders remain uncompromised. Moreover, being in the business and service of insurance it is imperative to incorporate prudent risk management and mitigation measures into routine operations and decision-making.

Key Risk Areas

Co-operative Insurance has recognised four key areas of risk with direct and specifically identified risk exposures.



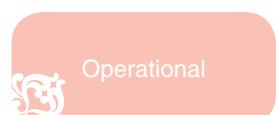
Strategic



Underwriting



Financial



Operational

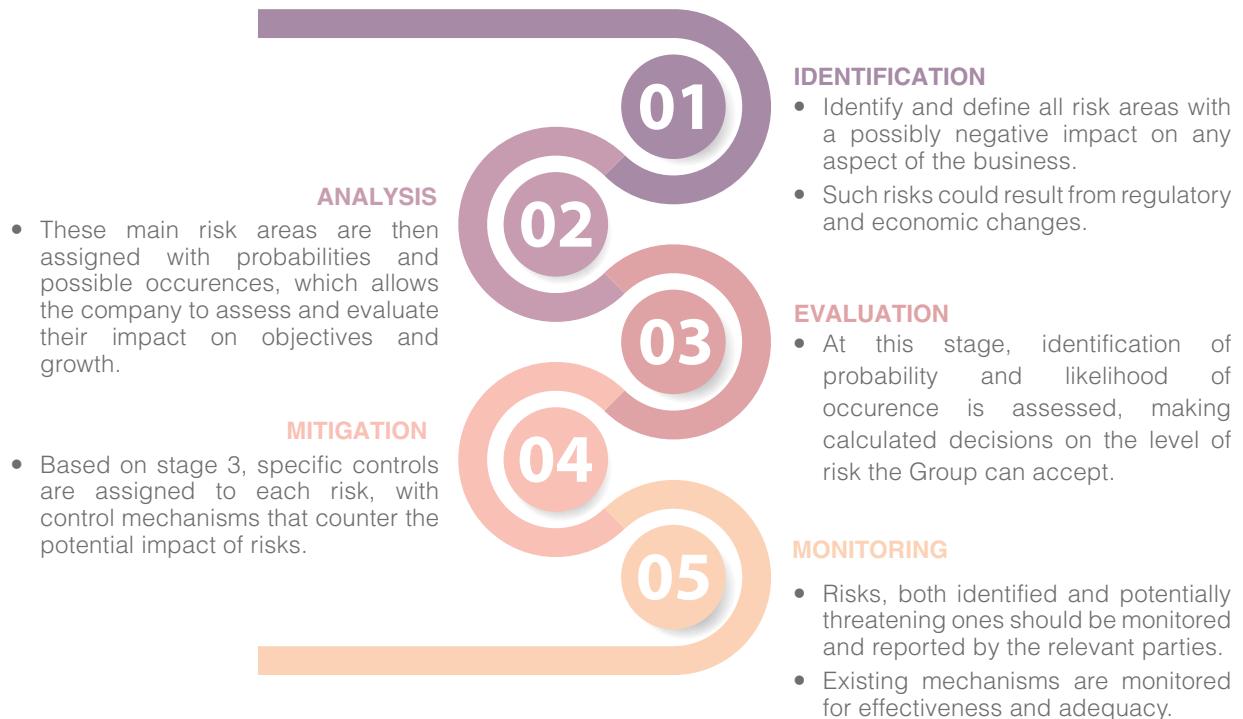
All areas of risks have sound control mechanisms set in place. The Audit Committee revises these mechanisms periodically and also, when required, to realign them with new exposures that may have arisen from regulatory and macroeconomic developments.

The Framework

Co-operative Insurance works through a comprehensive risk management framework for the sustainability and growth of the business. Based on the dynamic external environment and certain perceived risks in the internal environment, this framework enables us to navigate uncertainties and market threats.

The Risk Management Framework corresponds with the nature of activities performed by the Company and is embedded into the internal control system of Co-operative Insurance.

Risk Management Process



Risk Management Structure

Co-operative Insurance follows the Three Lines of Defence structure in managing risks and ensuring the proper execution of control mechanisms. Overall oversight on the proper management of the risk framework rests with the Board of Directors.

| BOARD OF DIRECTORS AND SUB-COMMITTEES | | |
|---|---|--|
| FIRST TIER OF DEFENCE | SECOND TIER OF DEFENCE | THIRD TIER OF DEFENCE |
| <p>HEADS OF BUSINESS UNITS</p> <ul style="list-style-type: none"> Monitor the external environment for risks and impacts through feedback from field staff, business partners and customers Observe variations in business volumes and inform top management Risk management committee formed at the level of operational management - identifies, evaluates and assesses potential risks | <p>INTERNAL AND EXTERNAL AUDITS</p> <ul style="list-style-type: none"> Internal audit reports directly to the audit committee, which reports to the Board Conduct regular audits to measure the adequacy of accounting and internal systems, efficiency of operations, reliability and the accuracy of the accounting records and recommend improvements Conduct investigations for reported and revealed mal-practices for recovery of losses, strengthen control systems and deterrents External audits conducted by the audit firm and reported to Shareholders | <p>COMPLIANCE OFFICER/AUDIT COMMITTEE (BOD)</p> <ul style="list-style-type: none"> Monitor effectiveness of risk management methods Recommend risk controlling measures Empower the responsible personnel to take appropriate actions to control risks |

Risk Management

Responsibilities of the Committees

Audit Committee

The audit committee formed by the Board of Directors reserves the ultimate responsibility for the effective functioning of the Group's Risk Management Framework. The Board provides direction in managing risks across operations. Each year, the Board conducts a review of potential and probable risk exposures and reviews the effectiveness of risk policies and control mechanisms. Overall, risk monitoring, evaluation and management fall under the scrutiny of the Audit Committee.

The Risk Management Committee

The Risk Management Committee is responsible for conducting risk management practices and ensuring that control mechanisms are in place. The Committee reports directly to the Board and assists Board Members by providing recommendations. These include suggestions on structuring the Group's risk management policies alongside limitations. The Board's approval must be obtained on the said recommendations. Also, the Committee reviews the Group's risk profile while monitoring compliance to policies and statutory laws/regulations by the management and employees.

Internal Audit Team

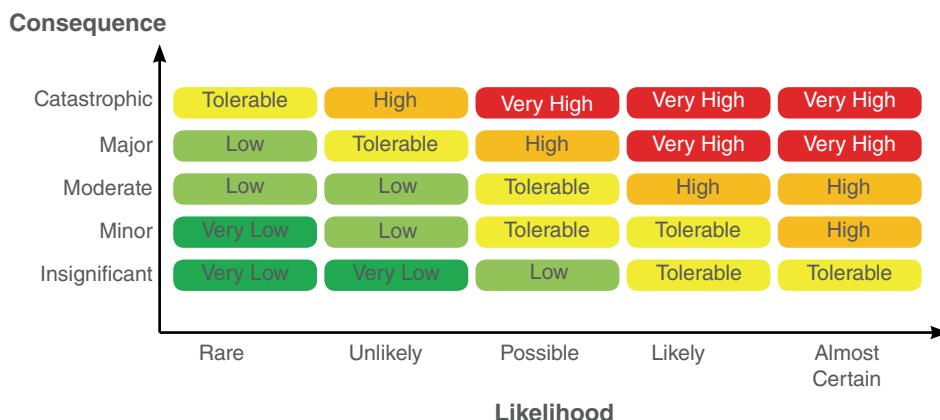
The Internal Audit Team carefully evaluates the effectiveness of control mechanisms alongside internal control measures that ensures compliance to statutory frameworks. They are responsible for providing relevant commendations to strengthen control mechanisms while shedding light on areas that need tighter control. The team reports to the risk management committee and the audit committee on findings along with recommendations. Periodic and random audits are handled by the team on risk control mechanisms, ensuring that employees and the management are in compliance with all necessary mechanisms.

Risk Profile 2020

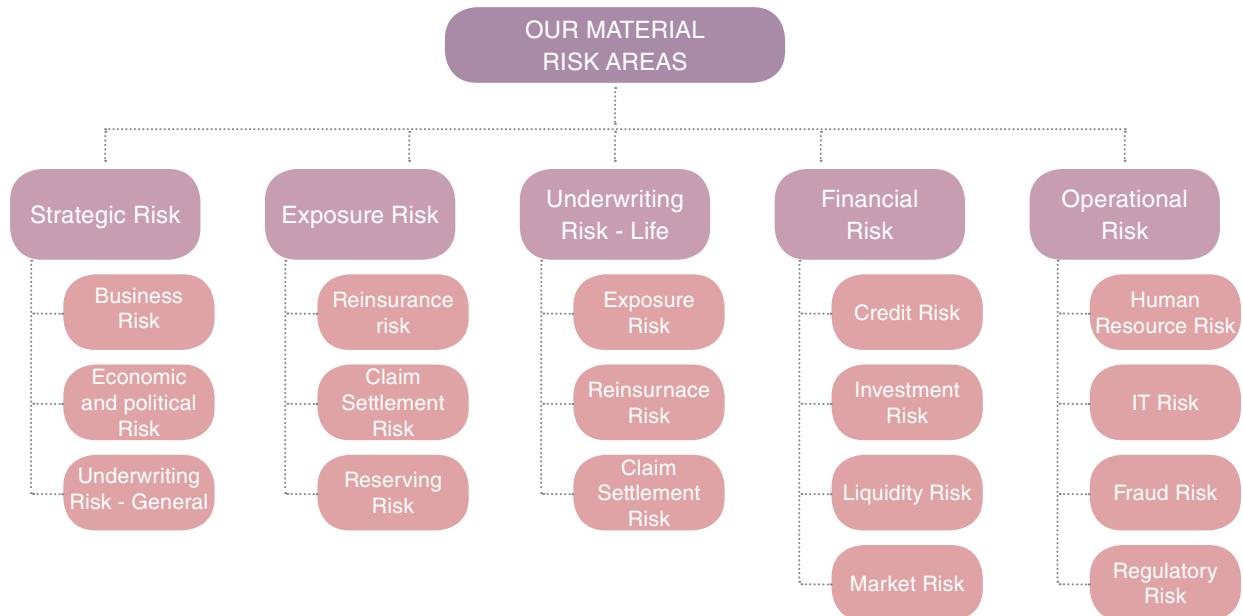
| Risk | Severity of impact in 2020 | Likelihood of occurrence in the future |
|--|----------------------------|--|
| Business Continuity | 2 | 3 |
| Exposure to COVID-19 | 3 | 4 |
| Ban on vehicle import | 3 | 4 |
| Information and cyber security | 2 | 3 |
| Accounting regulations and necessary changes | 4 | 3 |
| Reducing income due to lockdowns | 3 | 4 |
| Branch closure due to COVID-19 contractions | 3 | 4 |

Risk Evaluation

Types of risks under main risk areas are ranked according to the likelihood (probability) of occurrence and the consequential impact each risk has on the Group's businesses.



Control Mechanisms



| Risk Area | What it means | Risk Rating | Control Mechanism |
|--------------------------------|---|-------------|---|
| 1. Strategic Risk | | | |
| a. Business Risk | Inability to implement agreed strategies and action plans due to conditions such as activities of rivals, pandemic and natural disaster, insufficient capacities to meet the requirements of the market, resource constraints etc. | Tolerable | <ul style="list-style-type: none"> - CICL has a five year strategic plan approved by the Board. - The Board regularly reviews actual performance against the budget and adjustments action plans in line with the external changes. - For closer monitoring the corporate budget is subdivided among each line of business and at branch level and the performance of the management team is linked to the divisional/branch goals. - Company has established a business continuity plan and it creates prevention and recovery system from potential threats. |
| b. Economic and Political Risk | Outcome of the socio-economic and political factors have an impact on the expected status of performance of the Company. The impact can directly and mainly affect the insurance business, the investment income and the investment value. The management takes necessary action to mitigate the impact on possible events whilst absorbing the others. | High | <ul style="list-style-type: none"> - Perform a detailed economic analysis and identify the key economic indicators when preparing the corporate plan of the Company. - Consider the changes in political environment in key business decisions. - Closely monitor the changes and their trends in the external environment due to political and economic factors and assess their potential risks. - Facilitate the relevant staff to attend to educational and training programs on economic trends, developments and their consequences. - Seek experts' opinion on outcomes of possible political and economic changes, when necessary. |

Risk Management

| Risk Area | What it means | Risk Rating | Control Mechanism |
|---|---|-------------|---|
| 2. Underwriting Risk - General Insurance | | | |
| a. Exposure Risk | Holding risks beyond the Company's net retention capacity and not having sufficient reinsurance arrangements. | Tolerable | <ul style="list-style-type: none">- The Company Financial Authority Manual, in its sections on underwriting and claims settlements, defines the limits of authority applicable in making decisions relating to the underwriting of risks and settlement of claims.- Underwriting is done on a selective basis considering the appropriateness of the return to compensate the risk associated with. Whilst not undertaking loss making businesses the Company maintains records of statistics of transactions of clients.- All risks exceeding the Company's retention levels are reinsured with reinsurers who meet the criteria specified by the regulator, the Insurance Regulatory Commission of Sri Lanka.- The Company conducts training programmes for staff involved in underwriting and claims settlements.- The Company regularly seeks advice from the Consultant Actuary on terms, conditions and benefits included in insurance policies to ensure appropriate pricing.- Review the wording of the policies and promotional materials to prevent claims from causes that are not anticipated.- Product prices are set through a financial analysis including review of past experiences of the Company and the industry.- Reinsurance is managed to reduce net liability on large individual risks, to have greater diversification of insurance risk and to provide protection against large losses.- Trained dedicated staff carries out underwriting. The experience and merits of the staff are applied on individual basis in underwriting each and every risk. |

| Risk Area | What it means | Risk Rating | Control Mechanism |
|--------------------------|---|-------------|--|
| b. Reinsurance Risk | Retaining risks beyond the Company's net retention capacity as against having adequate reinsurance arrangements. This risk also includes the inability of | Low | <ul style="list-style-type: none"> - No insurance cover is issued for risks above treaty limits, without a confirmed reinsurance arrangement. - We deal with reputed and rated reinsurance brokers to reduce the reinsurance risk in reinsurance placement and claims recovery. - Risks relating to riot and terrorism are placed with the Government controlled National Insurance Trust Fund (NITF). - Continuously monitor the reinsurance agreements and the credit risk of the reinsurers. |
| c. Claim Settlement Risk | Risk of possible dispute when settling the claim and risk of not meeting the standard set for the claims payment process | Tolerable | <ul style="list-style-type: none"> - Adequate training is provided to claims management team to verify the genuineness of claims. - Daily intimation over Rs.100, 000 ACR is reviewed by the independent panel further identify the high-risk areas and appropriate instruction is given to the claim department to process the claim. - Claims are assessed periodically and appropriate actuarial reserves are established to reflect up to date experience and any anticipated future events. This includes reserves for claims incurred but not yet reported. - - The Company consults professional loss adjusters and independent assessors. - The Company's Legal Officers attend to disputes and other legal matters relating to claims and also for third-party related claims. - Independent investigators/Government Analysers are used to investigate the claim to ensure the fraudulent claims are identified. - All significant claims are reviewed by the Internal Audit Department prior to releasing the same. - Policy condition, covers, sum insured, and other writing details are initially checked by the liability team at the claim department. - Claim payment are recommended to approved based on the pre-defined authority level. |

Risk Management

| Risk Area | What it means | Risk Rating | Control Mechanism |
|--|---|-------------|--|
| d. Reserving Risk | Inadequacy of reserves made to meet future obligations arising from claims. | Low | <ul style="list-style-type: none"> - Standard claim reserves are made as soon as the required information is received for intimated claims. There is a 24-hour customer care center set up for customers to intimate their claims. - Claims are assessed and reserves are made at the earliest, upon claim intimation. A claim is made active for processing for six months in order to ensure the optimality in making provisions. - The services of a qualified Independent Actuary is obtained to assess the adequacy of reserves made in relation to incurred but not reported (IBNR) and incurred but not enough reported (IBNER) claims in the general insurance business. - The service of a qualified Independent Actuary is obtained to review reserving in the life insurance business. - The Company conducts regular training for the staff on the reserving process for underwriting and claims. |
| 3. Underwriting Risk - Life Insurance | | | |
| a. Exposure Risk | The risk arises from changes in claim experience and insufficient to cover claim in the event of contingency. | Tolerable | <ul style="list-style-type: none"> - Policy underwriting has been centralised at Head Office. - Carrying out underwriting as per the guideline - The physical hazard may be evaluated by the underwriter based on proposal form and medical reports and decide whether to accept the proposal or not - Reinsurance is managed to reduce net liability on large individual risks, to have greater diversification of insurance risk and to provide protection against large losses. |
| b. Reinsurance Risk | Reinsurance risk arises from new or existing contracts the Company has entered into. Reinsurance risk is measured based on the probability of default of the reinsurer on claims payable. | Low | <ul style="list-style-type: none"> - Restructuring of reinsurance agreements with reinsurers regularly. - A very close and professional relationship is maintained with all reinsurers. - Only reinsurers with ratings above the regulatory requirements are used as reinsurers. - Frequent review of the outstanding reinsurance receivables. - Changes to the ratings of reinsurance companies are continuously monitored. |

| Risk Area | What it means | Risk Rating | Control Mechanism |
|--------------------------|---|-------------|--|
| c. Claim settlement Risk | The claims risk of the Company primarily depends on the actual claim experience in comparison to the estimated claims experience. Claims risk refers to the risk of over or under payments of claims. | Tolerable | <ul style="list-style-type: none"> - An independent Actuary is engaged to carry out a valuation of life fund in the Company. - The actuary monitors the life insurance business more closely and guides the management to make more informed decisions. - Claims are reserved immediately at the intimation or on the availability of information. - On the death, injury or illness of an insured. - Service standards have been set on the time taken to process claims and the management monitors those. - Company Internal Audit team worked as investigators and used to investigate claims to ensure fraudulent claims are identified. - Financial Authority limits are set based on the claims limits where the maximum limit is with the Managing Director, which is involved in making decisions with regards to significant/problematic claims and appeals made in respect of claims. - The Company monitors the claim ratios constantly and executes relevant mitigation actions such as re-pricing products and reviewing the product mix applicable in the period. |

4. Financial Risk

| | | | |
|----------------|--|-----|--|
| a. Credit Risk | Policyholders, who obtain insurance covers on credit basis, may fail to meet their obligations to the Company on time. | Low | <ul style="list-style-type: none"> - The Company implements the Premium Payment Warranty (PPW) and ceases the liability of policies for which premium settlements are not received within the stipulated period. - All premium receivables are monitored and every possible action is taken to collect premiums within the given period and to minimise policy cancellations. - Managing Director and the other respective officers meet regularly to review the status of outstanding premiums and monitor collections. - The Managing Director holds the ultimate authority of credit approval. Credit approval authority is delegated to different levels of management as appropriate. |
|----------------|--|-----|--|

Risk Management

| Risk Area | What it means | Risk Rating | Control Mechanism |
|----------------------------|---|-------------|---|
| b. Investment Risk | The potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms and the possibility of the outcome of investments being lower than expected. | Tolerable | <ul style="list-style-type: none"> - Credit rating is evaluated prior to investing. - The Investment Committee, headed by the Chairman, evaluates the investment opportunities in detail and recommends to the Board. The Company considers different types of risks in investments. |
| c. Liquidity Risk | The inability to meet contractual obligations (claims and reinsurers' payments) due to a shortfall of liquid assets in the investment portfolio. | Low | <ul style="list-style-type: none"> - The Investment Committee reviews the maturity mix of the investment portfolio on regular basis to ensure that the liquidity levels and other regulatory requirements are maintained. - Cash flow movements are studied in advance and monitored on a daily basis. Investment opportunities are selected to meet the short-term and long-term cash flow requirements. - Life Insurance policies with guaranteed returns are secured by investments with higher returns with similar tenure. |
| d. Market Risk | Impairment in the value of investments due to factors that affect the overall performance on the financial market due to incidents such as natural disasters or conditions such as recessions, political turmoil, interest rate changes and commotions etc. | Low | <ul style="list-style-type: none"> - The Investment Committee keeps a close track on possible occurrences that would have impact on the value of the investments and the market rates. Possible actions are taken to reduce any adverse impact on the value of the investment portfolio within the regulatory limits. - The investment portfolio is reviewed by the Investment Committee on a timely basis and analyses the vulnerability of individual investments to market risk. - Investment opportunities are analysed in terms of nature of investment and the quality of the investee organization. |
| 5. Operational Risk | | | |
| a. Human Resource Risk | | Very low | <ul style="list-style-type: none"> - Remuneration packages for the staff are set in line with the industry to retain and attract staff with necessary qualifications and experience. - Professional and personnel development programs are provided to the staff. The Company encourages continuous education whilst providing relevant training and development opportunities and fosters a culture where all employees can actively contribute to the business. - Continuous training and education of staff are further encouraged through the provision of financial and other support. - Opportunity is given to the employees to meet the higher level of management to discuss their grievances or matters they wish to deal with confidentiality. |

| Risk Area | What it means | Risk Rating | Control Mechanism |
|--------------------|---------------|-------------|--|
| c. IT Risk | | Low | <ul style="list-style-type: none"> - The Company assesses the status of information technology infrastructure to ensure their appropriateness to manage the needs and the scale of operation of the Company. - Policy on the security of information and information technology infrastructure is implemented and updated timely. - Disaster recovery methods are planned and ready for implementation on urgent situations. |
| d. Fraud Risk | | Low | <ul style="list-style-type: none"> - Internal Audit Team, to report on the strength of the internal control systems with their recommendations on areas that need further strengthening. The Internal Audit Team reports to the Internal Audit Committee that includes four Directors. - In cases of frauds, mal-practices and discrepancies etc., immediate investigations are carried out followed by corrective actions to recover any losses. Corrective actions are taken to prevent recurrence. - A Procurement Committee comprising five Directors has been appointed. Goods and services that are significant in terms of value and complicated in terms of nature are procured on the approval of the Procurement Committee. - Staff is educated about the laid down internal control systems in order for them to execute transactions in the transparent manner and prompt to the management of any doubts. Any such references are investigated and appropriate actions are taken immediately. - Provisions in the Anti- Money Laundering Act are followed up strictly. |
| e. Regulatory Risk | | Low | <ul style="list-style-type: none"> - Company culture insists on the achievement of full compliance with legal and regulatory requirements. - Internal Auditors review the status of compliance to regulatory requirements and refer any non-compliance to the Board through Audit Committee. Their findings are discussed and addressed on a timely basis. - Experts are appointed to review changes to the regulatory regime and assess impact on the business as well as to advise on compliance requirements. - A Compliance Officer is tasked with ensuring that regulatory requirements are observed and complied. |

CORPORATE GOVERNANCE AND INTERNAL CONTROLS

Governance

As a responsible corporate entity, Co-operative Insurance carries on sound decision-making while maintaining compliance to statutory regulations - especially those mandated by the Insurance Regulatory Commission of Sri Lanka (IRCSL).

The Group adheres to a structured and guided approach to maintaining an accountable and transparent line of authority, responsibly fulfilling duties at all hierarchical levels across the Group and across our subsidiaries. Across the year, we remained compliant with applicable regulations in addition to integrating the necessary principles and protocols required for a smooth transition to the IFRS 17 policy framework.

Why Governance Matters

Acting as the anchor which maintains sustainability and stability across the Group, Corporate Governance and internal controls are essential guideposts for the effective functioning of the Group. Moreover, the decisions of the Board and the higher management carry considerable weight on the Group. Hence, the Group's governance framework enables accountable leadership and independently made decisions that will carry positive connotations on stakeholder expectations. Best practices in Corporate Governance are a constant guidepost with which leadership continues to improve.

Regulatory and Policy Framework

Co-operative Insurance complies with all relevant and applicable statutory and regulatory laws and regulations, in addition to the adoption of non-compulsory frameworks of the Company's own accord.

- Companies Act No. 07 of 2007
- Regulation of Insurance Industry (RII) Act No. 43 of 2000 and subsequent amendments and regulations, directives, circulars and determinations of Insurance Regulatory Commission of Sri Lanka.

- Motor Traffic Act No. 14 of 1951 and subsequent amendments
- Inland Revenue Act No. 10 of 2006 regulations and directives
- Sri Lanka Accounting Standards (LKASs/SLFRSs)
- Laws and regulations by the Department of Inland Revenue
- Code of Best Practices on Corporate Governance Issued by CA Sri Lanka and Securities and Exchange Commission of Sri Lanka (SEC) – Guiding framework for governance and related issues
- Statement of Recommended Practice (SoRP) and rules.

Governance Framework

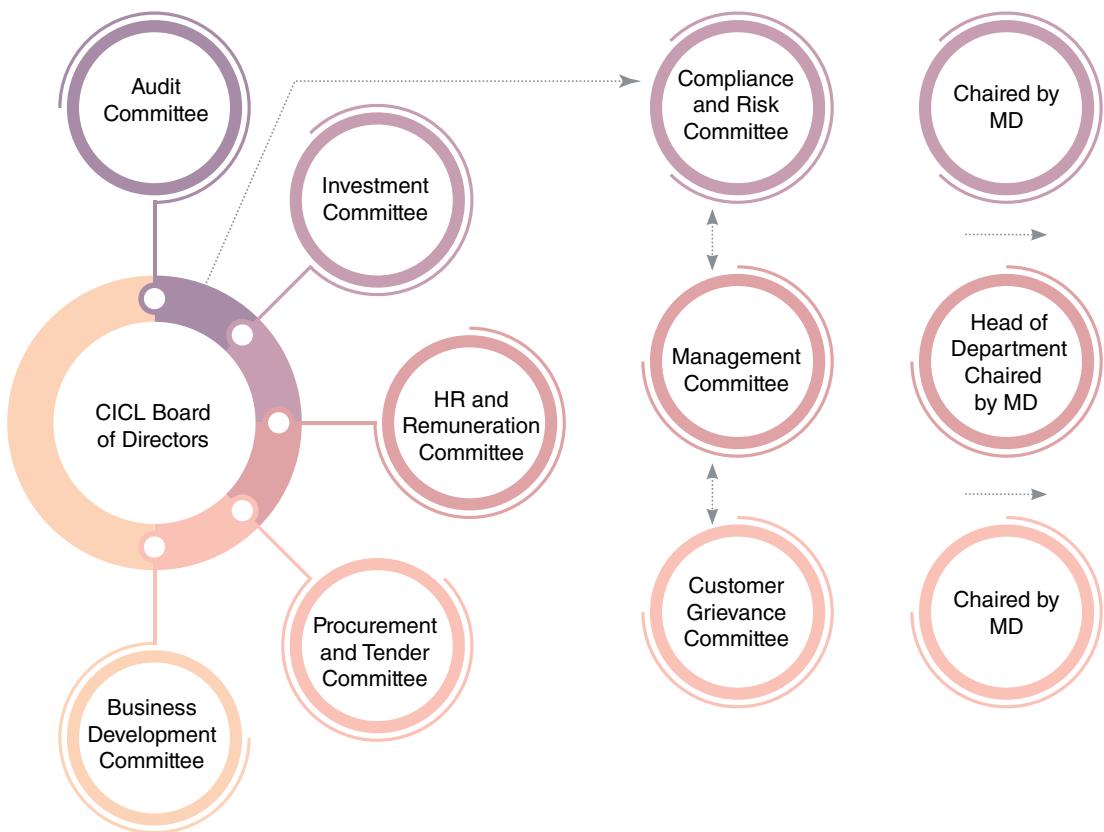
The governance framework of Co-operative Insurance encompasses internally and externally applicable laws and regulations, a governance structure and internal controls. The final responsibility of ensuring proper Corporate Governance remains with the Board of Directors of both Co-operative Insurance Company Limited and Cooplife Insurance Company Limited.

Governance Structure

Responsible for overall oversight of the Group and its functions, the Group's Board of Directors also retains ultimate responsibility in maintaining Corporate Governance.

The Group's governance structure is strongly linked with respective Board Sub-Committees, which reviews, implements and monitors all governance and internal control mechanisms across the Group and subsidiaries. Each Committee is responsible for reviewing the areas assigned. They regularly review internal processes, developments in the macro-environment.

Each Committee is expected to provide recommendations upon assessing all aspects that have an impact on the Group, its stakeholders and business operations. They also reserve the responsibility in implementing and setting policy guidelines while making decisions on the direction of the Group.

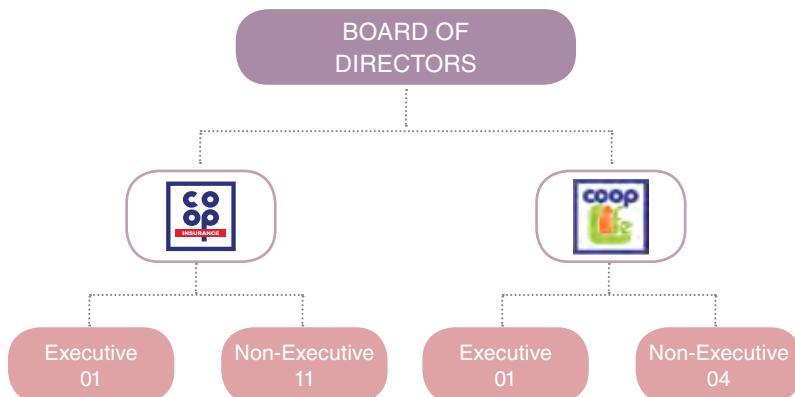


The Board

Composition

The Board comprises 12 Directors, with a majority representing the Group's Shareholder Co-operative Societies. During the year, 3 Directors submitted their resignations, followed by the appointment of three new Board members.

The Board is a mix of highly competent and experienced professionals with experience and expertise garnered through work in various industries and sectors. Members bring on board insights and through leadership that complements the Group's growth and sustainability. They are also the mainstay of the Group's Corporate Governance.



Corporate Governance and Internal Controls

Role of the Board

As mentioned before, the Board is responsible for leading the group towards growth and success. They also ensure that the MD and Management Team hold the necessary knowledge, experience and capacity to implement strategic/corporate plans.

The Board ensures the commitment of top and senior management to statutory agencies and their respective frameworks. The Board is also responsible for maintaining a proper system of internal controls, safeguarding Group financials and assets in addition to ensuring sound returns for Shareholders.

Role of Chairman

Strategic leader of the Group and Head of the Board, the Chairman holds responsibility in ensuring that all Directors render participation in making decisions and complies with governance practices. The Chairman is responsible for objectively assessing concerns and contributions of Directors before making final decisions. He is responsible for ensuring balance in power. The Chairman also supports MD/CEO in everyday business affairs.

The Chairman oversees that Shareholder investments are maximised, and safeguarded. He provides insights and guidance to the management in minimising overheads and capitalises on opportunities. He also provides leadership in managing resources and capitals and discharges insights while evaluating collective opinions on strategies that impact business growth.

Attendance to the Board Meetings - 2020

| Director Name | Attendance | Meetings Scheduled |
|---|------------|--------------------|
| Dr. W. Lalith A. Peiris | 10 | 10 |
| Mr. K.J. Sesiri | 09 | 10 |
| Mr. K.R.W. Ranasinghe | 10 | 10 |
| Mr. D.P. Amaradeva (Retired on 11.07.2020) | 04 | 04 |
| Mr. R. Sooriyaarachchi | 09 | 10 |
| Mr. R.G.K. Rankothge (Retired on 11.07.2020) | 04 | 04 |
| Mr. C.P. Jayasinghe | 10 | 10 |
| Mr. A.D.T.S. Palitha | 10 | 10 |
| Mr. J.M.V.P. Jayasooriya | 10 | 10 |
| Mr. K.S.S. Weerasekara | 10 | 10 |
| Mr. D.L. Samarakrama | 10 | 10 |
| Mr. A.B. Senadheera | 10 | 10 |
| Mr. K.R.K.N. Jayasinghe (Retired on 11.07.2020) | 04 | 04 |

Role of CEO/MD

The Managing Director is also a Member of the Board. The Managing Director reports to the Board and is authorised to formulate a strategy for the Company together with the Management Team. He provides both leadership and managerial expertise in routine operations, in addition to developing growth strategy. He ensures that the senior management adopts the right measures that complement the implementation of the corporate strategy to achieve objectives and goals.

Role of Board Secretary

Board Secretary is responsible for maintaining records of Board Discussions. He/she is also approached by Shareholders with any issues or concerns; the Board Secretary brings such matters to the attention of the Directors.

Board Meetings

Directors meet each month in ascertaining the Group's and subsidiaries' performance. In 2020, the Board held 10 monthly meetings to discuss matters of strategic relevance. Discussions on matters of concern are conducted at Board Meetings and Sub-Committee meetings. Moreover, the Board of Directors gives attention to the interests of stakeholders, when taking up matters for discussion. The Directors receive relevant documents a week before each meeting, allowing them adequate preparation time.

Sub-Committees

Sub-Committees are responsible for the effective functioning of those areas assigned to each Committee. The Chairman of each Committee is responsible for updating the Board of Directors on relevant matters, at Board meetings.

The Audit Committee consists of 3 Non-Executive Directors, chaired by a chartered accountant who is a Director. All other Committees comprise of respective Directors of the Board, except the Chief Financial Officer and the Chief Executive Officer. Each Committee is supported by a Secretary, usually a respective Manager, who shadows Committee meetings and maintains records, in addition to the CFO and the CEO.

| Audit Committee | |
|---|---|
| COMPOSITION & ATTENDANCE | |
| Mr. A.D.T.S. Palitha - Director (Chairman of the Committee) 10/10 | MEETINGS 10 meetings held during the year |
| Mr. D.P. Amaradeva - Director (Retired on 11.07.2020) 05/05 | SECRETARY Internal Auditor |
| Mr. R.K. Rankothge - Director (Retired on 11.07.2020) 05/05 | RESPONSIBILITIES |
| Mr. J.M.V.P. Jayasooriya - Director 10/10 | <ul style="list-style-type: none">• Review financial reporting system of the Company to present timely and accurate information to the BOD and other stakeholders and ensure compliance with the laws and regulations.• Review the processes and adequacy of the internal control system of the Company and take steps to strengthen them where necessary.• Review internal and external audit reports and follow up on recommendations.• Assessment of the independence and performance of the entity's external auditors.• Make recommendations to the Board on the appointment, re-appointment/ removal of External and Internal Auditors, review their scope and monitor performance.• Ensure that the risk management framework of the Company is implemented effectively to mitigate the risks associated. |
| Mr. A.B. Senadheera - Director (Appointed on 11.07.2020) 05/05 | |

Corporate Governance and Internal Controls

Risk Committee

COMPOSITION & ATTENDANCE

Dr. W. Lalith A. Peiris -
Chairman
01/01

Mr. K.R.W. Ranasinghe -
Managing Director
01/01

Mr. Udaya Pushpa Kumara –
General Manager
01/01

MEETINGS

01 meeting held during the year

SECRETARY

Internal Auditor

RESPONSIBILITIES

- Review and approve the significant risk management policies and associated risk management frameworks.
- Review significant risk exposure and steps that management has taken to identify, measure, monitor, control and report.
- Evaluate risk exposure and tolerance.
- Enhance the shareholders' value via more effective use of risk mitigation.

Human Resource and Remuneration Committee

COMPOSITION & ATTENDANCE

Dr. W. Lalith A. Peiris –
Chairman
05/06

Mr. K.S. Weerasekara -
Director
05/06

Mr. K.R.W. Ranasinghe -
Managing Director
05/06

Mr. K.R.K.N. Jayasinghe -
Director
03/03

Mr. K.J. Sesiri -
Vice Chairman
04/06

MEETINGS

06 meeting held during the year

SECRETARY

Human Resource Manager

RESPONSIBILITIES

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

Investment Committee

COMPOSITION & ATTENDANCE

Dr. W. Lalith A. Peiris -
Chairman
03/03

Mr. K.R.W. Ranasinghe -
Managing Director
03/03

Mr. R. Sooriyaarachchi –
Director
02/03

Mr. Laksiri Nawaratne -
Chief Finance Officer
03/03

MEETINGS

03 meetings held during the year

SECRETARY

Secretary – Finance Manager

RESPONSIBILITIES

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

Procurement and Tender Committee

COMPOSITION & ATTENDANCE

Dr. W. Lalith A. Peiris -
Chairman
07/08

Mr. K.R.W. Ranasinghe -
Managing Director
07/08

Mr. K.J. Sesiri -
Vice Chairman
01/04

Mr. C.P. Jayasinghe -
Director
06/08

Mr. R. Sooriarachchi -
Director
02/04

Mr. D.L. Samarawickrama -
Director
03/04

Mr. K.R.K.N. Jayasinghe -
Vice Chairman
02/04

MEETINGS

08 meetings held during the year

SECRETARY

Manager Administration

RESPONSIBILITIES

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

Corporate Governance and Internal Controls

| | |
|--|---|
| Business Development Committee COMPOSITION & ATTENDANCE Dr. W. Lalith A. Peiris - Chairman 01/03 Mr. K.R.W. Ranasinghe - Managing Director 02/03 Mr. C.P. Jayasinghe - Director 01/02 Mr. A. B. Senadheera - Director (Appointed on 11.07.2020) 02/02 Mr. D.L. Samarawickrema - Director 01/02 | MEETINGS 03 meetings held during the year SECRETARY Secretary – AGM Marketing RESPONSIBILITIES <ul style="list-style-type: none">• Suggest to the Board new ventures and take action after feasibility studies.• Evaluate IRCSL reports, auditors, actuaries, rating agencies and any other consultants who may provide consultancy on specific issues.• Suggest any changes in the management structure.• Study external market reports to enable the Company to take proactive action. |
|--|---|

Conflicts of Interest

The Board is responsible for conducting decision-making objectively and avoid conflicts of interest between their responsibilities and other interests. The Directors are expected to make unbiased, independent judgements when making decisions, regarding strategy, performance and business conduct.

Appointment

A formal process is followed when making new appointments to the Board; this is done at the AGM each year. Such new appointments are conveyed to Shareholders at the AGM. All new appointments are also promptly communicated to IRCSL in obtaining approval, as per the Regulations of Insurance Act.

Re-election and Retirement

Directors are expected to submit for re-election regularly, or at least once in three years. Three Directors retire annually on a rotation basis.

Appraisal and Evaluation

During the year 2020, the Board appraised their performance, assessing the effective discharge of their responsibilities. Appraisal of the work of MD/CEO is undertaken by the Board at the end of each year. The Board evaluates MD/CEO's performance by monitoring the level of achievements in target goals and objectives.

Remuneration

The Human Resources and Remuneration Committee established the pre-requisites for executive remuneration and allowances. The Board makes decisions on the remuneration of MD and the Management Team to ensure fair recognition. The Chairman of the Board heads the Remuneration Committee.

Topics of Discussion for 2020

During the year under concern, the Board of Directors undertook the discussion of the effects of the pandemic on the Group and its businesses while discussing matters on strengthening the risk control mechanisms and tolerance levels of the Group's businesses. The Board also discussed the proposed restructure of the Group and the 2020 purchase of Cooplife by Co-operative Insurance Company Limited.

Communicating with Shareholders

The Annual Report is the primary communication medium between Co-operative Insurance and its Shareholders. It is developed as per relevant accounting standards in compliance with the rules and regulations of IRCSL and applicable regulatory frameworks. The financial report also follows the international integrated reporting framework – to provide an integrated and interconnected approach to the Group's functions.

Any Shareholder who wishes to convey any issue or concern, such matters are brought to the attention of the Directors through the Company Secretary. Financial information declared to the Shareholders is overseen and authorised by the MD/CEO and the Chief Financial Officer.

AGM

The main event of the corporate calendar, the Annual General Meeting is also the Group's main communication channel with Shareholders. The event allows Shareholders to air any concerns, present questions and provide recommendations or suggestions to the Board. Shareholders are provided with relevant documents 15 days before the AGM.

Due to restrictions in public gatherings, the AGM in 2020 was conducted with a limited number of Shareholders, following strict health regulations.

Internal Controls

Responsibility for the effective management of internal controls lies with the Board of Directors and in reviewing their effectiveness and adequacies. Nevertheless, the Board delegates responsibilities to the Audit Committee. The Committee, through internal audits, ensures the effectiveness of the internal controls. The Committee also meets with the Risk Management Committee as it is responsible for carrying out risk management mechanisms. The Investment Committee, Compliance and Risk Management Committee, Human Resources and Remuneration Committee also ensures proper controls and systems.

Internal Audit

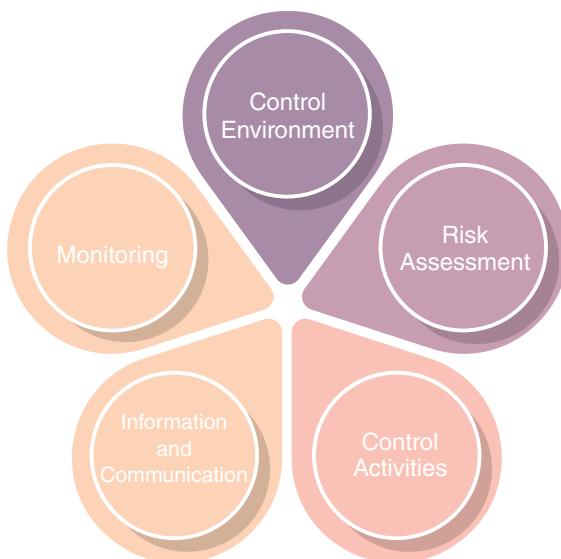
The Internal Audit function is performed by a team of Internal Auditors, led by a well-qualified person. He reports directly to the Chairman and the Directors, and is expected to provide an independent view of the internal controls.

External Audit

External Audits are conducted by an external auditing company and reports on the strength of internal control systems and accounting. They are expected to provide recommendations for improvements based on their evaluations. The Auditors are selected as per the recommendations of Board members.

System of Internal Controls

Both CICL and Cooplife ensure that control mechanisms are carried out at stipulated intervals. In this regard, audits play a vital role in monitoring and assessing the overall health of the companies and compliance with requirements.



The system of internal control ensures:



COMPLIANCE STATUS

CICL along with our subsidiary companies Cooplife and CITA maintains compliance to regulatory demands, ensuring that we work towards maintaining credibility and accountability and most importantly, transparency. Therefore, we comply with:

| | |
|-----------|---|
| Mandatory | Companies Act No. 07 of 2007 |
| | Regulation of Insurance Industry (RII) Act No. 43 of 2000 and subsequent amendments and Regulations, directives, circulars and determinations of Insurance Regulatory Commission of Sri Lanka |
| | Motor Traffic Act No. 14 of 1951 and subsequent amendments |
| | Inland Revenue Act No. 10 of 2006 regulations and directives |
| | Sri Lanka Accounting Standards (LKASs/SLFRSs) |
| Voluntary | Code of Best Practice on Corporate Governance issued by CA Sri Lanka |
| | Code of Ethics |
| | Integrated Reporting Framework |
| | Listings Rules of the Colombo Stock Exchange |
| | Securities & Exchange Commission Rule |

Compliance with the Code of Best Practice on Corporate Governance

The table below summarises CICL Group's compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

| Section | Corporate Governance Requirement | CICL's Level of Compliance | Compliance Status |
|----------------------|--|---|-------------------|
| A DIRECTORS | | | |
| A.1 THE BOARD | | | |
| | Every company should be compliant headed by an effective Board, which should direct, lead and control the Company. | The Board consists of thirteen (12) Directors. The majority of them represent Shareholders of co-operative societies being Chairpersons of such co-operative societies. The Managing Director is also a member of the Board. Directors' profiles are presented on pages 34 to 37 of this Annual Report. | ✓ |
| A1.1 | The Board should meet regularly. Board meetings should be held at least once in every quarter of a financial year. | The Board of Directors usually meets on a monthly basis to review the Company's performance and to determine whether its strategies and business practices are in line with the corporate plan. The attendance of the Directors. During the year 2020, 10 Board meetings were held. | ✓ |

| Section | Corporate Governance Requirement | CICL's Level of Compliance | Compliance Status |
|---|--|--|-------------------|
| A1.2 KEY RESPONSIBILITIES OF THE BOARD | | | |
| | Formulation and implementation of the Business Strategy. | The Board is responsible for steering the Company towards its overall success. The Board delegates the authority to the Managing director to formulate the required strategy. | ✓ |
| | | The Managing Director and the management team develop the Corporate Strategy. | |
| | | Annual budgets and action plans are developed in order to implement the Corporate Strategy. Those are reviewed by the Board of Directors. | |
| | Ensuring that the MD and the Management Team possess the required skills, experience and knowledge to implement the strategy. | The Board ensures that the MD and the Management Team possess the required skills, experience and knowledge to implement the corporate plan and further to ensure that a proper succession plan is in place. | ✓ |
| | | The Board decides the remuneration of the MD and the Management Team ensuring that their performances are recognised equitably in terms of remuneration. | |
| | Effective systems to ensure the integrity of information, internal controls and risk management compliance with rules and regulations. | Adequate systems and procedures are implemented to ensure the integrity of information, effectiveness of internal controls and the appropriateness of risk management procedures. The Internal and External Auditors, management team regularly review these systems. | ✓ |
| | | Accordingly, the Board has set up the audit committee, investment committee, compliance and risk management committee, human resources and remuneration committee to ensure that the Company has proper systems and controls. The risk management policy has been adopted on the basis of norms set by the IRCSL in terms of RBC, solvency, technical reserves, reinsurance arrangements, actuarial reviews, and also occasional inspection by the Insurance Regulatory Commission officers. | |
| | | In the case of investment risk, the Company has adopted a policy of spreading investments in different institutions and commercial banks recognised by the Insurance Regulatory Commission so as to give a higher contribution to solvency levels. | |

Compliance Status

| Section | Corporate Governance Requirement | CICL's Level of Compliance | Compliance Status |
|---------|---|---|-------------------|
| | Compliance with Laws and Regulations. | The Board ensures that all the applicable Laws and Regulations are complied within the conduct of the affairs of the Company. The Company has submitted the regulatory returns and applicable payments to the IRCSL, Central Bank of Sri Lanka (CBSL), Department of Inland Revenue, Registrar General of Companies, National Council for Road Safety, Employees' Trust Fund Board, National Insurance Trust Fund and Commissioner of Motor Traffic, within the stipulated time period. | ✓ |
| | Ensuring all stakeholder interests are considered in corporate decisions. | The Board ensures that the interests of all stakeholders are considered and safeguarded in making corporate decisions. | ✓ |
| | Recognising sustainable business development in corporate strategy, decisions and activities. | The Board recognises the necessity of sustainable business development in the corporate strategy, decisions and activities. Please refer our sustainability impact from page 13 to 15 for more information on company's sustainable business development plan. | ✓ |
| | Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations. | The Board ensures that the proper processes are in place and systems of control and procedures are implemented to review accounting policies annually to be in line with the changing business requirements. Company's accounting policies are fully in line with Sri Lanka Accounting Standards (SLFRS/LKAS). | |
| | | Please refer the Independent Auditor's Report, which evidence that the Company's Financial Statements are in line with Sri Lanka Accounting Standards, given on page 140. | |
| | Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned. | Through Board meetings and Board Sub-Committee all matters of concerns are properly addressed. The Board takes all its decisions paying due attention to the interests of all stakeholders and paying due attention to all matters of concern. | ✓ |
| A.1.3 | The Board collectively, and Directors individually, must act in accordance with the laws of the Country, as applicable to the business enterprise. | The Board recognises the importance of complying with all the Applicable laws and regulations in Sri Lanka and the Board are in accordance with the laws of Sri Lanka as applicable to the insurance industry. | ✓ |
| A.1.5 | All Directors should bring independent judgment to bear on issues of strategy, performance, resources (including key appointments) and standards of business conduct. | All Directors exercise independent judgement in decisions made by the Board on issues of strategy, performance, resource allocation and the conduct of business. The Board is conscious of its obligation to ensure that the Directors avoid conflicts between their duty towards the Company and towards their other interests. All Directors are expected to make decisions objectively, avoiding conflicts of interest and in the best interests of the Company. | ✓ |
| A.1.6 | Dedicating adequate time and effort by the Directors. | All Directors ensure that they are able to render sufficient time and attention to the affairs of the Company. | ✓ |

| Section | Corporate Governance Requirement | CICL's Level of Compliance | Compliance Status |
|---|--|---|-------------------|
| A.2 CHAIRMAN AND CHIEF EXECUTIVE OFFICER | | | |
| | Principle: Division of responsibilities at the head of the Company. | The posts of Chairperson and CEO were held separately. This segregation ensures a clear distinction between the Chairperson's responsibility to manage the Board and the MD/CEO's responsibility to manage the Company's day to day business, and thereby ensures the balance of power and authority and is accountable to the Board of Directors. | ✓ |
| A.2.1 | Disclosure required if the positions of the Chairman and the MD/CEO are combined. | The position of the Chairman and the MD/CEO are separated. | N/A |
| A.3 CHAIRPERSON'S ROLE | | | |
| | Principle: The Chairperson should preserve order and facilitate the effective discharge of Board functions. | The Chairperson is responsible for leading the Board and ensuring that it operates under the highest standards of governance. The Chairperson is charged with encouraging the effective participation of all Directors in the decision making processes and thereby ensuring the effective performance of the Board. | ✓ |
| A.3.1 | The Chairman should conduct Board proceedings in a proper manner and ensure: <ul style="list-style-type: none"> • Operations of the Board are managed effectively • All key and relevant issues are discussed by the Board in a timely and constructive manner • Taking appropriate steps to provide effective communication with shareholders and to ensure that shareholders' views are communicated to the Board as a whole. | The role of the Chairman is to conduct Board meetings in a manner which ensures that there is effective participation of all Directors and that their individual contribution and concerns are objectively assessed prior to making key decisions and the balance of power is maintained. He ensures that the Board is in complete control of the Company's corporate affairs. Chairman also supports the Managing Director to manage day to day operations of the Company. Chairman is the ultimate point of contact to the Shareholders at the AGM. | ✓ |

Compliance Status

| Section | Corporate Governance Requirement | CICL's Level of Compliance | Compliance Status |
|---------------------------------------|--|--|-------------------|
| A.5 BOARD BALANCE | | | |
| | Principle: The Board should have a balance of Executive and Non-Executive Directors. | The Board consists of an Independent Non-Executive Director who expresses his independent views about the matters that need Board decisions. His views are considered by the Board in arriving at decisions. | ✓ |
| A.5.1 | The Board should include at least two Non-Executive Directors or such number of Non-Executive Directors equivalent to one third of the total number of Directors, whichever is higher. | The Board comprises twelve Non-Executive Directors and one Executive Director who functions as the Managing Director/CEO. Details of the Directors of each category are given on page 98. | ✓ |
| A.5.2 | Two or one-third of Non-Executive Directors appointed to the Board of Directors which ever is higher, should be 'Independent'. | Five Directors out of twelve total Directors are Independent Directors and it is complied with the requirement of the code. | ✓ |
| A.6 SUPPLY OF INFORMATION | | | |
| | Principle: The Board should be provided with timely information, in a form and of a quality appropriate to enable it to discharge its duties. | | ✓ |
| A6.1 | The Management has an obligation to provide the Board with appropriate and timely information. | The Senior Management presents adequate information with regard to new developments, proposed strategies, financial operations, investment proposals, and etc. to ensure clear communication of information. | ✓ |
| A.6.2 | The minutes, agenda and papers required for Board Meetings should be provided at least seven days before the meeting. | Comprehensive Board Papers are sent to Directors in advance (seven days prior to each meeting) of the Board Meetings, giving them sufficient time to be prepared for the discussion. | |
| | | The Board Secretary maintains record of Board discussion and minutes of matters discussed by the Board. | |

| Section | Corporate Governance Requirement | CICL's Level of Compliance | Compliance Status |
|---|---|--|-------------------|
| A.7 APPOINTMENTS TO THE BOARD | | | |
| | Principle: There should be a formal and transparent procedure for the appointment of new Directors to the Board. | All new appointments to the Board are made following a formal and transparent procedure in AGM, annually. | |
| A.7.3 | The Company should disclose information to the shareholders upon the new appointment of Directors. | All appointments of new Directors are informed to the Shareholders at AGM. In addition, new appointments to the Board are done after obtaining the approval from Insurance Regulatory Commission of Sri Lanka (IRCSL) according to the terms of the Regulation of Insurance Act. | |
| A.8 RE-ELECTION | | | ✓ |
| | All Directors including Chairman of the Board should be subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than three years. | Members of the Board of Directors are elected at the Annual Shareholders' Meeting, for a three-year term. One-fourth of the Directors (approximately three Directors) retire every year on a rotation basis. This arrangement allows the Company to retain experienced members and to induct new members in order to infuse new ideas. | |
| A.9 APPRAISAL OF BOARD PERFORMANCE | | | ✓ |
| | Principle: Boards should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged. | The Board appraised itself on its performance in the discharge of its key responsibilities in the Board meetings held during the year. | |
| A.10 DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS | | | |
| | Principle: Shareholders should be kept advised of relevant details in respect of Directors. | | |
| A.10.1 | Annual Report should contain details of all Directors. | Information with respect to all Directors is disclosed in pages 34 to page 37 in this Annual Report and where relevant. | ✓ |
| A.11 APPRAISAL OF CHIEF EXECUTIVE OFFICER (CEO) | | | |
| A.11.1 | Principle: The Board should be required, at least annually, to assess the performance of the CEO. | | |
| | The Board should set, with consultation of the CEO, the financial and non-financial targets to be achieved by the CEO during the year, in line with short, medium and long-term objectives of the Company. | The Board sets targets (both financial and non-financial) for each of the financial years based on the corporate plan, reviews them on a regular basis and discusses at the Board meetings. If such targets are not met, it also considers whether there are reasonable grounds for such departures and takes relevant action. | ✓ |
| A.11.1 | The performance of the CEO should be evaluated by the Board at the end of each year. | The Managing Director is responsible for day-to-day operations of CICL and is accountable to the Board of Directors. The Board evaluates the CEO's performance through monitoring the achievement levels of set objectives during the year. | ✓ |

Compliance Status

| Section | Corporate Governance Requirement | CICL's Level of Compliance | Compliance Status |
|------------|--|---|-------------------|
| B | DIRECTORS' REMUNERATION | | |
| B.1 | REMUNERATION PROCEDURE | | |
| | Principle: Companies should establish a formal and transparent procedure for developing policies on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration. | | |
| B.1.1 | Set up a Remuneration Committee to make recommendations to the Board. | Remuneration and HR Committee sets remuneration, pre-requisites and allowances of the Directors, Management and the other employees based on industry and market surveys. | ✓ |
| B.1.2 | Remuneration Committees should consist exclusively of Non-Executive Directors, and should have a Chairman, who should be appointed by the Board. | The Chairman of the Board also chairs the Remuneration and HR Committee. Remuneration levels are designed to attract, retain and motivate persons who contribute to the achievement of the corporate plan. | ✓ |
| B.1.3 | The Chairman and Members of the Remuneration committee should be listed in the Annual Report each year. | Please refer the Report of the Human Resources and Remuneration Committee on page 76. | ✓ |
| B.1.5 | The Remuneration Committee should consult the Chairperson and CEO about its proposals relating to the remuneration of other Executive Directors and have access to professional advice from within and outside the Company, in discharging their responsibilities. | The Chairperson of the Board is also a member of the Human Resources and Remuneration Committee. The CEO attends meeting by invitation. Remuneration Committee obtains professional advice from within and outside the Company. | ✓ |

| Section | Corporate Governance Requirement | CICL's Level of Compliance | Compliance Status |
|------------|---|---|-------------------|
| B.2 | THE LEVEL AND MAKE-UP OF REMUNERATION | | |
| B.2.1 | The Remuneration Committee should provide the packages needed to attract, retain and motivate Executive Directors. | Remuneration and HR committee designed remuneration levels to attract, retain and motivate persons who contribute to the achievement of the corporate plan. | ✓ |
| B.3 | DISCLOSURE OF REMUNERATION | | |
| | Principle: The Annual Report should contain a Statement of Remuneration Policy and details of remuneration of the Board as a whole. | | |
| B.3.1 | Remuneration Policy and details of remuneration of the Board should be stated in the Annual Report. | The aggregate remuneration of the Managing Director and the other Directors is shown on page 197. | ✓ |
| C. | RELATIONS WITH SHAREHOLDERS | | |
| C.1 | CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING (AGM) AND CONDUCT OF GENERAL MEETINGS | | |
| | Principle: Boards should use the AGM to communicate with shareholders and should encourage their participation. | The Company uses the AGM as a tool to effectively communicate with Shareholders and to allow them a reasonable opportunity to ask questions from the Board of Directors. | ✓ |
| | | As per the Companies Act No 07 of 2007, annual report together with notice of meeting, form of proxy and any other document (if any) are circulated to the Shareholders at least 15 working days prior to the date of the Annual General meeting. | |
| | | All members of the Board and the senior management make an effort to attend the AGM and answer questions and concerns raised by the Shareholders. A representative (usually the engagement partner) of the External Auditors also attends the AGM and takes questions from shareholders relating to their audit of the Company's Financial Statements, if required. | |
| | | During the year 2020 the participation on the shareholders at the AGM was 25%. The Board members and Company representatives are available to clarify the matters raised by shareholders. The most recent shareholders' meeting was the 22nd Annual General Meeting (AGM) of the Company held on 11th July 2020. | |
| C.1.1 | Dispatch notice of AGM and related papers to shareholders. | Company counts all proxy votes and to indicate to the Chairperson the level of proxies lodged on each resolution and the number of votes for and against such resolutions. | ✓ |

Compliance Status

| Section | Corporate Governance Requirement | CICL's Level of Compliance | Compliance Status |
|---------|--|--|-------------------|
| C.1.2 | Separate resolution for each substantially separate issues. | Each substantially separate issue is proposed as a separate resolution to provide Shareholders the opportunity to deal with each significant matter separately. | ✓ |
| C.1.3 | Accurate recording and counting valid proxy appointments received for a General Meeting. | All proxy appointments received are duly recorded and counted in respect of each resolution. | ✓ |
| C.1.4 | Availability of Chairman of Board Committees at the Annual General Meeting. | The Chairmen of the Board Committees are present to answer any queries of the Shareholders directed to them by the Chairperson of the Company. | ✓ |
| C.1.5 | Summary of Notice of General Meetings and procedures governing voting at General Meetings. | A summary of procedures governing voting at the AGM is provided in the Proxy form, which is circulated to the shareholders, fifteen working days prior to the AGM. | ✓ |
| | | Please refer page 255 for the Notice of Meeting of the 23rd AGM to be held on 30th June 2020. The proxy form given on page 259 which includes a summary of the procedures governing voting at the General Meetings, is circulated to all shareholders. | |

C.2 COMMUNICATION WITH SHAREHOLDERS

| | |
|--|--|
| Principle: The Board should implement effective communication with shareholders. | |
| C.2.1 There should be a channel to reach all shareholders of the Company in order to disseminate timely information. | All financial information released to the shareholders is authorised by the Managing Director/Chief Executive Officer and/or Chief Financial Officer. Any other information released to the public is approved by the MD/CEO and/or Chief Operating Officer and is communicated through the Head of Marketing. |
| C.2.2 Disclose the policy and methodology for communication with shareholders. | The Company keeps informed their Shareholders via AGM, responding to inquiries from shareholders and provides feedback. |

| Section | Corporate Governance Requirement | CICL's Level of Compliance | Compliance Status |
|---------|--|--|-------------------|
| C.2.3 | Disclose how the Company has implemented the above policy and methodology. | Company uses the annual report to inform its Shareholders on the affairs of the Company including major financial and non-financial information, regulatory requirements and other assurance reports issued by independent parties like external auditors and etc.: | ✓ |
| | EQUAL TREATMENTS FOR SHAREHOLDERS | | |
| | The Company ensures the equal treatment of all Shareholders. Accordingly, the annual report of the Company is translated to Sinhala and distributed among shareholders. | | |
| | SUSTAINABILITY REPORTING | | |
| | Information on the our sustainability impact which is given on pages 13 to 15 of this Annual Report includes the ways in which the Company seeks to achieve sustained profits for Shareholders, develop long-lasting customer relationships, value our employees and manage the social and environmental impacts of our business. | | |
| | CORPORATE WEBSITE | | |
| | Our corporate website provides an additional channel for shareholders, customers and other stakeholders to access information about the Company. Financial statements, details of the Company, names of the Board of Directors and the Executive Committee members, information on new products, can be accessed at www.ci.lk | | |
| C.2.4 | Disclose the contact person for such communication. | CEO and Company Secretary will be the main contact persons with regard to any public disclosures. Therefore, any clarification or further information with regard to any information published about the Company should be directed to the CEO. Further, clarifications with regard to any financial information published can also be directed to the Finance Manager of CICL through the details given on page 06. | ✓ |
| C.2.5 | A process to make all Directors aware of major issues and concerns of shareholders, and this process has to be disclosed by the Company. | If there are any major issues and/or concerns raised by shareholders, they are brought to the attention of all Directors by the Company Secretary. No such issues and/or concerns were raised by the shareholders during the year. | ✓ |
| C.2.7 | The process for responding to shareholder matters. | The Company's aim is to provide an appropriate reply to written requests from shareholders, within a reasonable time. If those queries raise a matter of general interest to shareholders, the Company will take this into account and will address them in subsequent corporate communications to all shareholders. | ✓ |

Compliance Status

| Section | Corporate Governance Requirement | CICL's Level of Compliance | Compliance Status |
|--|--|---|-------------------|
| C.3 MAJOR AND MATERIAL TRANSACTIONS | Principle: Directors should disclose to shareholders all proposed material transactions. | The Company's future strategies and their potential impact, if any, have been disclosed in the Chairman's Message and the Managing Director's Review. | ✓ |
| C.3.1 Proposed major transactions | | There were no major transactions during the year. | N/A |
| D. ACCOUNTABILITY AND AUDIT | | | |
| D.1 FINANCIAL REPORTING | Principle: Board responsibility for statutory and regulatory reporting. | | |
| D.1.1 Present a fair and balanced annual report prepared following the laws and regulations with an explanation of deviations. | | The Annual Report, which is the main communication tool between the Company and the shareholders, is prepared and presented in compliance with the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Regulation of Insurance Industry Act No. 43 of 2000 and other rules and regulations of the Sri Lanka Insurance Regulatory Commission and other applicable rules and regulations of the country. The Annual Financial Statements and Regulatory Reports are submitted to the Authorities on a timely basis. | ✓ |
| D.1.4 Declarations by Directors in the Directors' Report | | The Annual Report of the Board of Directors on the affairs of the Company is presented on pages 98 to 101. | ✓ |
| D.1.5 Statements by Directors and Auditors | | The Annual Report of the Board of Directors on the affairs of the Company is presented on pages 98 to 101. The Auditor's Report is provided on page 140 and 141. | ✓ |
| D.1.6 The Annual Report should contain a 'Management Discussion and Analysis.' | | The Management Discussion and Analysis is given on pages 104 to 128 of this Annual Report, which covers the disclosure requirement under this Code. | ✓ |
| D.1.7 Summon an Extraordinary General Meeting (EGM) | | There has not been any requirement to summon an Extraordinary General Meeting (EGM) to notify serious loss of capital. Although the likelihood of such a situation is remote, if it arises, an EGM would be called to inform Shareholders. | N/A |

| Section | Corporate Governance Requirement | CICL's Level of Compliance | Compliance Status |
|------------|--|--|-------------------|
| D.2 | RISK MANAGEMENT AND INTERNAL CONTROL | | |
| D.2.1 | The Board should monitor risk management and internal control systems and carry out a review of their effectiveness and report on the same in the Annual Report. | The Board is ultimately responsible for the Company's system of Internal Controls and the continuous review of their effectiveness. Some of these responsibilities are delegated to Audit Committee, Investment Committee, HR Committee Purchasing & Selling Committee and Business Development Committee to ensure effectiveness of internal controls. | ✓ |
| D.2.3 | Internal audit function | The internal audit function is carried out by the team of Internal Auditors headed by a person well experienced and competent to carry out the internal audit functions. The Internal Auditor directly reports to the Chairman and the Board of Directors. The Board is of the opinion that the function of the Internal Auditor would provide a more independent view on the Company's system of internal controls. | ✓ |
| D.2.4 | Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls. | Effective internal control system is ensured by the audit committee. It reviews the effectiveness of the internal control system through the Internal Audits. Risk management committee decisions are discussed at audit committee meeting reviews since the Audit Committee carries the responsibility over the Company's risk management practices. | ✓ |
| D.2.5 | Statement of internal control | The Board's Statement on Internal Control is given on pages 72 to 79. | ✓ |
| D.3 | AUDIT COMMITTEE | | |
| D.3.1 | Establish an Audit Committee of at least three Non-Executive Directors. | The Audit Committee is a sub-committee of the Board and comprises of four (04) Non-Executive Directors. The Audit Committee is chaired by a Chartered Accountant who is a professional Director. The term of reference under which the Committee has been appointed sets out its scope and responsibilities and enables it to operate with appropriate authority, independence and objectivity. | ✓ |
| D.3.2 | Terms of Reference for Audit Committee | The Audit Committee operates with clearly defined terms of reference, which are reviewed annually. Key areas of focus are; <ul style="list-style-type: none">- Composition- Meetings- Internal audit- External audit- Financial reporting- Compliance and litigation- Risk management and internal control- Reporting responsibilities- Related party transactions- Other responsibilities | ✓ |
| D.3.4 | Disclosures required by the Audit Committee in the Annual Report. | Audit committee report on page 139 includes names of the Directors in the Audit Committee and other disclosures. | ✓ |

Compliance Status

| Section | Corporate Governance Requirement | CICL's Level of Compliance | Compliance Status |
|--|--|---|-------------------|
| D.5 CODE OF BUSINESS CONDUCT AND ETHICS | | | |
| D.5.1 | Disclosure of Compliance with the Corporate Governance Code | Company has included Corporate Governance report in pages 80 to 97, setting out the manner and extent to which the Company has complied with the principles and provisions of the Code of Best Practice on Corporate Governance issued jointly by the SEC and the CA Sri Lanka. | ✓ |
| D.5.4 | Chairman's statement | Refer to the Chairperson's Message on page 18 and the Annual Report of the Board of Directors on the affairs of the Company on pages 98 to 101. | ✓ |
| D.6 CORPORATE GOVERNANCE DISCLOSURES | | | |
| D.6.1 | Corporate Governance disclosures | The Corporate Governance Report on pages 82 and 97 comply with this requirement. | ✓ |
| E. INSTITUTIONAL INVESTORS | | | |
| E.1 SHAREHOLDER VOTING | | | |
| | Principle: Should ensure institutional shareholders' voting intentions are translated into practice. | | |
| E.1.1 | Communication with Shareholders | Please refer details on shareholder communication under C.2.1 and C.2.2 | ✓ |
| F. OTHER INVESTORS | | | |
| F.1 | Investing and divesting decision | Individual shareholders are encouraged to carry out adequate analysis or seeking dependent advice on their investing, holding or divesting decisions. The Annual Report contains sufficient information to make an informed decision. | ✓ |
| F.2 | Encouraging shareholder participation and exercise their voting right. | Refer Annual General Meeting section on page 101. | ✓ |

| Section | Corporate Governance Requirement | CICL's Level of Compliance | Compliance Status |
|---|--|---|-------------------|
| G. INTERNET OF THINGS AND CYBER SECURITY | | | |
| G.1 | Internet of things and cyber security | IT department has competent staff and with the advice of the Managing Director they have identified the business process. IT department has taken mechanism to connect IT devices within the organisation and outside the organisation to the organisation network to send and receive information. Also they maintain proper risk mitigation mechanism to protect Company information from cyber treats. | ✓ |
| G.3 | Cyber risk management to be a regular item on the Board agenda | Please refer identified risk and risk control mechanism taken by the Company in Risk management section on page 65. | |
| G.4 | Independent periodic review and assurance | IT department ensures the effectiveness of cyber security periodically and suggests necessary actions to the Managing Director who is reports to the Board. Board of Directors takes necessary actions accordingly. | |
| G.5 | The process to identify and manage cyber security risks | Please refer identified risk and risk control mechanism taken by the Company in Risk management section on page 65. | |
| H ENVIRONMENT, SOCIETY AND GOVERNANCE | | | |
| H.1 | Environment, Society and Governance (ESG) Reporting | <p>This report has been prepared following the IR Framework, and the Code of Best Practice on Corporate Governance.</p> <p>The following reports provide further information:</p> <p>SOCIAL REPORTING</p> <p>Human Capital Report on page 123</p> <p>Social & Relationship Capital Report on page 128</p> <p>ENVIRONMENTAL REPORTING</p> <p>Natural Capital Report on page 110</p> <p>GOVERNANCE</p> <p>Corporate Governance Report on page 82</p> <p>Annual Report of the Board of Directors on page 98</p> | |

Compliance Status

COMPLIANCE WITH LISTING RULES SECTION 7.10

The Company is voluntary compliant with the Corporate Governance Rules as per Section 7.10 of the Listing Rules. The following table has been published in accordance with the requirement to disclose the level of compliance with such rules.

| Rule No. | Subject | Requirement | CICL's level of compliance | Compliance Status |
|------------------|-----------------------------------|--|--|-------------------|
| 7.10 (2) (a) (b) | Statement of Compliance | Publish a statement of compliance with Corporate Governance Rules (Section 7.10 of the Listing Rules) in the Annual Report | Please refer page 80 for the statement of compliance. The Company is voluntarily compliant with the Corporate Governance Rules as per Section 7.10 of the Listing Rules. | ✓ |
| 7.10.1 | Non-Executive Directors | Two or one-third of the total number of Directors, whichever is higher, shall be Non-Executive Directors | 11 Directors are Non-Executive Directors out of total 12 Directors. | ✓ |
| 7.10.2 (a) | Independent Directors | Two or one-third of Non-Executive Directors appointed to the Board, whichever is higher, shall be independent | 5 Non-Executive Directors are independent. | ✓ |
| 7.10.2 (b) | | Each Non-Executive Director shall submit a declaration of independence or non-independence in the prescribed format | Non-Executive Directors have submitted declarations during 2020. | ✓ |
| 7.10.3 (a) | Disclosures Relating to Directors | The Board shall disclose the names of the Independent Directors in the Annual Report. | Please refer page 98 of the Annual Report of the Board of Directors for the names of Independent Directors. | ✓ |
| 7.10.3 (b) | | In the event a Director does not qualify as independent as per the Rules on Corporate Governance, but if the Board is of the opinion that the Director is nevertheless independent, the Board shall specify the basis for that determination in the Annual Report. | No such situation has arisen during the year. | N/A |
| 7.10.3 (c) | | The Board shall publish a brief resume of Directors in the Annual Report, including their experience in relevant areas. | Please refer the profiles of Directors on pages 34 to 37. | ✓ |
| 7.10.3 (d) | | The Board shall provide a brief resume of newly appointed Directors to the Colombo Stock Exchange (CSE) for dissemination to the public. | Appointments of new Directors are informed to IRCSL and obtain the permission including his brief resume. | ✓ |
| 7.10.5 | Remuneration Committee | A listed entity shall have a Remuneration Committee. | Details of the Human Resources and Remuneration Committee is given on page 76. | ✓ |

| Rule No. | Subject | Requirement | CICL's level of compliance | Compliance Status |
|------------|-----------------|--|--|-------------------|
| 7.10.5 (a) | | The Remuneration Committee shall comprise of Non-Executive Directors, a majority of whom shall be independent. | The Human Resources and Remuneration Committee comprises five Non- Executive Directors, of whom two are Independent Non- Executive Directors. | ✓ |
| | | One Non-Executive Director shall be appointed as the Chairman of the Committee by the Board of Directors. | Dr. Lalith A. Peiris (Independent Non-Executive Director) functions as the Chairman of the Human Resources and Remuneration Committee. | ✓ |
| 7.10.5 (b) | | The Annual Report should set out names of the Directors serving in the Remuneration Committee. | Please refer page 76 for the composition of the Human Resources and Remuneration Committee. | ✓ |
| | | Aggregate remuneration paid to Executive and Non-Executive Directors. | Please refer Note 32 on page 197. | ✓ |
| 7.10.6 | Audit Committee | A listed entity shall have an Audit Committee. | Details of the Audit Committee are given on page 75. | ✓ |
| 7.10.6 (a) | | The Audit Committee shall comprise Non-Executive Directors, a majority of whom shall be independent. | All Directors in Audit Committee are Independent Non- Executive Directors. | ✓ |
| | | One Non-Executive Director shall be appointed as the Chairman of the Committee by the Board of Directors. | Mr. A T D S Palitha (Independent Non-Executive Director) functions as the Chairman of the Committee. | ✓ |
| 7.10.6 (b) | | Chief Executive Officer (CEO) and Chief Financial Officer (CFO) shall attend Audit Committee meetings. | Both the CEO and the CFO attend the meetings by invitation. | ✓ |
| | | Chairman or one member of the Committee should be a member of a recognised professional accounting body. | Please refer page 36 for qualifications of the members of the Audit Committee. The Chairman is a Member of the Institute of Chartered Accountants of Sri Lanka (ICASL). | ✓ |
| 7.10.6 (c) | | The functions of the Audit Committee shall be as set out in Section 7.10 of the Listing Rules. | Please refer page 139 for the Report of the Audit Committee. | ✓ |
| | | The Annual Report should set out: - Names of the Directors serving in the Audit Committee. | Please refer page 75 for the composition of the Audit Committee. | ✓ |
| | | The Committee's determination of the independence of the Auditors and the basis for such determination. | Please refer page 139 for the Report of the Audit Committee. | ✓ |
| | | A Report by the Audit Committee setting out the manner of compliance with the requirements set out in Section 7.10 of the Listing Rules. | Please refer pages 139 for the Report of the Audit Committee. | ✓ |

Compliance Status

COMPLIANCE WITH CORPORATE GOVERNANCE FRAMEWORK FOR INSURERS

In year 2018, Insurance Regulatory Commission of Sri Lanka issued the Direction number 17 introducing a Corporate Governance framework for insurers. These rules came into effect (extended effective date) from 01st July 2019 and IRCSL amended the Direction number 17 during the year 2020 and said amendments came into effect from 1st June 2020 onwards. Compliance of CICL group with these regulations is given in the table below:

| Section | Requirement | CICL's level of compliance | Compliance Status |
|-------------|---|--|-------------------|
| A | Insurers are recommended to adhere to the Code of Best Practice on Corporate Governance issued in 2017. | The Company's status of compliance with the relevant Corporate Governance Code is given from pages 80 to 97. | ✓ |
| B | Insurers are required to comply with the following: | | |
| (1) | The Board of an insurer must be comprised of a minimum of two Directors who are citizens and residents of Sri Lanka. | All Directors of the Company are citizens and residents of Sri Lanka. | ✓ |
| (2) (a) | The total period of service of a Director of an insurer, other than Executive Directors, shall not exceed nine years, and such period in office shall be inclusive of the total period of service served by such Director up to 01st July 2019. | Section B (2) b. Transitional provision apply for the company. | ✓ |
| (2)(a) (i) | Above 9 year rule shall not be applicable to major Shareholder Director representing a major corporate shareholder and /or Corporate groups with majority shareholding i.e. more than 50% shares of the insurer directly or an individual Shareholder Director holding more than 50% could hold the directorship of the insurer for more than 9 years and upon reaching 70 years she/he could nominate his/her representation to the Board. | No such situation has arisen during the year. | Not Applicable |
| (2)(a) (ii) | Above 9 year rule shall not be applicable to Technical Director, such Director be allowed to remain in office till the age of 75 provided such person is an Associate or above the Chartered Insurance Institute and having 10 years' experience in an insurance company at senior managerial level. | No such situation has arisen during the year. | Not Applicable |
| (2) (b) | In this context, the following transitional provision shall apply: A director who has completed nine years as at July 1, 2019, or who completes such term at any time prior to June 30, 2021, may continue for a further maximum period of 2 years commencing July 1, 2019. | The Company uses these transitional provisions and acts accordingly. | ✓ |

| Section | Requirement | CICL's level of compliance | Compliance Status |
|------------|---|--|-------------------|
| (3) (a) | The age of a person who serves as a Director shall not exceed 70 years. | No Directors have exceeded the Age of 70 years. | ✓ |
| (3)(b)(ii) | In this context following transitional exemption apply. A Director who is between 71 to 75 years of age on or after July 1, 2019, such Director may continue to serve as a Director till 30th June 2022. | No such situation has arisen during the year. | |
| 4 | The Board of an insurer must adhere to Section 7.10 of the Listing Rules of the CSE. | The Company's voluntary compliance status with rule number 7.10 is given on pages 94 and 95. | ✓ |
| 5 | A person shall not hold offices as a Director of more than 20 companies/entities/institutions including of subsidiaries or associate companies of the insurer, in not more than 10 specified business entities in terms of the Sri Lanka Accounting Standards Act, No.15 of 1995. | As at the date of this report, no Director holds directorship in more than 20 companies/ entities/institutions and not more than 10 specified business entities. | ✓ |
| 6 | The Company is required to demonstrate compliance with this Direction by way of disclosure in the Annual Report, including the disclosure requirements stated in 7.10 of the Listing Rules of the Colombo Stock Exchange. If the Company is unable to confirm compliance, disclose the reasons for its non- compliance and the action that will be taken rectifying the said non-compliance within the period. The Annual Report of the Company should be accessible to the IRCSL and the general public via the website of the Company within five months after the Balance Sheet date of the Company. | The Company has voluntarily disclosed the Compliance status with Section 7.10 of the Listing Rules on page 94 and 95 of the Annual Report and It published on the Company. | ✓ |
| 7 | The Insurer shall rectify its non-compliance in respect of B 1 to 6 above within three months from the date of Non-Compliance of same and inform the IRCSL immediately after three months. | No such situation has arisen during the year. | Not Applicable |

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board of Directors has pleasure in presenting their report to the members together with the Audited Financial Statements for the year ended December 31st, 2020 and the Auditor's Report thereon of Co-operative Insurance Company Ltd., a limited liability company incorporated in Sri Lanka on August 11, 1997 under the Companies Act No. 17 of 1982 and re-registered on December 31st, 2008 as required under the provisions of the Companies Act No. 07 of 2007.

Principal Activities

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

Review of Business and Future Developments

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

Financial Statements and Auditor's Report

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

The Financial Statements duly signed by the Directors are provided on pages 142 to 231 and Auditor's Report on Financial Statements is provided on page 140 of this annual report.

Directors' Responsibility for Financial Reporting

The Statement of Directors' Responsibilities for Financial Reporting is given on page 138 which forms an integral part of the Annual Report of the Board of Directors.

Turnover/Gross Written Premium (GWP)

The total turnover measured by the Gross Written Premium (GWP) of the group of companies for the financial year under review amounted to Rs. 5,172 Mn. (Rs. 5,075 Mn. in 2019).

Financial Results and Appropriations

| | Group | | Company | |
|--|-----------|-----------|-----------|-----------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Net profit before taxation | 940,049 | 426,930 | 870,078 | 397,254 |
| Income tax | (244,566) | (154,351) | (225,099) | (131,590) |
| Net profit after taxation | 695,483 | 272,579 | 644,979 | 265,663 |
| Unappropriated profit brought forward | 922,981 | 827,223 | 748,360 | 656,164 |
| Funds available for appropriation | 1,714,233 | 1,093,104 | 1,401,972 | 921,827 |
| Other comprehensive income | 104,006 | (2,170) | 8,634 | (1,773) |
| Dividends Paid | - | (171,693) | - | (171,693) |
| Unappropriated profits carried forward | 1,714,233 | 922,981 | 1,401,972 | 748,360 |
| Earnings per share (Rs.) | 4.80 | 1.91 | 4.51 | 1.91 |

The Board of Directors

The Board of Directors consists of 10 Directors and their names and status are stated in the table below. The following Directors held office as at the Balance Sheet date and their profiles are given on pages 34 and 37 of the annual report.

| Name of the Director | Status |
|---|--|
| Dr. W. Lalith A. Peiris (Chairman) | Non-Executive/Non-Independent Director |
| Mr. K.J. Sesiri (Vice-Chairman) | Non-Executive/Non-Independent Director |
| Mr. K.R.W. Ranasinghe (Managing Director) | Executive/Non-Independent Director |
| Mr. R. Sooriyaarachchi | Non-Executive/Independent Director |
| Mr. C.P. Jayasinghe | Non-Executive/Non-Independent Director |
| Mr. A.D.T.S. Palitha | Non-Executive/Independent Director |
| Mr. J.M.V.P. Jayasooriya | Non-Executive/Independent Director |
| Mr. K.S.S. Weerasekara | Non-Executive/Non-Independent Director |
| Mr. D.L. Samarawickrama | Non-Executive/Non-Independent Director |
| Mr. A.B. Senadeera | Non-Executive/Independent Director |

Directors' Meetings

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

| Name of Director | Board Meetings | | Audit Committee Meetings | | Investment Committee Meetings | | Human Resources Committee Meetings | | Business Development Committee Meetings | | Purchasing Committee Meetings | | Risk Committee Meetings | |
|--|----------------|----|--------------------------|----|-------------------------------|---|------------------------------------|---|---|---|-------------------------------|---|-------------------------|---|
| | A | B | A | B | A | B | A | B | A | B | A | B | A | B |
| 1 Dr. W. Lalith A Peiris – Chairman | 10 | 10 | | | 3 | 3 | 6 | 5 | 3 | 1 | 8 | 7 | 1 | 1 |
| 2 Mr. K.J. Sesiri – Vice Chairman | 10 | 9 | | | | | 6 | 4 | | | 4 | 1 | | |
| 3 Mr. K.R.W. Ranasinghe – Managing Director | 10 | 10 | | | 3 | 3 | 6 | 5 | 3 | 2 | 8 | 7 | 1 | 1 |
| 4 Mr. R. Sooriyaarachchi | 10 | 09 | | | 3 | 2 | | | | | 4 | 2 | | |
| 5 Mr. C.P. Jayasinghe | 10 | 10 | | | | | | | 2 | 1 | 8 | 6 | | |
| 6 Mr. A.T.D.S. Palitha | 10 | 10 | 10 | 10 | | | | | | | | | | |
| 7 Mr. J.M.V.P. Jayasooriya | 10 | 10 | 10 | 10 | | | | | | | | | | |
| 8 Mr. K.S.S. Weerasekara | 10 | 10 | | | | | 6 | 5 | | | | | | |
| 9 Mr. D.L. Samarawickrama | 10 | 10 | | | | | | | 2 | 1 | 4 | 3 | | |
| 10 Mr. A.B. Senadeera | 10 | 10 | 5 | 5 | | | | | 2 | 2 | | | | |
| 11 Mr. K.R.K.N. Jayasinghe (Retired on 11th July 2020) | 4 | 4 | | | | | 3 | 3 | | | 4 | 2 | | |
| 12 Mr. D.P. Amaradeva (Retired on 11th July 2020) | 4 | 4 | 5 | 5 | | | | | | | | | | |
| 13 Mr. R.G.K. Rankothge (Retired on 11th July 2020) | 4 | 4 | 5 | 5 | | | | | | | | | | |

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

B – Number of meetings attended

Annual Report of the Board of Directors on the Affairs of the Company

Directors' Interest with Contracts and Related Party Transactions

The Directors have no direct or indirect interest in contracts with the Company other than those disclosed in Note 35 to the Financial Statements.

Directors and their Shareholdings

Directors and their shareholdings as at December 31st, 2020 are as follows:

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

Major Shareholders

Major shareholders of the Company as at December 31st, 2020 are as follows:

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

Provisions

The Directors' have taken reasonable steps to ensure adequate provisioning for all known liabilities and insurance related reserves i.e. Unearned premiums reserves, Claims outstanding reserve and provisions for Claims Incurred But Not Reported (IBNR) and Claims Incurred But Not Enough Reported (IBNER) in Non-Life Insurance. The Directors also have consulted an Independent Actuary in this process of valuing IBNR and IBNER reserves and his report is given on page 102.

Stated Capital

The Company's issued and fully paid stated capital as of the year end was Rs. 1,515,756,670/-.

Statutory Payments

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

Contingencies and Events Occurring After the Balance Sheet Date

Details of contingencies and events occurring after the Balance Sheet date are disclosed in Note 36 and Note 37, respectively, to the Financial Statements.

Auditors

A resolution to re-appoint Jayasinghe and Company, Chartered Accountants as auditors for the financial year ending December 31st, 2021 and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting of the Company will be held on June 30th, 2021 at No. 74/5, Grandpass Road, Colombo 14, as a virtual meeting at 10.30 a.m. The Notice of Meeting relating to the 23rd Annual General Meeting is given on page 255.

By Order of the Board of Directors,



Business Management Services Ltd.

Secretaries to the Company

6th April 2021

CERTIFICATE OF IBNR AND LAT

28 May 2021



Co-operative Insurance Company Limited 31 December 2020 Net IBNR and LAT Certification

I hereby certify that the undiscounted net of reinsurance Central Estimate IBNR provision, including an allowance for CHE of LKR 287,157,064 is adequate in relation to the Claim Liability of Co-operative Insurance Company Limited as at the 31 December 2020, net of reinsurance. This IBNR provision, together with the Case Reserves held by the Company, is expected to be adequate at a 50th percentile to meet the future liabilities in respect of the Company's incurred claims obligations as at 31 December 2020, in many but not all scenarios of future experience. (The undiscounted Central Estimate of IBNR provision, gross of reinsurance, including an allowance for CHE is LKR 320,293,662)

At the end of each reporting period, companies are required to carry out a Liability Adequacy Test (LAT) as laid out in SLFRS 4. The LAT is performed to assess the adequacy of the carrying amount of the Unearned Premium Reserve (UPR). I hereby certify that the UPR provision of LKR 1,945,225,701 (LKR 1,800,526,483) Net of DAC set by the Company, net of reinsurance, is adequate at a 50th percentile in relation to the unexpired risks of Co-operative Insurance Company Limited as at 31 December 2020, in many but not all scenarios of future experience. As such, there is no premium deficiency to be recognised by the Company.

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

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

A handwritten signature in black ink, appearing to read "J.S.A. Plugge".

J.S.A. Plugge
Fellow of the Dutch Actuarial Society ('Actuarieel Genootschap')
For and on behalf of NMG Consulting
Dated 28 May 2021

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MANAGEMENT DISCUSSION AND ANALYSIS

| | |
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| Manufactured Capital | 117 |
| Intellectual Capital | 120 |
| Human Capital | 123 |
| Social Capital | 128 |

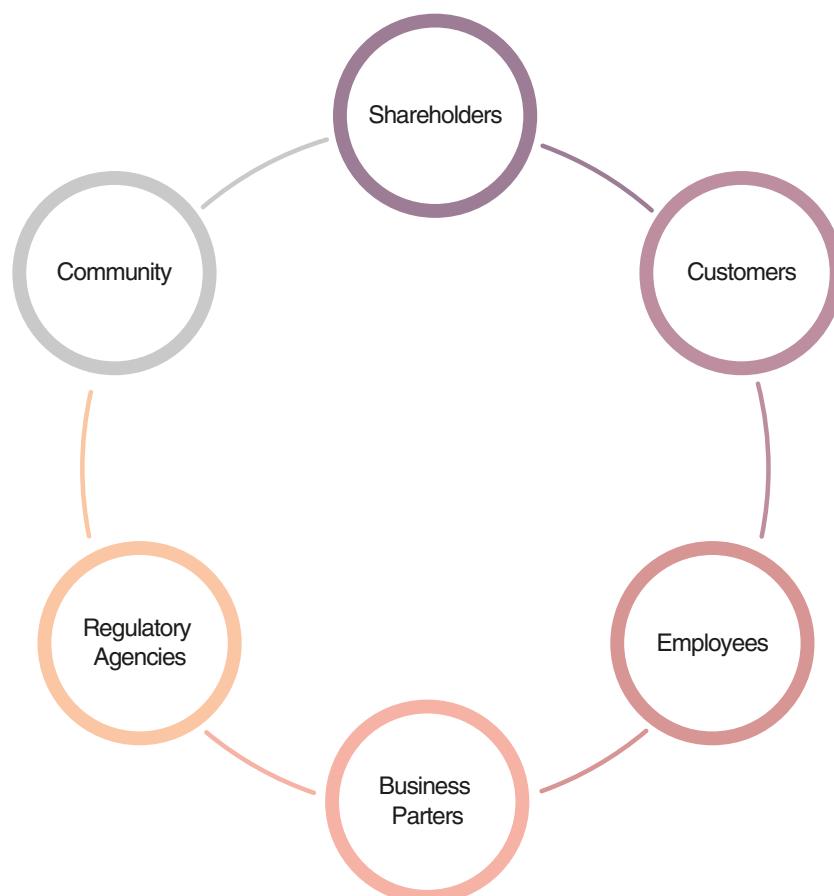
STAKEHOLDER ENGAGEMENT

Engagement with Stakeholders is paramount for the success and growth of Co-operative Insurance, while sustained relationships enable Co-operative Insurance to obtain key inputs in minimising threats and optimising opportunities. Moreover, engagement with external stakeholders is vital for thriving, especially when looking beyond conventional boundaries and in adopting industry and market changes. Strong relationships with shareholders, customers and regulatory institutions, also help shape the direction of Co-operative Insurance, shaping brand equity, market acceptance and industry position, giving an identity made unique by this mix of diverse stakeholders.

During the year, amidst the harsh circumstances, the Group continued to create value for all stakeholders, ensuring business continuity and continued services through investments in technological resources and digital channels.

Operating within the new normal, Co-operative Insurance faced the need to adopt new methods, mainly in adapting provisions set in place for work rosters and remote work arrangements for employees, as well as new services and service enhancements made to ensure business continuity within lockdown and post-lockdown times.

Many of the changes implemented in 2020 are mentioned within this section, but are discussed in detail in relevant segments, elsewhere in this report.



| Stakeholders | Values from Stakeholders | Values for Stakeholders (2020) | Engagement Method |
|--------------|--|---|---|
| Shareholders | <ul style="list-style-type: none">• Capital for growth and investments for initiating strategic plan implementations | <ul style="list-style-type: none">• Dividends• Increasing profit growth• Increasing revenue• Insurance solutions based on needs of the Co-operative Sector | <ul style="list-style-type: none">• Annual general meeting• Annual report• Monthly reports to Board of Directors• CSR activities (with Co-operative Societies) |

| Stakeholders | Values from Stakeholders | Values for Stakeholders (2020) | Engagement Method |
|---------------------|---|--|---|
| Customers | <ul style="list-style-type: none"> Ensuring us to insure their needs Commitment to regular premium Growing experience in planning for the future Inspires the product development, process efficiencies and digitisations | <ul style="list-style-type: none"> Services during lockdowns Improved website A digital insurance portal Claims pay out of Rs. 2.7 Bn. in 2020 Affordable premiums Diversified solutions including medical insurance 6 new branches Faster onsite damage inspection 80% of customer complaints resolved Enhanced call centre | <ul style="list-style-type: none"> Interactions at branches and Head Office Call centre assistance Website/Digital Insurance Field promotions Marketing collateral |
| Employees | <ul style="list-style-type: none"> Years of experience and accumulative knowledge Commitment to the Company Professionalism of Representatives of the COOP brand | <ul style="list-style-type: none"> Remote work resources Transport during lockdowns On time salary payments Bonus payment Training programs developed New KPI system to reward employees at all levels Online training Access to CITA's international courses and exams | <ul style="list-style-type: none"> Staff Annual Awards Management and staff meetings Branch-wise meetings Sales Personnel meetings Online learning portal Co-operative Insurance Training Academy (CITA) Overseas workshop exposure Outbound training Technical and sales trainings and workshops Staff welfare and leisure activities |
| Business partners | <ul style="list-style-type: none"> Shared value creation Ability to provide value added services to customers Shared passion for business growth | <ul style="list-style-type: none"> Commissions and payments On-demand communication | <ul style="list-style-type: none"> Monthly review meetings Trainings E-mails Over the phone communication |
| Regulatory agencies | <ul style="list-style-type: none"> Structured approaches to corporate conduct Ensuring direction in a chaotic and fluctuating external environment Ability to measure organisational performance and promote best practices | <ul style="list-style-type: none"> Compliance with regulatory requirements Taxes and statutory payments | <ul style="list-style-type: none"> Submission of periodic reviews and reports Announcement and communications Workshops and conferences Notices and circulars |
| Community | <ul style="list-style-type: none"> Provides opportunities for philanthropic causes Provides the backdrop for promoting organisational brand | <ul style="list-style-type: none"> Religious activities Several philanthropic contributions | <ul style="list-style-type: none"> CSR Activities Employment opportunities Corporate website |

GROWTH STRATEGY

Value for Stakeholders

Strategic Plan

The strategic plan laid out below is an integrated perspective which focuses on value creation for stakeholders of Co-operative Insurance, and is based on expectations of stakeholders as are generally understood.

Based on the effects created by the pandemic, the strategic plan has adopted new focuses in health and safety of employees as well as customers, in addition to incorporating an accelerated approach to providing diverse health insurance solutions, and in enhancing services provided through digital platforms.

| Topic | Key Objective | Key Goals | Main Outcomes in 2020 |
|---|--|--|--|
| FINANCIAL CAPITAL: Financial and Investment Management | <ul style="list-style-type: none"> Increase in Profitability and Shareholder returns Maintaining adequate and balanced financial investments | <ul style="list-style-type: none"> Increase in GWP and market share Increase in revenue Increase in new business (new customers/new policies) Increased investments and investment income Prudent investment mix Dividends | GWP Rs. 5,172 Mn. in total Increase in market share up to 4% in 2020 Rs. 97 Mn. increase in revenue 385,984 new customers and 385,984 new policies generated Rs. 734 Mn. investment income and a 24% increase to Rs. 7,366 Mn. in the investment portfolio New investments in Rs. 1,424 Mn. and a balanced portfolio of financial instruments Rs. 1.15 dividend per share |
| HUMAN CAPITAL: Developing Employees | Training and Development | <ul style="list-style-type: none"> More education programs through CITA Training for sales and non-sales staff Training in professional and soft skills development Training for recruits | Tech hardware for examinations Video production for virtual internal training purposes Training for underwriting staff Training for Sales Staff, newcomers, regional staff and sales staff ICT and systems based training for staff Induction Programs |
| | Employee Retention, Recognition and Rewards | <ul style="list-style-type: none"> KPI based rewards Competitive salaries Internal promotions | Annual Awards Salary increments for selected employees based on performance Several during the year |
| | Recruitment | <ul style="list-style-type: none"> New recruits | 35 new recruits |
| | Employee Well-being | <ul style="list-style-type: none"> Safe working environment Welfare benefits | Work from home arrangements Adherence to social distancing measures and health protocols Laptops and routers for remote work facilitation Roster based work arrangements at offices Rs. 638 Mn. in benefits |
| INTELLECTUAL CAPITAL: Internal efficiencies through ICT systems, digitised processes and solutions | Develop customized software and systems for driving efficiency | <ul style="list-style-type: none"> Fully Integrated core business systems In-house claims management system Document Management Systems for a paperless environment Digitized Solutions | On-going system development In-house claims management system upgrades Assessor App Upgraded call centre systems |
| | Digital and web-based customer solutions | <ul style="list-style-type: none"> New digital solutions | Customer care app Digital Insurance Online payments |

| Topic | Key Objective | Key Goals | Main Outcomes in 2020 |
|---|--|--|---|
| SOCIAL CAPITAL: Strong Social Relationships based on increasing value creation | Enhanced services to customers | <ul style="list-style-type: none"> Customer complaints resolved Claims settlements Providing affordable and diversified solutions (Blue Ocean Strategy) New touch points and expanding channel network Faster claims settlement and reduced processing time Increase brand value and image | 80% resolved Rs. 2.3 Bn. in claim settlements New branches, brokers and agents Reduced claims settlement process Rapid claims settlement for claims below a threshold |
| | COVID-19 related measures | <ul style="list-style-type: none"> Health and regulatory protocols Business continuity during lockdowns Diversified solutions | Health protocols and branch sanitisations, distance between customers and employees Online services and policy renewals Growth in medical insurance |
| | Strengthened relations with Business Partners | <ul style="list-style-type: none"> Growing network of partners Financial rewards | New agents and brokers in 2020 Rs. 524 Mn. in Commission payments. A growth of 5% |
| | Reputed and accredited Re-insurance partners | <ul style="list-style-type: none"> Graded re-insurance companies Prudent re-insurance arrangements | Continued partnerships with A and AA graded reinsurers and government backed NITS |
| | Increased contribution to community | <ul style="list-style-type: none"> Financial and non-financial contributions | Donations to places of worship Donations to underprivileged Helping schools |
| MANUFACTURED CAPITAL: Managing assets and expanding physical presence | Expand touch points | <ul style="list-style-type: none"> New branches | 6 new branches |
| | Investment and optimum use of PPE | <ul style="list-style-type: none"> New PPE Improved facilities in branches | Rs. 47.5 Mn. in capital expenditure Branch infrastructure improved New IT equipment for employees |
| Governance and Internal Controls | Compliance to statutory rules and regulations | <ul style="list-style-type: none"> Adherence to IRCSL regulations Adherence to SLFRS and accounting standards RBC above statutory levels | Adhered with few exceptions Preparations for SLFRS 16 and 17 160% RBC |
| | Responsible oversight by and adherence to Governance Framework | <ul style="list-style-type: none"> Periodic Reviews and Audits Carrying out of responsibilities of sub-committees | Board meetings and Sub-Committee meetings (Refer Director Report) 10 internal audits conducted and external audit |
| Risk Management | Managing Key Risk Areas (Strategic, Underwriting, Financial and Operational) | <ul style="list-style-type: none"> Following Risk Control Mechanisms Evaluating risk exposures to new business opportunities/policy covers Internal and external audits Monitoring the external environment Reviewing policy terms Financial analysis based pricing New investments and changes to investment mix | Risk areas assessed against surmounting pandemic-based uncertainties Prudent underwriting policy adjustments Periodic audits conducted Rs. 1.7 Mn. investment in 2020 |
| | Reinsurance | <ul style="list-style-type: none"> Graded reinsurance companies Reinsurance arrangements for | Continued partnerships with A and AA graded reinsurers and Government backed NITS |

VALUE CREATION MODEL

INPUTS



FINANCIAL CAPITAL

- Rs. 1,516 Mn. Stated Capital
- Rs. 1,714 Mn. Retained Earnings and Rs. 703.6 Mn. of Other Reserves
- Rs. 686 Mn. Operating Cash Flows
- Rs. 7,366 Mn. Investment Portfolio



HUMAN CAPITAL

- 1,577 Talented Employees
- Rs. 2 Mn. Invested in Training and Development (2020)
- Training academy (CITA)
- Training resources



SOCIAL AND RELATIONSHIP CAPITAL

- 916,682 Customers (CICL)
- 141 Field Staff and 505 Permanent Sales force (CICL)
- Service Centres (Co-operative Societies)
- Post and sub-post office network
- Advisors, brokers and agents
- Strong Reinsurance Partnerships
- Eminent Banking Panel
- Hospital Panel
- Regulatory authorities
- Investment in Community Projects



INTELLECTUAL CAPITAL

- Knowledge and Competencies in technology
- Experienced Board and Competent Corporate Management
- Well-recognised Co-op brand
- Experienced Workforce



MANUFACTURED CAPITAL

- Rs. 1,192 Mn. Investment in Property, Plant and Equipment
- Expansion of branches

VISION

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

MISSION

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

VALUE CREATION/GROWTH STRATEGY

FINANCIAL AND INVESTMENT MANAGEMENT

Management of adequate or surplus funds generated through business activities and ensuring fair returns to Shareholders alongside increased benefits to all stakeholders.

RECRUITMENT, CONTINUOUS TRAINING AND RETENTION

Developing employees and empowering them to grow by providing the right knowledge; help shape skills and inward values and self-driven commitment to being longstanding employees.

CUSTOMER SERVICE AND SERVICE NETWORK

Enhance customer experiences through improved services at all touch points and interactions; expanding services through physical and digital channels.

AFFORDABLE SOLUTIONS AND DIVERSIFIED PORTFOLIO

Revamping product portfolio to offer affordable solutions with competitive features and pricing to match customer needs.

OUTPUTS

- Motor Insurance Products
- Medical Insurance Products
- Fire Insurance Products
- Micro Insurance Products
- Liability Insurance Products
- Engineering Insurance Products
- Marine Cargo and Hull Insurance Products
- Life Insurance Products

CLAIM PROCESSING

Improved claim settlement processes and reduced claim processing times through integrated tech systems and continuous training.

ICT DEVELOPMENT

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

POLICY UNDERWRITING

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

CORPORATE GOVERNANCE AND COMPLIANCES

Adherence to Company Governance Framework, regulatory stipulations and supporting regulatory decisions in the industry, for the common betterment of Stakeholders.

RISK ASSESSMENT

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

OUTCOMES

FINANCIAL

- 16% increase in net assets per share
- 28% growth in reserves
- 18% return on equity
- Rs. 695 Mn. profitability
- 2% revenue growth

HUMAN

- 25% increase in employee training
- Rs. 3.2 Mn. revenue per employee
- 95.7% employee retention

SOCIAL AND RELATIONSHIP

- Increased customer retention
- Wider customer reach
- Increased accessibility to services
- Rs. 2.7 Bn. claims paid

INTELLECTUAL

- New customer care app
- New life insurance quotation app
- New in-house developed system for motor claims
- Assessor app
- In-house Document Management System
- Continuous upgrades and additions to core systems

MANUFACTURED

- 6 new branches
- New ICT equipment
- In-house software development
- 7 acre property

ECONOMIC & REGULATORY ENVIRONMENT

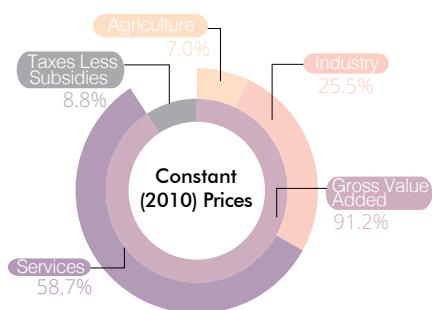
General Economy

According to the Central Bank of Sri Lanka, past investments in developing the country's social and economic infrastructure supported economic resilience in 2020, amidst negative impacts on the country from pandemic-based circumstances. Sectors such as health and telecommunications showed great resilience across the year, with the health sector acting proactively to mitigate the spread of COVID-19, whilst the telecommunication sector enabled businesses to adopt virtual work arrangements and schools to resume learning - although with several remote locations facing issues in connectivity.

The growth of the national economy, diminished by 3.6% in 2020 as disruptions from the outbreak caused hindrances on activities and growth of all major economic sectors. Activities in agriculture ebbed by 2.4%; however, agricultural production including fisheries increased by 2.3% with upticks in production of paddy rubber and 'other' field crops.

Industry based activities diminished by 6.9%, triggered mainly by contractions in construction, manufacturing and mining and quarrying activities as per CBSL's 2020 annual report. IT and telecommunications sectors witnessed positive connotations from the pandemic; however, the overall Services sector contracted by 1.5 per cent in terms of value additions. As a result of muted tourist arrivals, accommodation and Food and Beverage related activities declined by 39.4%.

Production Approach



Another adverse outcome to emerge from the pandemic is a 5.5% rise in unemployment. Moreover, a significant shift occurred in work patterns of the local workforce, as companies opted for work from home arrangements as part of measures to curb the spread of COVID-19.

The global economy which contracted by 3.3% experienced a recession, the worst in decades, with advanced economies declining by 4.7%, followed by emerging market and developing economies recording a contraction of 2.2%. However, China recorded an economic growth of 2.3%, unlike India which recorded an 8% reduction.

Policy Developments

The Central Bank of Sri Lanka took several measures, adopting accommodative policies that eased the pressure on the country's financial system, while ensuring adequate liquidity levels in the money market. Monetary policies included multiple reductions of rates including the Standing Deposit Facility Rate, Standing Lending Facility Rate and the Statutory Reserve Ratio.

The Central Bank introduced several concessionary schemes aimed at providing economic relief to businesses during pandemic-induced lockdowns. The 'Saubhya COVID-19 Renaissance Facility' takes highlight, which centred on disbursing Rs. 50 billion to MSMEs inclusive of individuals and the self-employed affected by economic disruptions due to the pandemic. Offered at a 4% per annum rate to borrowers as a working capital loan, the fund base was further stretched to Rs. 150 Bn. in 2020. Moreover, in the aim of alleviating the hard plight of low income families due to lockdowns and restricted activity, the government made provisions for an allowance.

Furthermore, the Government suspended importation of non-essential items, including automobiles for a considerable period, in reducing the pressure exerted on the exchange rate. CBSL also introduced the ‘Financial Sector Consolidation Master Plan’ in ensuring stability within the licensed finance company sector – and in restoring customer confidence of the sector.

Fiscal performance was less than desired, as Government revenue reduced alongside continued expenditure. Moreover, the Government debt also increased, while accessing foreign financing faced constraints due to the volatile conditions within global markets, resulting in dependence on local channels to appease the budget deficit.

External Sector

Greatly limiting the country’s earning potentials, the tourism sector faced the biggest impact from border closures and lockdowns in 2020; receiving tourists after a more than 9-month long suspension of arrivals. As mentioned before, the Government curbed imports resulting in significant reduction of total imports; this coupled with improved export-based earnings contributed towards narrowing the trade deficit.

Outlook

Growth projections are optimistic and there is expectation for the economy to recover in 2021 - supported by the Government’s development policies and the Central Bank’s accommodative monetary policy measures.

Both locally and globally, vaccination drives against COVID-19 spread optimism, with 2021’s global growth rate projected as 6% by the IMF, expected to moderate to 4.4% by 2022. However, compounding uncertainties related to the pandemic continue to pose risks, in addition to probable occurrences such as trade tensions, natural catastrophes and events with global impact.

Industry Growth and Policies

The industry faced several unfavourable situations in 2020, as a result of pandemic-based disruptions. Mainly, the ban on vehicle importation posed a challenging situation on motor insurance as it reduced the growth potential of premiums from new vehicle registrations; while, the pandemic-led disturbances threatened policy lapses as the economy compelled businesses and individuals to temporarily suspend activities. Reflecting this downturn, premiums from non-life insurance plummeted by 1.3% in the year 2020.

The industry in 2020 operated with 27 insurance companies with 12 non-life, general insurers and 13 life-insurance providers, in addition to 2 composite insurance companies. The sector’s total assets increased, while both GWP and Profit Before Taxes increased by 9.7% indicating positive outcomes despite the adverse effects of the outbreak and lockdowns. Overall profitability within the industry grew by 25.9% and is attributed to a reduction in claims as a result of the lockdowns; however, this increase is more discernible within the general sector than life insurance, which experienced a decline in profitability in 2020. The overall claims reduction was by 14.1% according to CBSL, but was more visible in the general insurance sector than long-term insurance, which recorded an increase in claims.

Performance of the Insurance Sector

| Item | 2019 (a) | 2020 (b) | Rs. billion |
|--|-------------|-------------|-----------------------------|
| Total Assets | 689.6 | 790.1 | |
| Government Securities | 248.2 | 291.3 | |
| Equities | 40.9 | 43.5 | |
| Cash & Deposits | 107.5 | 131.3 | |
| Gross Premium | 190.2 | 208.6 | |
| Total Income | 245.8 | 264.4 | |
| Premium Income | 190.2 | 208.6 | |
| Investment Income | 55.5 | 55.7 | |
| Profit Before Tax | 30.7 | 38.6 | |
| Capital Adequacy Ratio (%) - Long-term Insurance | 298.0 | 352.0 | |
| - General Insurance | 231.0 | 246.0 | |
| Retention Ratio (%) - Long-term Insurance | 95.8 | 95.4 | |
| - General Insurance | 83.4 | 77.6 | |
| Claims Ratio (%) - Long-term Insurance | 41.4 | 38.6 | |
| - General Insurance | 66.4 | 49.3 | |
| Combined Operating Ratio (%) - Long-term Insurance | 91.0 | 83.7 | |
| - General Insurance | 104.4 | 88.3 | |
| Return on Assets (ROA) (%) - Long term Insurance | 4.3 | 3.0 | |
| - General Insurance | 5.6 | 8.6 | |
| Return on Equity (ROE) (%) - Long term Insurance | 18.1 | 13.3 | |
| - General Insurance | 5.6 | 17.8 | |
| Underwriting Ratio (%) - General Insurance | 14.3 | 33.0 | |
| (a) Revised | | | Source Insurance Regulatory |
| (b) Provisional | | | Commission of Sri Lanka |

Economic & Regulatory Environment

According to reports, decreased claims in 2020, retained profits and the IRCSL's instructions to suspend payments of dividends may have resulted in the positive Risk Based Capital Ratios (RBCs) of non-life insurance companies. This however may change when dividend distributions resume.

Further, general insurance providers faced a requirement in expanding non-motor business – mainly in health, fire and other related categories. There is potential to increase health insurance policies, as demand may increase over time, due to concerns over the pandemic. In 2020, insurers took strides in insuring healthcare staff and providing free covers to customers against the risks of COVID-19.

Gross Written Premium of the Insurance Sector



Source: Insurance Regulatory Commission of Sri Lanka

Amidst policies introduced in 2020, several directly impacted the insurance industry, including those introduced to relieve economic pressures on insurers and the insured. Notable circulars and notifications issued during the year included Circular No. 42 on 'Loss Adjuster Registration Rules', amendment of Direction No. 17 on 'Corporate Governance Framework' for insurers and requirement to issue policy terms in all three languages to policyholders. Moreover, measures introduced to reduce stress on insurance companies and the insured included amongst several, the suspension of shareholder dividend payments pertaining to 2019, and re-emphasis on the use of Risk Free Interest Rate by insurers and considering premium receivables as outstanding for a 90-day period for policies underwritten between March-June 2020

Furthermore, IFRS 17 remains as the subsequent shift in accounting policies, and will go into effect on 1st of January 2023, requiring insurers to make the transition over the coming months.

Source - 2020 Annual Report, Central Bank of Sri Lanka
Source - IRCSL Statistics

CHANGES TO CAPITAL FINANCIAL CAPITAL

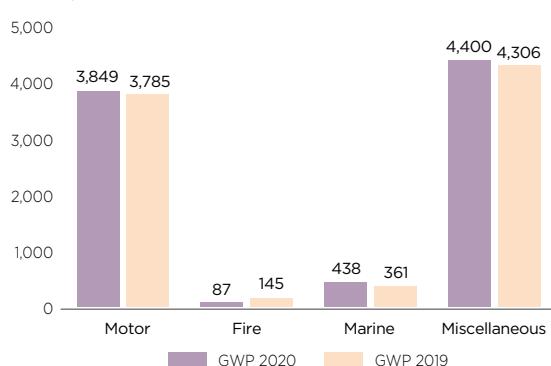
Year after year, prudent spending and mindful investments, and a rather modest organic growth strategy has enabled Co-operative Insurance to ensure financial stability and value creation for our shareholders and other stakeholders. And Co-operative Insurance remains dedicated to ensuring the growth and financial stability, amidst economic volatilities and envisioned strategic transformations. Moreover, in this regard, the management of financial capital across Co-operative Insurance remains a critical function in creating and nurturing value, in addition to ensuring positive business results that increase revenue and thus profitability.

The Group also includes a team of expert financial and accounting professionals who provide their analytical perspectives and structured information to the higher management in making strategic decisions – that proved immensely beneficial in emerging profitable amidst a year of unprecedented challenges and within a global pandemic.

Annual Objectives

The financial health and stability of the Group and its subsidiaries remains a key priority; in addition to our commitment and promise to create value-driven solutions to customers and in providing increased annual returns to Shareholders. In 2020, the pandemic impacted business from all fronts – creating the need to be highly vigilant and proactive. Nevertheless, the country's financial systems and certain timely moves to relieve the financial burdens on businesses by regulators partially enabled Co-operative Insurance to post a profitable financial year. Revenue remained above that of previous year's while both subsidiaries incurred 54% in claims (from total income).

Gross Written Premium - CICL
Rs. Mn.



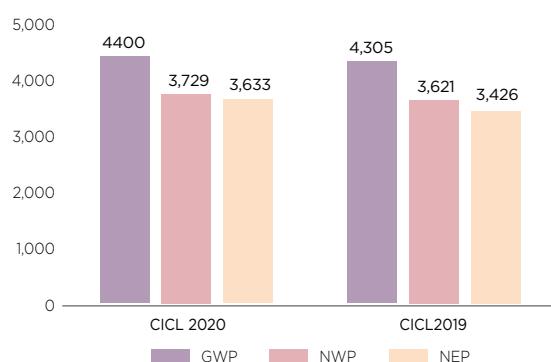
GWP and NWP

Premium Income - Group
Rs. Mn.



For the year ended 31st December 2020, the Group recorded Rs. 5.17 Bn. as Gross Written Premium (GWP), which rose slightly from Rs. 5.07 Bn. in 2019. Co-operative Insurance Company Limited (General Insurance) achieved a GWP of Rs. 4.4 Bn. over Rs. 4.3 Bn. from the previous year – improving marginally. Net Written Premium (NWP) earned by the Group ended at Rs. 4.45 Bn. subsequent to a reduction of premium ceded to reinsurers at Rs. 717 Mn. The Group's net written premium is impacted by the marginal increase in CICL's gross written premium to Rs. 4.4 Bn. Moreover, Net Earned Premium (NEP) Group-wide amounted to Rs. 4.35 Bn. for the period ended 31st December 2020.

Premium Income - CICL
Rs. Mn.



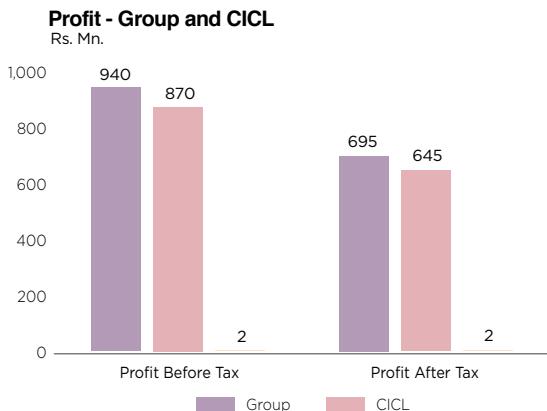
Furthermore, Gross Written Premium of CICL shows a marginal increase from 2019's GWP. Gross Written Premium of Motor Insurance showed an increase, with fire insurance demonstrating a decline in its GWP. Moreover, marine and miscellaneous insurance segments both demonstrated increases in GWPs.

Net Earned Premium of CICL also increased during the year, reaching Rs.3.63 Bn. from Rs. 3.42 Bn. against that of 2019.

Changes to Capital

Financial Capital

Financial Performance for 2020



The final financial outcome of the Group is significantly positive, as it offset unexpected disruptions to business activities in 2020 and its effects. Whilst there was an undeniable impact by the substantially subdued economic situation of the country, the Group recorded a Profit Before Tax of Rs. 940 Mn. with CICL making a sound impact on this satisfactory outcome through its Profit Before Tax (PBT) of Rs. 870 Mn., which accounts for 93% of the Group's total PBT.

Consequently, Profit After Tax (PAT) for the year amounted to Rs. 695 Mn. increasing from Rs. 272 Mn. over the previous financial period, for the Group. Overall PAT growth of the Group is due to the commendable growth in PAT of Co-operative Insurance Company Limited (CICL), as the general insurance company recorded Rs. 644 Mn. as PAT, which surpassed 2019's profit after tax by 143% (Rs. 265 Mn. – 2019). Moreover, the heightened bottom-line was amidst increased tax expenses recorded as Rs. 244.56 Mn. – incurred by the Group for the Financial Year 2020.

Revenue

Total net revenue for the year was Rs. 5.3 Bn., with CICL reporting an increase in revenue by Rs. 279 Mn. reaching Rs. 4.36 Bn., in its total net revenue for the Financial Year 2020.

Income from investments was reported as a total of Rs. 733 Mn. for the Group, whilst CICL recorded Rs. 449 Mn. as its financial investments – increasing by Rs. 40.6 Mn. from investment income reported in 2019. Other income also recorded increases on the fronts of both the Group and CICL – at Rs. 24 Mn. and 21 Mn., respectively, showing increases from the 2019 financial period.

Total comprehensive income for the year (net of tax) for CICL was reported as Rs. 753 Mn. against Rs. 372 Mn. from the previous financial period. In summation, total comprehensive income of the Group for the financial period under review was Rs. 925 Mn. against Rs. 498 Mn. reported in the previous financial period.

Claims and Benefits

Co-operative Insurance on a Group level incurred Rs. 2.67 Bn. in Gross Benefits and Claims, while CICL impacted this figure with benefits and claims of Rs. 2.33 Bn. across the 2020 financial period. There was a notable decline in the year's claim disbursements due to constrained social activity and lockdown-based consequences due to COVID-19.

Expenses

The Group incurred a total of Rs. 1.88 Bn. in expenses with CICL incurring Rs. 1.5 Bn. as expenditure during the year under review. Expenses account for Underwriting and Policy Acquisition Cost, Operating and Administrative expenses as well as Finance costs. The Group incurred Rs. 342 Mn. in underwriting and policy acquisition costs, increasing from the previous year's cost. Moreover, an increase can be seen in operating and administrative expenses to Rs. 1.48 Bn. from that of 2019. In terms of Finance costs, the Group incurred Rs. 50 Mn. showing a marginal reduction since 2019.

The breakdown of the Group's expenses is inclusive of Rs. 245 Mn. in underwriting costs, Rs. 1.2 Bn. in operating and administrative costs and Rs. 40 Mn. in finance costs incurred by Co-operative Insurance Company Limited (CICL).

Dividends

During the year under review, dividends received by CICL dropped to Rs. 1.39 Mn. from Rs. 30 Mn. received in 2019. No dividends were made to shareholders for the FY 2020 as a result of regulatory instructions that allowed insurers to withhold any dividend payments for the year – mainly as an economic relief against the pandemic's business impacts.

Assets

The Group's total assets can be rounded to Rs. 10.9 Bn., consisting of Rs. 7.9 Bn. of total assets pertaining to CICL and Rs. 3 Bn. pertaining to Cooplifelife, for the FY 2020. In further analysing the formation of total assets, Property, Plant and Equipment amounted to Rs. 1.19 Bn. across the Group, with Rs. 924 Mn. attributed to Co-operative Insurance Company Limited. Group-wide PPE experienced a slight reduction, whilst CICL recorded an increase in PPE in 2020 in comparison to 2019.

An increase in CICL's intangible assets was seen at the end of the 2020 reporting period, whilst this contributed to an increase in Group-wide intangible assets. Meanwhile, investments in subsidiaries by CICL have undergone an increase in the reviewing year to Rs. 574 Mn. from Rs. 455 Mn.

Financials investments of Co-operative Insurance as a Group grew by Rs. 1.5 Bn. Meanwhile, investments by CICL contributed to this growth with its Rs. 913 Mn. in investments over the year. The Group and its subsidiaries maintains a healthy mix of investments in various debt and equity instruments – in ensuring that credit risk does not have any negative impacts on the financial stability of the Group.

Furthermore, Reinsurance Receivables across the Group declined whilst Premium Receivables increased across the Group as CICL and Cooplifelife's premiums witnessed lagging growth due to the COVID-19 pandemic and resultant economic setbacks experienced by customers. As a result, Premium Receivables of the Group and CICL stood at Rs. 1.1 Bn. and Rs. 1.09 Bn., respectively.

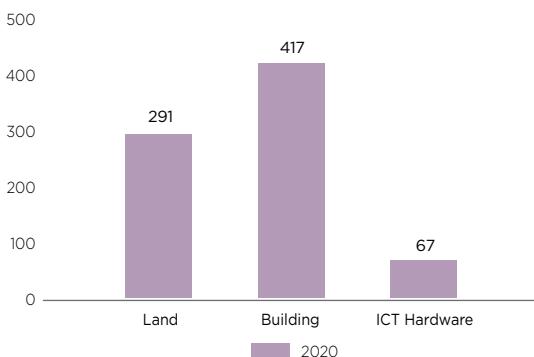
Liabilities

Total liabilities for the year 2020, was reported as Rs. Rs. 6.9 Bn. for the Group and Rs. 4.53 Bn. for Co-operative Insurance Company Limited. Both Group and CICL witnessed an increase in liabilities prompted by increases in bank overdrafts, other liabilities and insurance liabilities. However, deferred tax liability decreased to Rs. 48 Mn. from Rs. 61 Mn. since end of 2019. Other liabilities increased notably from Rs. 613 Mn. to Rs. 942 Mn. in 2020. For CICL, its increase in liabilities resulted in Rs. 858 Mn. in 2020 from Rs. 539 Mn. in 2019.

Equity and Shareholders

Stated capital of the Group stood at Rs. 1.5 Bn., while retained earnings increased for the Group and CICL as Rs. 1.7 Bn. and Rs. 1.4 Bn., respectively. As a result of these and an increased revaluation reserve and available for sale reserves, total equity amounted to Rs. 3.93 Bn. Group-wide and Rs. 3.39 Bn. for Co-operative Insurance Company Limited. Meanwhile, net assets per share increased for the year 2020, rising to Rs. 27.50 from Rs. 22.30 from 2019 (Group) and from Rs. 19.05 (2019) to Rs. 23.76 for CICL in the reviewing financial year.

Property, Plant and Equipment - Group
Rs. Mn.



Total equity and liabilities was reported as Rs. 10.8 Bn. and Rs. 7.9 Bn. for the group and CICL, respectively – both showing an increase over the 12 month period since end of 31st December, 2019. EPS or Earnings per Share was recorded as Rs. 4.80 over Rs. 1.91 from 2019; a similar increase was witnessed in the EPS of CICL which increased by 136% to Rs. 4.51 in the year 2020.

Changes to Capital

Financial Capital

Subsidiary – Cooplif^e Insurance Limited

During the year under review, Co-operative Insurance Company Limited purchased remaining 1 million shares of Cooplif^e Insurance Limited – making Cooplif^e a fully owned subsidiary of CICL. Gross Written Premium of Cooplif^e was reported as Rs. 775 Mn. for the year ended 31st December, 2020. Net Written Premium (NWP) of Cooplif^e and Net Earned Premium (NEP) of Cooplif^e grossed at Rs. 728 Mn.

In the year under review, Cooplif^e achieved total revenue of Rs. 1.01 Bn. supported by a net finance income of Rs. 284 Mn. and other income, which amounted to Rs. 5.5 Mn. Furthermore, Gross Benefits and Claims incurred by Cooplif^e was Rs. 340.9 Mn, with Rs. 237.9 Mn. as Changes in Life Contract Liabilities. In total, Net Benefits and Claims amounted to Rs. 449.5 Mn. for the FY 2020.

Underwriting and Policy Acquisition Cost of Cooplif^e was reported as Rs. 97 Mn., followed by Rs. 270 Mn. in Other Operating and Administrative Expenses, while Finance Cost totalled Rs. 11.45 Mn. Other Expenses amounted to a total of Rs. 379.7 Mn. whilst an income tax of Rs. 19.4 Mn. was incurred for the period under review. Consequently, Cooplif^e's Profit After Taxes (PAT) resulted in Rs. 50.37 Mn.

Furthermore, Property, Plant and Equipment of Cooplif^e stood at Rs. 267 Mn., contributing to a base of Rs. 3.5 Bn. in total assets for the year ended 31st December, 2020. Total liabilities were reported as Rs. 2.43 Bn. with total equity at Rs. 1.07 Bn. Total equity and liabilities, thus amounted to Rs. 3.5 Bn. for Cooplif^e – for the FY 2020.

In addition, stated capital of the life insurance subsidiary was Rs. 544 Mn. with Rs. 262 in retained earnings for the year under review.

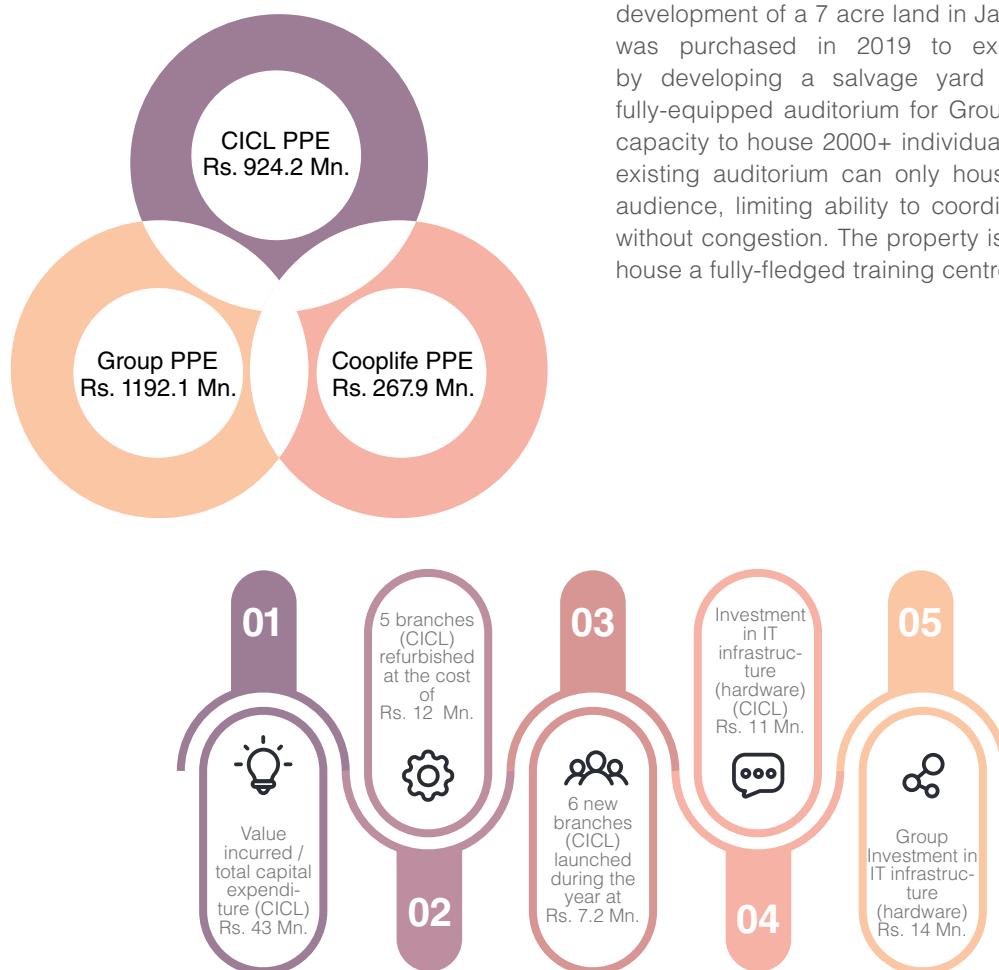
Changes to Capital

MANUFACTURED CAPITAL

The Group's Manufactured Capital is the sum of its physical assets and infrastructure that supplements the effective functioning of operations, enabling undisrupted customer service and pursuit of growth objectives. In strengthening Co-operative Insurance's physical asset base, considerable investments were made in the recent past with acquisitions of land and property, in addition to developments in existing property and branch network.

Annual Objectives

Co-operative Insurance follows a sustainable expansion model, replacing significant investments in mass media and above the line promotions and injecting investments to physical retail expansions. Expansion into ideal locales and townships increases the Group's reach, while serving an increasing number of customers. Moreover, Co-operative Insurance believes in making sustainable investments that has a lasting impact on value creation, while optimising costs and sharing the benefit of cost savings with customers and other stakeholders.



Property, Plant and Equipment (PPE)

Co-operative Insurance recorded a combined PPE of Rs. 1,192.1 Mn., as at the end of 31st December 2020. Contributing to the Group's asset base, CICL recorded a PPE of Rs. 924.2 Mn. alongside Cooplif which held a total PPE base of Rs. 267.9 Mn. The total value of the Group's PPE decreased in the year under review from Rs. 1,194.9 Mn. in 2019; however, PPE of CICL increased during the year, while PPE of Cooplif decreased during the year in comparison to 2019.

Capital Expenditure and Acquisitions

In 2020 Capital expenditure of the Group decreased during the year to Rs. 47.5 Mn., which stood at Rs. 90.2 Mn. in 2019. This year's capital expenditure can be attributed to the purchase of land of Rs. 40 Mn. in 2020.

In 2020, Co-operative Insurance commenced development of a 7 acre land in Ja-Ela. The property was purchased in 2019 to expand operations, by developing a salvage yard in addition to a fully-equipped auditorium for Group events with the capacity to house 2000+ individuals. At present, the existing auditorium can only house a 100-member audience, limiting ability to coordinate large events without congestion. The property is also expected to house a fully-fledged training centre.

Changes to Capital

Manufactured Capital

Branches and Head Office

At the end of 2020, CICL operated 110 branches with 6 new branches that were added to the network during the year under review. Moreover, CICL holds ownership of its Head Office property in Grandpass, in addition to the 7 acre land in Ja-Ela. Further, Co-operative Insurance invested in infrastructure, which comprises furniture, technological hardware and office facilities such as scanners, photocopiers and modern fixtures, etc...

New Branches

In 2020, CICL launched 6 new branches, located across the Island. The branches were opened at an expenditure of Rs. 7.2 Mn., enhancing the value of the overall manufactured capital base. Obtained on lease basis, the new branches include adequate space, allowing staff to effectively perform branch functions. These branches are located in areas with high commercial activity for increased visibility. Such exposure adds to the Group's brand equity, increasing awareness and opening up Co-operative Insurance to potentially new customers.

Asset Base

| Description | 2020 (Rs. Mn.) | 2019 (Rs. Mn.) | 2018 (Rs. Mn.) |
|-------------|-------------------|-------------------|-------------------|
| Group | 1,192 | 1,194 | 1,139 |
| CICL | 924 | 915 | 857 |
| Cooplife | 268 | 280 | 282 |

PPE Growth
Rs. Mn.



Capital Expenditure
Rs. Mn.



Capital Assets



| | 2020 (Rs. Mn.) | 2019 (Rs. Mn.) | 2018 (Rs. Mn.) |
|----------|-------------------|-------------------|-------------------|
| Group | 47.5 | 90.2 | 96.1 |
| CICL | 42.8 | 77.5 | 78.7 |
| Cooplife | 4.70 | 12.70 | 17.40 |

Call Centre Infrastructure

The call centre service team is dedicated to supporting customers by responding to inquiries and by providing required assistance at the time of motor accidents. Through an integrated claim management platform, Co-operative Insurance has seamlessly connected the call centre team to reach assessors and monitor the situation till the assessor arrives in the least possible time to the accident site. The call centre is capable of locating an assessor closest to the site of inspection, enabling the motor accident and claims management process to operate with reduced response times, and enhanced reliability. Moreover, in 2020, upgrades were made to the call centre infrastructure, improving it for an enhanced customer service during the pandemic and lockdown periods.

Technological Infrastructure

Prior to the initial pandemic-based lockdown, Co-operative Insurance invested in acquiring laptops and computers along with routers and dongles worth Rs. 2.27 Mn. to facilitate work from home arrangements. This became a critical and prudent contingency plan, as the Group prepared for lockdowns at the onset of the global pandemic. With all IT-based resources in place, employees were able to access the Co-operative Insurance network from their home workstations, performing vital services and keeping business disruption to the least possible minimum. Furthermore, in 2020, the cost for acquiring new ICT hardware and work equipment amounted to Rs. 14 Mn.

Besides these purchases, the IT division of CICL continues to revamp core business systems, infusing required upgrades and enhancements for continuously improved performance. In 2020, the team also oversaw the development of new applications for customer care and claim management, as mentioned under Intellectual Capital. The IT division is now spearheading the Group's expansions in tech infrastructure and digitisations, developing and enhancing operation systems and convenient customer applications.

Enhancing Tech Security

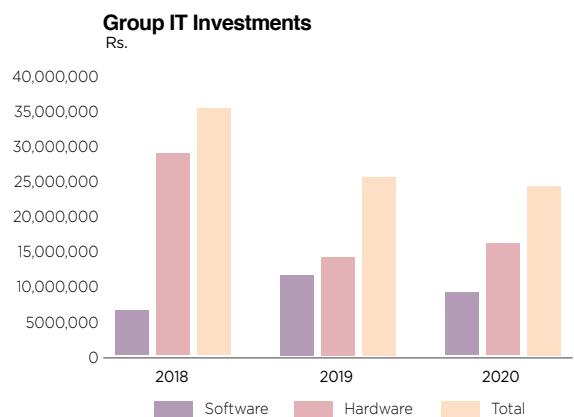
During the year, the Group's IT team strengthened the safety of systems by upgrading and enhancing data and information protection measures. With remote working conditions requiring increased and added safety measures, the IT team continuously assessed any potential threats to systems, while constantly modifying and strengthening existing protective measures. As a result, customers can now make secure payments through the Co-operative Insurance website. During 2020, the group incurred a sum of Rs. 24.26 Mn. in maintaining and updating existing systems.

Changes to Capital

INTELLECTUAL CAPITAL

Intellectual capital of Co-operative Insurance is at the centre of its ability to increase growth potentials, one that's strongly connected with the potentials of employees. Intellectual Capital brings together intangibles such as software and tech platforms, built, used and maintained by the Group's human capital, with the exception of outsourced solutions. In addition, intellectual capital also includes employees' tacit knowledge and Group-specific processes. In capturing opportunities and in taking strengths to higher levels, Co-operative Insurance relies on its intellectual capital to a great extent, with increasing adoption of digital transformations and tech-based operational shifts.

Intellectual Capital enables the Group to innovate and create new insurance products, services and customer engagement tools, which have tremendous potential to increase earning capacities and meet growth objectives.



Annual Objectives

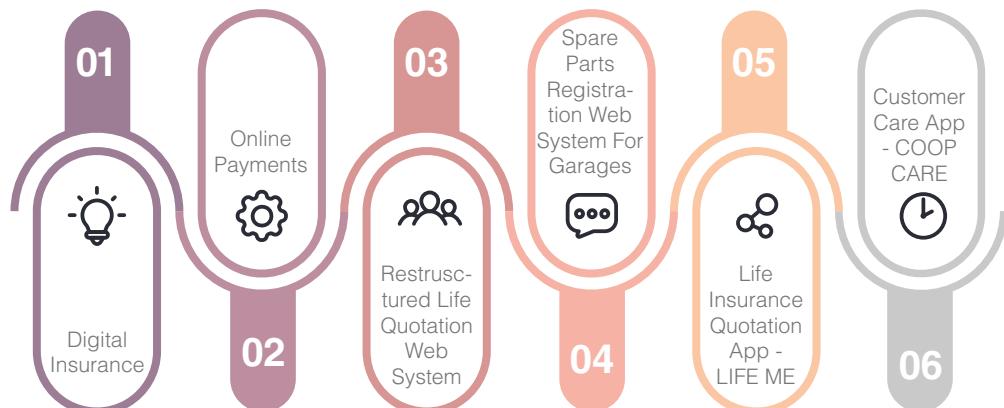
Co-operative Insurance continues to elevate digital innovations and operational systems, upgrading them and adding additionally required modules and features. This is an ongoing process combined with value added digital solutions that transform services. In addition, another annual focus is in improving the level of training and resources offered through CITA, while improving the quality of resources and learning experiences.

Technological Innovations and Infrastructure

Each year, Co-operative Insurance invests in developing new solutions that creates efficiencies and convenience for customers and employees. In 2020, the Group's IT division achieved new innovations in the form of mobile applications, which were developed in-house – through the combined experience and skills of the IT division.

Strengthening competitive leverage by deploying intellectual capital, the Group's IT team developed an android based customer care app that enables customers to upload images of onsite accidents – and at present, the mobile app serves selected customers. In addition, the team also developed 'Life ME', an application for the purpose of generating quotations, which are sent via e-mails or through messaging applications. The application provides quick turnaround time in providing quotations to customers. And associated with the Life ME application, the Life Quotation Web System was restructured in 2020. Also, during the year, the team fully programmed the Co-operative Insurance claim management app, which enables assessors to upload onsite accident photos through a built-in camera module.

Key Innovations in 2020



Digital Insurance

Improved as a response to responding to operational disruptions during lockdowns, Co-operative Insurance's corporate website was transformed to house Digital Insurance. Co-operative Insurance now offers third party motor insurance in addition to continuously upgraded payment facilities through the website.

Core-Operating System

Core operating system of Co-operative Insurance is upgraded and enhanced continuously with regular functions and safety protocols. This core system has considerably increased productivity, in addition to boosting customer service levels and paving the way for effective processes across the network. During the year, Co-operative Insurance incurred Rs. 8 Mn. on system upgrades and software developments.

Current information systems include General and Life Insurance core systems, with modules such as sales and marketing, commission, underwriting, claims, payment, general ledger and administrative functionalities. Business and operational units are seamlessly integrated and connected through the core operating systems, enabling an efficient flow of information resulting in faster processes.

Assessor Application

The team has completed the development of Co-operative Insurance's very own mobile assessor app that is interconnected with the call centre. It allows call centre staff to locate an Assessor closest to an accident site, directing personnel to the location promptly within the least possible time. The application uses GPS technology to locate Assessors, enabling faster damage assessment and promptly expediting the claims process.

Assessors can digitally upload images of damaged vehicles to the Company's main system through real-time data transfer. Moreover, with centrally accessible graphical records of accidents, claim payments can be evaluated against actual damages, thereby eliminating unnecessary disbursements.

Claims Settlement

The Group reserves ownership of Motor Claims Management system, developed by the in-house IT team for efficient and effective settlement of motor insurance related claims. Improving the claim handling process, an in-house salvage system is now in use to better handle the process of salvage collection.

HRM Payroll System

CICL developed a fully featured payroll system, inclusive of fingerprint scanning to payroll calculations. Introduced in 2019 and completed in 2020, the new system is integrated with the HRM system's attendance management. The ultimate objective is to have a fully equipped HRM system.

Document Management System

Minimising the use of physical files and documents, the IT division introduced a document management system in 2018. The DMS functions as a digital repository of documents and gives staff access to documents and images through an online platform. The DMS is widely used for claims settlement – a process that is entirely based on documentations and previous records. The DMS cuts down costs related to documentation by 90% and was integrated with third party systems to bridge gaps between the business and the DMS platform. Through this development, the Group is now moving towards a complete shift from physical documentation to a paperless work culture. The DMS is also completed with fast searching facility and data security.

Other Innovations

A spare parts web registration system for garages was completed in 2020. In addition, an IT complaint management system came into place in 2020.

Changes to Capital Intellectual Capital

In-house Video Production

Using the lockdown period as the ideal context, Co-operative Insurance commenced production and editing of videos, for the purpose of training employees and recruits. Given the physical limitations due to COVID-19, Co-operative Insurance expedited learning through videos, creating interactive learning material that is available through the Group's online learning portal for all employees, the learning management system and through CICL's YouTube channel.

Co-operative Insurance plans to advance video production, with an in-house unit dedicated to making and editing videos for further training purposes. The Company plans to take online learning to the next level, making it the ideal front to enable a self-learning environment with on-hand material for insurance related topics and professional skill development.

Intellectual Capital of Stakeholders

Co-operative Insurance also depends on the Intellectual Capital of re-insurance companies who are considered partners/stakeholders of the business. Their services and years of experience enable the Group to share the risks, limiting both CICL's and Cooplife's losses in times of unfortunate events.

The Future - A Culture of Innovations

In providing unique insurance products and services, Co-operative Insurance is on a path of gradually increasing digital and tech developments. The future of the Group and its envisioned success is intertwined with technology, with plans to embed tech platforms across key insurance functions and processes.

In the immediate future, Co-Operative Insurance will implement IFRS 17. As a result, the underlying changes in accounting will be reflected through the in-house developed accounting software that merges SLFRS requirements in line with IFRS 17.

Extending across the operational spectrum, the IT division has undertaken several projects such as UW motor/non motor/salvage image upload system, online third party, and online cover note systems.

Coopinsu Training Academy (CITA)

The purpose of CITA is established in educating insurance professionals to augment their career pathways through enhanced technical knowledge, continuously honed soft skills and professionalism that shape both the individual and the career. Focused on this purpose, CITA provides insurance related education and practical industry-based training to those within the Company and from the industry.

CITA, established in 2015, is registered under the Tertiary and Vocational Education Commission (TEVC) of Sri Lanka as a private limited liability Company. CITA is one of two insurance training academies in Sri Lanka to be approved by the TVEC. Since 2019, the academy works in partnership with the Insurance Institute of India (III) and the Chartered Insurance Institute (CII) UK, continuing to offer world-accepted qualifications while expanding capacity and learning resources for a well-rounded and interactive learning experience.

Facilitated Accreditations

CITA offers students, the opportunity to gain international level accreditations through its affiliations, and amongst its most recognised programs is the Award in General Insurance offered by CII. This offers industry newcomers the right stepping-stone to commence a career in insurance.

CITA programs include:

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

In addition to providing the above technical and management programs, CITA operates an online exam centre for exams of the Chartered Insurance Institute (UK).

CHANGES TO CAPITAL HUMAN CAPITAL

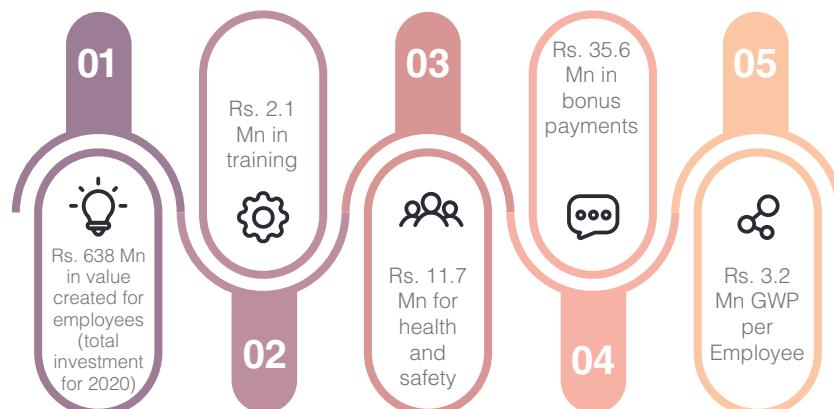
Representatives of the Group and its subsidiaries, and the drivers of organisational growth - the team at Co-operative Insurance continues to be the most dominant strength in creating value for customers, shareholders, partners, regulators and the community. The Group's employees are what balance the cogs of the organisational eco-system, breathing life into its vision and growth parameters. And due to the unmistakable interdependence of other capitals on human resources, the Group is invested in developing the potentials of employees, and in creating a culture of growth.

Annual Objectives

One key priority across the year was in ensuring the health and safety of employees, as the organisation continued to set in place regulatory and mandatory guidelines within the entire organisation. Facilitating remote working arrangements and a well-managed transition to working from home was another objective.

In line with HRD objectives, the management assessed employee performance against the KPI based performance management system implemented in 2019. Moreover, increasing employee productivity was another key focus, which has a clear interdependence on how Co-operative Insurance manages and improves all other capitals.

Value Provided for Employees

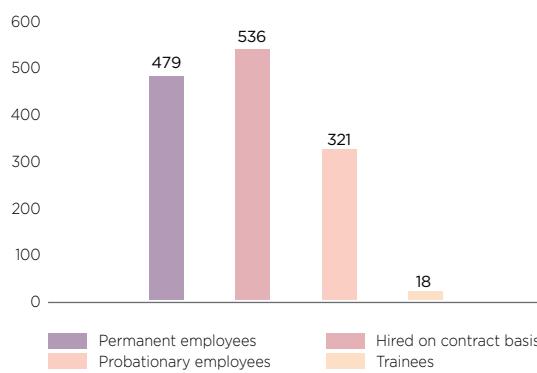


HR Committee

The Group's Human Resource Committee oversees the entire framework and eco system of human resource management with the support and dedication of the HR Department. The Committee headed by the Chairman and the Managing Director ensures proper management of core HR functions, overseeing recruitment and merging gaps within employee teams and departments. The Committee also monitors training, performance management and recognition of employees, making equitable contributions to employees' work and commitment.

The Co-operative Insurance team holds a combined repository of strengths that helps the Group progress within the fast evolving landscape of industry trends, customer/market trends and regulations. The workforce is formed by 479 permanent employees, 536 hired on contract basis, 321 probationary employees and 18 as trainees. Graphical analysis of the workforce according to job categories is provided below.

Team Composition



Team Composition

The Co-operative Insurance workforce is represented by 1,359 employees from Co-operative Insurance Company Limited with Cooplite represented by 218 professionals. The team at of Co-operative Insurance holds a rich diversity of skills, knowledge and various capabilities increasing organisational equity.

Changes to Capital Human Capital

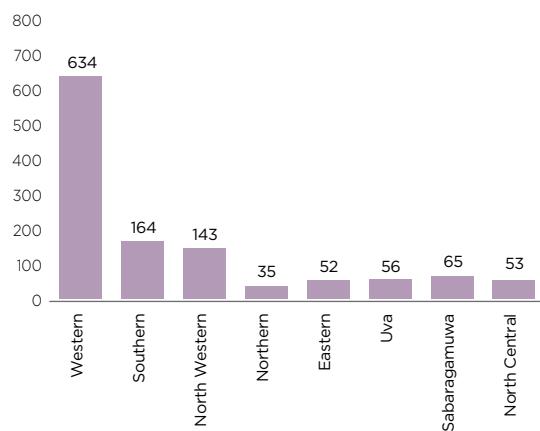
Recruitment



In 2020, the Group's recruitment initiatives continued despite the pandemic's hindrances. In total, 1202 individuals joined the workforce, recruited based on experience and capabilities that match job requirements and responsibilities; new employees were hired to fulfil positions in sales and technical areas.

Co-operative Insurance's recruitment procedures enable the HR team and HODs to select the right candidates, while priority is given to internal recruitment instead of external recruitment. Moreover, with priority on internal recruitments, existing employees receive sufficient opportunities for career growth and to enjoy the benefits that follow.

New Recruits by Province

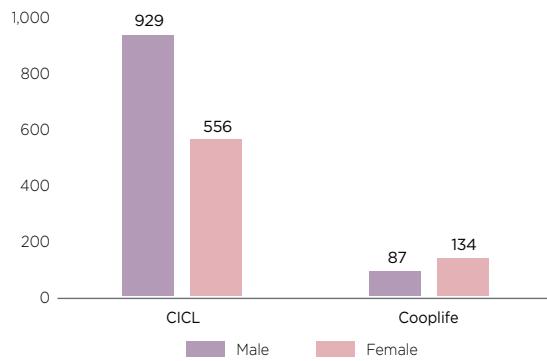


Moreover, externally recruited candidates must undergo aptitude assessments and evaluations in professional experience and qualifications with demonstrated achievements that elevates their value propositions.

The process begins with the initial screening, followed by a preliminary interview by the respective Head of Department along with the HR Manager. Upon short

listing, the final interview is conducted by the HR Committee, the respective Department Head, and the HR Manager for the final selection.

Gender Diversity and Equity



At present, CICL's male to female employee ratio is 62:38, whilst all employees are provided equal opportunities for career advancement and succession without discriminatory or gender-based biases. Not only gender, The organisation has zero tolerance of any racism or any form of harassment, whether physical or psychological in nature.

Nurturing the team of diverse employees is done responsibly and equitably, giving recognition to employees at all levels of the Group. The newly implemented performance measurement framework ensures that recognition is provided where such appreciation is due, regardless of the pay grade or job capacity. From the higher management to janitorial staff, all employees are considered for awards and performance-based recognitions.

During the year, due to COVID-19, 17 expectant mothers were encouraged to work from home even after lockdowns eased. While six from nine employees who were on maternity leave returned to work after the leave period. In addition, daily paid leave of 2 hours was facilitated for mothers who returned to work after maternity leave.

Safe Work Environment

The prevailing pandemic and related threats necessitated Co-operative Insurance to ensure that the head office and branches are suitable for employees to work without exposure to COVID-19. Branches and head office were sanitised prior to their return. Office sanitation is maintained regularly. Moreover, hand sanitizers were placed at locations with frequent contact while face masks were provided for employees.

Transportation was a major concern as public commutes exposed employees to the possibility of contracting the virus. Therefore, the management took the prudent decision to deploy 03 buses along main roads, allowing employees to commute to work in a safe and controlled environment.

Grandpass, Colombo 14, where the head office is located, underwent isolation and curfews for an extensive period of time as the number of patients rose in the area. Although head office staff reported to work, they were strictly advised to remain within the premises with no exposure or contact with those around the premises. Public Health Inspectors (PHIs) made regular visits to ensure that employees were maintaining proper measures, while responding to concerns. Random screening tests were conducted across the head office, intermittently. Furthermore, 10% of head office employees received the vaccination while 5% of employees from across the Group received vaccines.

Steps taken to ensure the safety of employees working in branches across the island

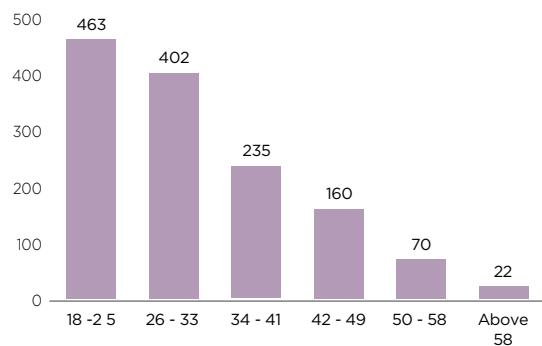
- Hand sanitizers at contact points
- Random testing
- Vaccinations
- Frequent sanitisation of offices
- Maintaining social distance at all possible times between employees and strictly with customers.

Diverse Work Culture

With approximately 86% of the Group's employees representing CICL, the age based diversity within the company is at a satisfactory level, but, with the majority skewed towards the age bracket of 24-33.

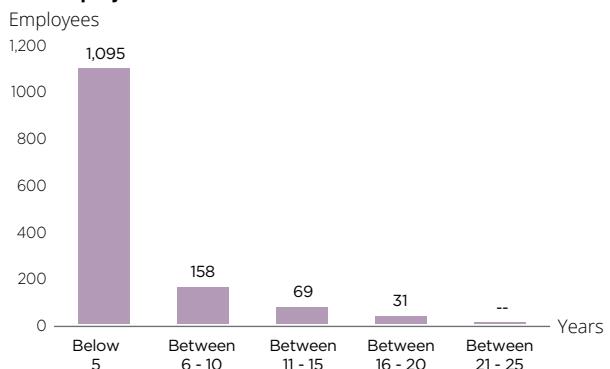
Moreover, CICL also attests to a robust mix of experience and expertise, but with the majority of its workforce belonging to the work tenure of less than five years.

Age Based Diversity



Further, the provincial distribution of CICL's workforce demonstrates more employees within the Western Province, with female staff members exceeding male counterparts in some provinces.

Employment based on Tenure



Employee Retention

Retained employees add tremendous value to the Company, with their knowledge of products, services and processes contributing to growth in business. As employees remain with the organisation, it contributes to attaining long-term objectives without disruptions to the usual pace of progress and operational flows. Not only is increased employee retention a testament to the growing value of good employee relations, it enables the organisation to increasingly support individual and professional growth while receiving employees' services and support for organisational growth.

Co-operative Insurance maintains a satisfactory level of retention at 95.7%. However, this has decelerated compared to 97.94% in 2019.

Grievance Handling and Whistleblowing

Employees are provided with an encouraging environment to report any wrongdoing and misconduct. Each employee is encouraged to voice concerns to relevant department heads or the higher management. Such matters are handled confidentially and impartially. The HR Committee also oversees such grievances and ensures that each employee receives a fair chance of airing grievances and in receiving remedial responses.

Changes to Capital Human Capital

Training and Development Programs

Most planned training programs for 2020 were rescheduled or cancelled due to the pandemic. However, online learning and video based training replaced regular programs. Moreover, 06 programs with limited attendees were conducted, maintaining proper distancing measures, including 3 induction programmes for the newly recruited.



Co-operative Insurance team of employees, especially young professionals, have the unique opportunity to access world renowned professional insurance programs through Coopinsu Training Academy (CITA). Employees who wish to enhance their career prospects with internationally reputed qualifications can register for courses with CITA and work towards receiving accreditations from the Chartered Institute of Insurance – UK or from the Insurance Institute of India.



All Training Programs

| Type | 2020 | 2019 |
|----------|------|------|
| Internal | 8 | 16 |
| External | 0 | 0 |
| Overseas | 0 | 2 |
| Total | 8 | 18 |

Total Number of Training Hours

| Job Grade/Category | No. of hours on internal training | | No. of hours on external training | |
|--------------------|-----------------------------------|------|-----------------------------------|------|
| | 2020 | 2019 | 2020 | 2019 |
| Motor Claim | 2 | 2 | | |
| Induction | 4 | 12 | | |
| Motor | 2 | 2 | | |
| Underwriting | | | | |

Training Hours by Province

| Province | Hours or No. of Programs |
|---------------|--------------------------|
| Southern | 05 Hrs |
| North Western | 05 Hrs |
| Colombo North | 05 Hrs |

Recognition

Professional growth and recognition powers the drive for organisational growth across the Group. Co-operative Insurance in this regard, nurtures reward and recognition based on quantifiable and identifiable markers of performance. Not only does the organisation reward white collar employees but it recognises the work done by blue collar staff.

In 2019, Co-operative Insurance welcomed a culture of KPI based performance assessment, aimed at providing equitable rewards financially and otherwise. As of 2020, the Group's annual bonus scheme and award schemes are based more heavily on this new KPI based framework. As a result, employees were provided with the first bonus for 2020 in January of 2021, with another bonus round scheduled at the time of penning this report. The KPI-based framework harbours a more performance-driven work culture, empowering employees across the Group to receive recognition.

Each year, the organisation honours the work done by staff and those that go above and beyond in achieving what is required in fulfilling responsibilities. Rewarding employees is part of the value that is created for them: In this regard, Co-Operative Insurance provides both monetary and non-monetary rewards in recognising their hard work and for uplifting morale.

As part of monetary incentives the organisation provides performance based variable pay, vehicle allowances, medical covers, personal loans to permanent employees in addition to various other allowances. As part of non-financial rewards, employees receive opportunities in advancing their growth within the organisation. Co-operative Insurance also encourages them to pursue professional studies, bearing the cost of exams – rewarding employees who deserve such sponsorships based on their hard work and dedication. The Group also identify employees with competencies and encourage them to pursue avenues that will enhance their career prospects both within the organisation and in the industry.

Annual Awards

Each year, Co-operative Insurance hosts an annual awards ceremony, recognising employees with exemplary performance. A much awaited occasion in the Co-operative Insurance event calendar, the ceremony for 2019's top achievers could not be organised due to limitations in social gatherings. Nevertheless, the program will be organised in 2021 according to health regulations. The ceremony will award 'Best Employee' in addition to rewarding other top performers based on the new KPI based performance evaluation model.

MDRT Round Table

Million Dollar Round Table (MDRT) was founded in 1927. It is the premier association of financial professionals, and it is the global independent association of the world's leading life insurance and financial services professionals represent from more than 500 companies in 70 nations and territories. MDRT members demonstrate exceptional professional knowledge, strict ethical conduct and outstanding client service. MDRT membership recognised internationally as the standard of excellence in the life insurance and financial services business.

The highest performers and premier players are in life insurance industry are recognised across 03 basic categories worldwide, namely MDRT, COT (Court of the Table) and TOT (Top of the Table). Each of those categories are assessed through the Commission, Income and production of FYP (first year premium) for

the year in concerned. And, also professionals who represent global seminars for at least 10 occasions through fulfilling the qualifying criteria shall be provided with "Life Member" status and further, if it marks 15 times successfully, shall be honoured and designated as "Honour Roll".

However, Asian countries (Middle Asia, South Asia and Asia Pacific regions) are qualified through the production of FYP (First Year Premium) and Commission earned from the life business for the said year in concern. For the year 2020, it was announced as 4.4 Million in FYP. We, at COOPLIFE Insurance, was able to announce proudly during the year 2020, that 08 of its Premier Stars had qualified for the said MDRT for the first time in the Company's history.



Communicating with Employees

Proper and regular communication and engagement amongst employees, between employees and leaders are critical to maintaining workplace camaraderie. It is also essential to stay up to date on organisational developments. Apart from an open-door policy and grievance handling procedure, employees have several ways in which to collaborate and communicate with other employees and with the management.

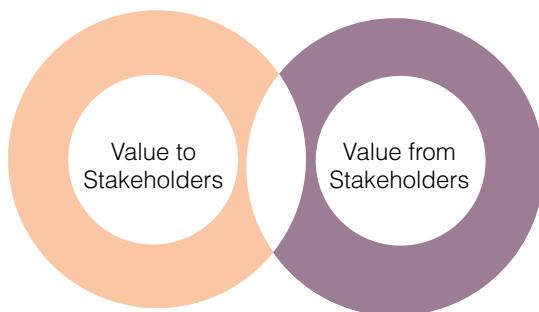
- E-mails
- Monthly staff meetings
- Recreational excursions
- Welfare activities
- CSR activities
- Religious devotions
- Intranet
- Award ceremonies and recognition programs
- Open door policy

CHANGES TO CAPITAL SOCIAL AND RELATIONSHIP CAPITAL

Co-operative Insurance places significant value on all its stakeholders. A holistic view of stakeholders brings together a unique ecosystem of services and processes developed to meet all expectations. Whether it's creating or customising policies to suit personal or group insurance needs, or increasing profitability by optimising business opportunities, Co-operative Insurance keeps its stakeholders at the centre of all endeavours – improving and modifying processes and offerings to enhance quality of services, while improving relationships.

While the value that the Group creates for stakeholders remains a vital determinant on how stakeholder relations take shape, nurturing long-term partnerships are based on more than monetised values or services. Mutual respect and understanding remains vital qualities that strengthen relations with each stakeholder and are reinforced constantly through open communication and various modes of engagement as detailed under 'Engaging with Stakeholders'. Moreover, Co-operative Insurance remains dedicated to fulfilling requirements, aiming to enhance relations based on mutual trust by putting to good use our expertise, experience, resources and capabilities.

Interchanging Value



Relationships nurtured with each group of stakeholders, leads to an exchange of values that enables Co-operative Insurance to become a stable and an exponentially developing insurer, while enhancing the value delivered to stakeholders. This is detailed in the Section - "Engaging with Stakeholders" in page 104.

Annual Goals

Each year, the Group invests in branch expansions, promotional activities and digital solutions, strengthening reach, and extending services to existing and new customers. However, in 2020, the potential for these investments were cut short due to the pandemic and social restrictions. Although below expectations, Co-operative Insurance continued to expedite plans to increase reach, corporate visibility and increase its offering to customers. Moreover, new advisors joined the partner network, further elevating the Group's business opportunities and social relationships.

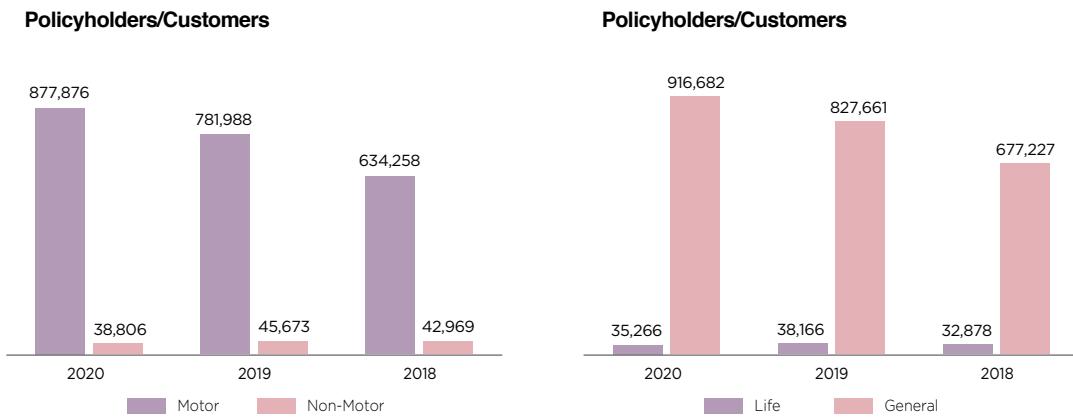
Creating Value for Customers

Optimising services and increasing value additions are amidst customer expectations. Co-operative Insurance factors in the ever-evolving needs of customers within an increasingly competitive environment. The Company's strategic plans and growth objectives are adapted to suit these changing requirements, while creating a corporate culture that leads to providing purposeful solutions, services and appreciated products. As a result, Co-operative Insurance policies, whether they are general or life insurance-based are crafted around customer needs and unique social and economic variables. And over the years, CICL has customised numerous such solutions around specific customer needs – be it individual, family, corporate or institutional requirements.

385,984
new policies

4,761 new
cooplife
policyholders

381,220 CICL
policyholders



Claims Payouts

Last year's pandemic created a unique situation involving reduced social activities and restricted mobility. Nevertheless, requests for claims were lower than the previous year, resulting in reduced claims payout compared to previous years. In 2020, the Group made a collective disbursement of Rs. 2.3 Bn. in claims, resulting in a Net Claim Ratio of 54% from the total income. However, Co-operative Insurance is recognised for having one of the highest claims ratios in the industry, which was at 67% in 2019.



Changes to Capital Social and Relationship Capital

Customer Service Strategy

In optimising interactions with customers and in producing effective outcomes, Co-operative Insurance works along 10 key focus points – following them as part of a unique customer service strategy.

| Service Points | Definition |
|--|--|
| Cross channel interactions | Providing an exceptional customer experience via multi-channel interactions, including phone, email and SMS for accessibility and convenience in conducting business at flexible times. |
| Offer an inviting customer service | Providing a friendly, empathetic yet professional interaction with customers, setting a positive first impression of the Company. Moreover, the call centre system enables customers to obtain information on products and services. |
| Increased usage of online portal | Comprehensive and clear information on insurance solutions, services, and corporate details. |
| Intelligent handling of calls | Three steps are deployed in meeting service expectations, efficiently. These are skill-based routing, virtual hold and business priority routing, which enables the Company to optimise new opportunities in increasing business. |
| Supplement agents with information for enhanced work performance | Through integration of front and back office systems and information agents are facilitated with the capacity to efficiently, address and resolve customer queries in the best time possible. Through technological system integrations customer information is automatically displayed on screens during calls. This removes bottlenecks in manually searching for information on respective customers. |
| Proactive contact | In increasing timely renewals, respective employees engage in proactive communication with customers. |
| More efficient use of Customer data and segmentation | Using data and segmentation to analyse and determine future needs of customers. |
| Optimise evolution of business process execution | End-to-end business processes are automated and expedited using front-end office, which supports multi-level business processes, enabling multiple customer contacts. |
| Create a winning team with Contact Centre Virtualisation | By ensuring availability of agents, the Company strives to meet expected response times and tap the right expertise for the right time and job. |
| Boost agent productivity through interaction blending | Optimising agent time with several efforts, including training. |

Service in the New Normal

The pandemic impacted the way the Group viewed its insurance solutions, services and processes. As a result, Co-operative Insurance revised and improved several service offerings – mainly in the arena of digital solutions that were necessitated due to lockdowns and regulations. The Group has acknowledged the pandemic's long-term and recurrent impacts, and as a result continues to set in place alternative measures to customer servicing.

Continued Services Amidst Adversities

As the nation underwent a turbulent period beginning in March of 2020 with the initial COVID-19 wave, there was a period of uncertainty. Once the Government declared insurance as an essential service, Co-operative Insurance took the opportunity to its benefit and that of customers in reinstating operations and ensuring that services remain undisrupted. Although with operational constraints and limited field operations, Co-operative Insurance maintained services at its branches and head office, as well as through brokerages and other business partners.

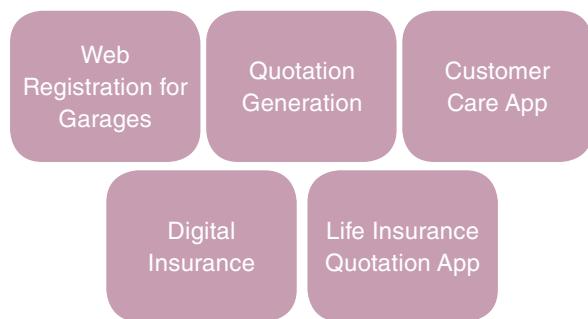
Moreover, the Group introduced digital payment through the web portal and third-party digital insurance, providing much needed accessibility and convenience to customers, especially during lockdowns and regulatory travel restrictions.

Technology-Based Efficiencies

Fast and agile services remain critical for providing more value to what CICL and Cooplife offers. With changing lifestyles, priorities and urgencies, speed and efficiency become norms that determine customer choices. Within this climate, technology-driven processes are imperative for innovation.

In recent years, Co-operative Insurance digitised several processes, including claims settlement process, document storage, attendance and payroll management, finance, underwriting, and policy quotations. In addition, the in-house IT team leveraged their experience and skills to develop an Assessor app that now cuts the time taken for assessors to reach any accident site. This is expected to further cut down time to less than 30 minutes, and is seamlessly connected with the call centre, which locates the closest assessor using GPS technology.

Furthermore, the following new digital and tech developments came into place during the year under review and are discussed further under the section 'Intellectual Capital'.



In addition, a document management system implemented in 2018/19 now provides faster turnaround times and enhanced efficiency mainly in paper intensive processes such as claims settlement and retrieving information on policy applicants and policyholders.

Affordability and Inclusivity

Co-operative Insurance's strategic proposition is unique to its roots and values. The Group is committed towards organic growth in business, whilst minimising

expenditures to balance the provision of affordable solutions, higher claim pay-outs and personalised solutions for new and varying needs.

Co-operative Insurance works around the needs of individual and corporate customers, creating solutions that match the best possible level of requirements – based on appropriate underwriting and risk assessment practices. However, amidst the multitude of competitive alternatives, Co-operative Insurance continuously evaluates existing solutions – remediating gaps within both general and life insurance portfolios. In 2020, CICL witnessed a growing demand for health insurance, as evidenced through multiple inquiries for personalised solutions.

The Group is cognisant of more room for enhancements in riders and benefits provided, in addition to transformation needed in digitally-oriented services and conveniences for policyholders. Therefore, the Group is highly focused on making policies easily obtainable through digitised quotation generation systems, online premium payments and swift claim settlements.

Furthermore, Co-operative Insurance provides tailor-made covers according to customer requirements, such as a 24-hour personal accident cover for Rs. 500,000/-, a Life Cover for Motorcycles and three wheelers covering Rs. 500,000/-, and Rs. 1 Mn. cover for all other vehicles.

By keeping costs to an optimum, Co-operative Insurance provides affordable premiums - beneficial to the most deserving of customer segments. Co-operative Insurance perceives it as its duty to provide inclusive financial solutions that provides stability, minimising uncertainties – in an increasingly uncertain environment.

Focus on the Co-operative Sector

Co-operative Insurance has a strong base in the Co-operative and State sectors. Customers from these sectors belong to various communities, professions, social and financial classes, all carrying the hope of receiving indemnity within their economical capacities. The following is part of what Co-operative Insurance offers its customers from the Co-operative sector.

- Special package policies
- Quick services through service centre
- Give an opportunity to do the insurance business through service centres and raise additional income
- Employment opportunities.

Changes to Capital Social and Relationship Capital

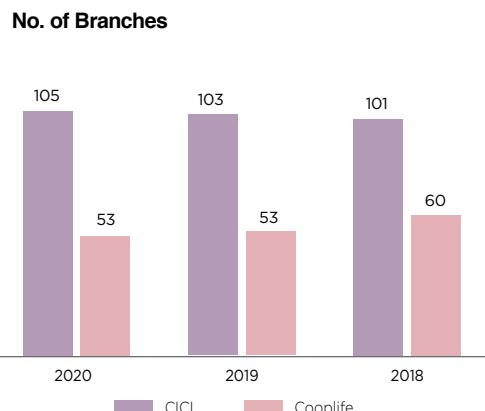
Customer Retention

By the end of the financial year, a combined base of 945,743 customers remained with Co-operative Insurance, in comparison to 862,756 customers in 2019. Co-operative Insurance constantly encourages customers to commit to premiums while regular SMS notifications are used as reminders for payments and renewals, regularly.

Branch Network

Despite the significantly volatile external environment, Co-operative Insurance continued to expand its physical presence in 2020. CICL added 6 new branches to its network, taking the total up to 110 branches: these included two new branches in Mahiyangana and Pilimathalawa. Furthermore, Cooplifi operates across 51 branches -dedicated to providing life insurance solutions.

In general, CICL head office operates 12 hours of the day, all days of the year, providing motor and non-motor based general insurance solutions and related services. However, operations are intermittently adapted to comply with COVID-19 based regulations.



Branding

During the year, a new Corporate Mascot was unveiled, as an effort to create a novel brand engagement mechanism, in contrast to celebrity brand ambassadors. The mascot is expected to increase brand association and brand recall and is the first industry-based mascot to be introduced by an insurer.

The mascot is represented by an 'owl', inherent to Sri Lanka. Symbolically it represents a visionary, 360° approach to insurance and an ability to view customer needs from a wider perspective. In addition, Co-operative Insurance rebranded 4 branches, and introduced a promotional tool kit in addition to a customer loyalty programme.

Interactions

Due to limited mobility, market communications reduced during the year; however, this was with the exception of countrywide street promotions (during non-lockdown months), quarterly town storming, and leaflet campaign in August, conducted while complying with COVID-19 based regulations.

Claims Processing

The claims processing operation of Co-operative Insurance involves regional underwriting managers that enable branches with a flexible hand in underwriting. Through the work of regional underwriting managers, branches are able to speedily generate policies. This decentralisation coupled with branch networking through the online business systems enables 50% less time in processing claims, which came into effect prior to 2020. Moreover, Co-operative Insurance's in-house motor claims settlement system and integration of assessors with the call centre, sets in place a facilitative infrastructure that enables staff with access to all procedures through the central system.

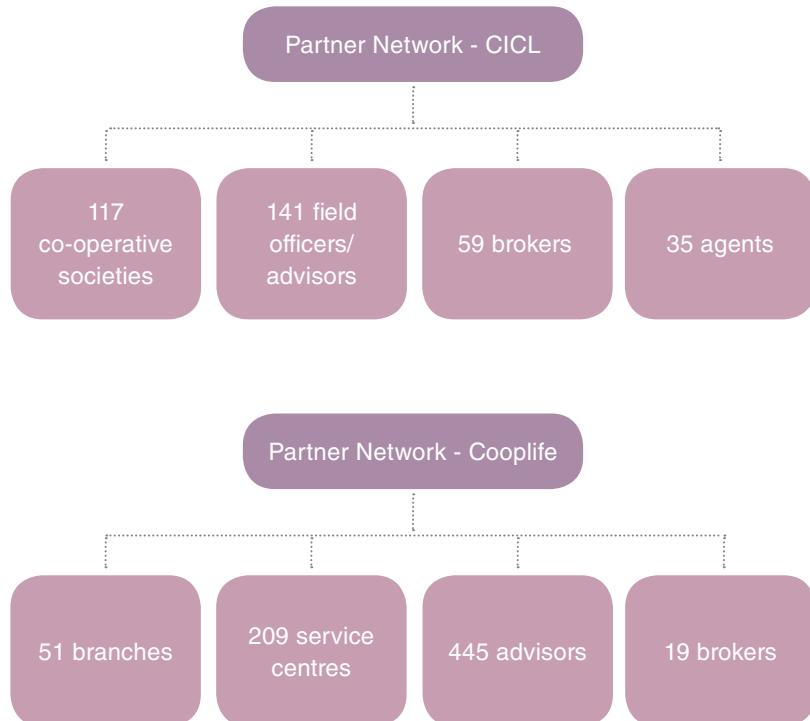
Policy Conservation Unit - Cooplifi

Cooplifi operates a unique team, dedicated to facilitating policyholders to make the effortless transition from resigned Advisor to new Sales Officer. The team ensures that customers are fully informed and assisted in adjusting to the transition, while ensuring upkeep of payments and addressing customer concerns.

Business Partners

Partner Network

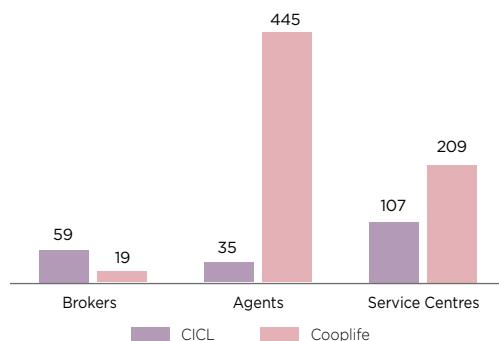
Apart from the branch network, CICL and Cooplifl operate through 117 co-operative societies, 3,260 sub-post offices and 750 post offices located across the island. This competitively advantageous positioning enables the Group's services to seep through every rural area and cover townships with increased market diffusion. As a result, the Group has access to uniquely smaller communities and various smallholder sectors including the wide network of co-operative societies and its members across Sri Lanka.



Insurance Advisors, Brokerages and Agents

By the end of 2020, both CICL and Cooplifl had a combined strength of 586 advisors, segregated as 141 and 445 advisors in each company, respectively. CICL was joined by 23 new advisors in the year under review. In addition, 247 new advisors joined Cooplifl.

Brokerages, Agents and Service Centres



Changes to Capital Social and Relationship Capital

Furthermore, CICL works with 59 insurance brokerage companies that are IRCSL registered - including 4 new brokers that joined in 2020, while Cooplifelife is in partnership with 19 brokers. CICL is also in partnership with 35 agents. These companies and individual service providers offer an extended level of customer reach, bringing in valuable business opportunities through their networks and sales capabilities.

During the year, Cooplifelife Insurance achieved its inaugural entry into the prestigious MDRT (Million Dollar Round Table). Formed in 1927, MDRT is one of the world's premier trade associations for financial professionals and includes over 500 of the world's leading insurers – from 70 countries. Eight of Cooplifelife's exceptional professionals qualified for MDRT, as they achieved exceptional business results, achieving well-above targeted performance through uncompromised ethical conduct and excellence in service. MDRT is also recognised as the industry's benchmark in excellence - across the globe, while outstanding achievers are recognised across three categories – MDRT, Court of the Table (COT) and Top of the Table (TOT) which use commission, income and production of the first year premium to evaluate the strength of a professional's performance.

Postal Network

Co-operative Insurance services are also made available through post and sub-post offices across the country. At the end of 2020, the Group worked with 4010 post and sub-post offices. Through this network of postal offices enabling customers to make payments - providing easy reach to a saturated spread of offices.

Reinsurance Agencies

Co-operative Insurance works with reinsurance agents with good reputations and best ratings, enabling the Group to reduce risks related to reinsurance pertaining to reinsurance placement and recovery of claims. Reinsurance arrangements are made for covers above treaty limits. Co-operative Insurance continuously monitors the credit risk of reinsurers, while monitoring agreements. Cordial relations are maintained with all reinsurers alongside regular restructuring of agreements.

Hospital Panel and Banking Partners

Co-operative Insurance and Cooplifelife insurance Limited works with two third-party service providers, namely Medilink and Dass – companies recognised internationally for providing healthcare solutions and consultancy services. This is the Group's commitment to providing quality solutions to its clientele – through CICL and Cooplifelife.

Entrusting the protection of our investments and in obtaining adequate funding for business operations, Co-operative Insurance has retained the services of several leading private and state-owned banks. They have been bankers to the Group across years.

Regulatory Stakeholders

Co-operative Insurance works in accordance with laws, directives and guidelines issued by regulatory bodies such as the Insurance Regulatory Commission of Sri Lanka (IRCSL) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). The Group maintains cordial and professional relationships with these authorities, meeting expectations by fulfilling periodic audits, reviews and reporting of financial performance. The Group also makes timely communications with the authorities, with regards to any changes to the subsidiaries and the structure of the Group.

Community

Corporate Social Responsibility

In the year under review, Co-operative Insurance focused on continuing CSR and community based activities to a certain extent, while respecting regulatory health guidelines. As a result, several activities were organised and conducted by staff and management.

POYA PROGRAM

On each Poya day, the Company sponsors the main religious program organised at a rurally-located temple. The respective program was broadcasted on a prominent radio channel throughout the day. Moreover, additional contributions and provisions are made to all religious ceremonies held at (selected) temples.



CONTRIBUTIONS TO PLACES OF WORSHIP

Co-operative Insurance engaged in relevant donations of essential goods to elderly persons associated with the Kotahena Sri Bodhiraja Viharaya. As part of the same initiative, an eye clinic was organised, in addition to distributing dry rations to the elderly of selected deserving families around Colombo.



LEO CLUB PROGRAM

Co-operative Insurance supports the “Sith Mal Sewana” project which focused on developing a house for a mother and her daughter, as requested by the Leo Club of Polgasowita. This was conducted in March 2021 as the family lacked the financial means to develop a suitable accommodation.



SCHOOL-BASED PROGRAM

The Company donated essential goods and stationery as requested by the R/ Niriella Pugnunananda Vidyalaya in October 2020. As part of the initiative, books for the school's library were provided to enhance the knowledge of students and teachers.



Statement of Directors' Responsibility

The responsibility of Directors in relation to Financial Statements of the Company prepared in accordance with the Companies Act No. 07 of 2007 is set out in the following statement. These differ from the responsibilities of the External Auditors in relation to Financial Statements, which are set out in Report of the External Auditors given on pages 140 and 141.

1. The Directors are required by the Companies Act No. 07 of 2007 to prepare Financial Statements for each financial year, which gives a true and fair view of the state of affairs of:
 - the Company as at the Balance Sheet date; and
 - the Profit or Loss of the Company for the financial year ended on the Balance Sheet date.
2. The Directors consider that these Financial Statements have been prepared using appropriate accounting policies consistently applied and material departure, if any, have been disclosed and supported by reasonable and prudent judgements and estimates and in compliance with the applicable Accounting Standards and Directions issued by the Insurance Regulatory Commission of Sri Lanka.
3. The Directors are responsible for ensuring that the Company keeps sufficient accounting records, which disclose the financial position of the Company with reasonable accuracy and to enable them to ensure that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards, provide the information required by the Companies Act No. 07 of 2007 and comply with the requirements of the Regulation of Insurance Industry Act No. 43 of 2000.
4. They are also responsible for taking measures to safeguard the assets of the Company and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.
5. The Directors are required to prepare the Financial Statements to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspection they may consider appropriate to enable them to give their audit opinion.
6. The Directors continue to adopt the Going Concern basis in preparing the Financial Statements. The Directors, after making inquiries and review of the 2020, including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.
7. The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to all relevant regulatory and statutory authorities, which were due and payable by the Company as at the Balance Sheet date have been paid or sufficiently provided for.

By Order of the Board,



Business Management Services Ltd.
Secretaries to the Company
29th March 2021

Audit Committee Report

ROLE AND OBJECTIVES

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

COMPOSITION AND PROCEEDINGS

The following audit committee is made up of the following Independent Non-Executive Directors:

- Mr. A.D.T.S. Palitha (Chairman)
- Mr. D.P. Amaradeva (Resigned on 11.07.2020)
- Mr. R.K. Rankothge (Resigned on 11.07.2020)
- Mr. J.M.V.P. Jayasuriya
- Mr. A.B. Senadeera (Appointed on 11.07.2020)

Chairman of the Audit Committee is an Associate Member of the Institute of Chartered Accountants of Sri Lanka. Managing Director, Chief Executive Officer, and Heads of Finance, Marketing, Human Resources, Information Technology attend the meetings on invitation. Manager Internal Audit functions as the Secretary to the Audit Committee. During the Financial Year 2020, ten meetings have been conducted and all the matters material have been reported to the Board. Audit Committee held a meeting with the External Auditors, Jayasinghe & Company, Chartered Accountants in 2020.

FINANCIAL REPORTING

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

INTERNAL CONTROLS AND INTERNAL AUDIT

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

EXTERNAL AUDIT

The Audit Committee perused the independent auditor's report and Management Letters and other communications during the course of the audit of Financial Statements 2020. Management Responses are followed up as well in implementing Auditor's recommendations.

CONCLUSION AND RECOMMENDATION

The Committee, together with the management reviewed the system of internal controls, risk management procedures and appropriateness and application of accounting policies of the Company and is satisfied with them. Further improvements are also encouraged to meet emerging challenges to the business processes. The Company's Internal Audit has been effective and External Auditor of the Company has been independent throughout the year.



A.D.T.S. Palitha
Chairman
Audit Committee
Colombo
29th March 2021

Independent Auditors' Report

Jayasinghe & Co

CHARTERED ACCOUNTANTS

Correspondent Firm of Russell Bedford International

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

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

Website: www.aajco.lk, E-mail: audit@aajco.lk

TO THE SHAREHOLDERS OF CO-OPERATIVE INSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Co-operative Insurance Company Limited ("the Company") and the consolidated financial statements of the Company and its Subsidiaries ("Group"), which comprises of the statement of financial position as at December 31, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at December 31, 2020, and of their financial performance and its cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Other Information

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

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and if we have identified an uncorrected material misstatement of the other information obtained after the date of the auditor's report, we have a legal obligation to take specific action in response.



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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieve fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

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

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



**JAYASINGHE & CO.
CHARTERED ACCOUNTANTS**

Colombo.

26th March 2021

AJ/IJ/DDS/1013/905/804/1068/1108/1145/1126

Statement of Financial Position

| AS AT 31ST DECEMBER (All amounts are in Sri Lankan Rupees) | Note | Group | | Company | |
|---|-------|-----------------------|----------------------|----------------------|----------------------|
| | | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Assets | | | | | |
| Property, plant & equipment | 04 | 1,192,166,388 | 1,194,954,597 | 924,285,766 | 915,227,525 |
| Right of use assets | 04.01 | 354,483,489 | 375,581,396 | 276,751,236 | 284,133,939 |
| Intangible assets | 05 | 17,822,678 | 13,135,150 | 16,229,209 | 9,260,615 |
| Deferred tax asset | 21 | 88,842,469 | 109,799,486 | - | - |
| Financial investments | 06 | 7,365,630,980 | 5,942,014,536 | 4,411,648,309 | 3,498,089,564 |
| Investments in subsidiaries | 07 | - | - | 574,260,050 | 455,260,050 |
| Loans to life policyholders | 08 | 28,551,631 | 24,937,390 | - | - |
| Reinsurance receivables | 09 | 375,447,224 | 410,408,812 | 364,005,542 | 394,409,744 |
| Premium receivables | 10 | 1,104,253,123 | 931,663,908 | 1,096,720,671 | 923,241,077 |
| Related party receivables | 35 | - | - | 15,650,469 | 16,676,075 |
| Other assets | 11 | 124,452,094 | 104,853,653 | 78,457,475 | 53,763,400 |
| Cash and cash equivalents | 12 | 207,185,004 | 158,121,067 | 177,828,759 | 119,168,796 |
| Total assets | | 10,858,835,080 | 9,265,469,995 | 7,935,837,486 | 6,669,230,785 |
| Equity & liabilities | | | | | |
| Equity attributable to equity holders of the parent | | | | | |
| Stated capital | 13 | 1,515,756,670 | 1,515,756,670 | 1,515,756,670 | 1,515,756,670 |
| Revaluation reserve | | 605,814,936 | 505,808,920 | 515,270,012 | 421,742,144 |
| Available for sale reserves | | 97,860,015 | 4,164,581 | (33,538,944) | (39,439,817) |
| Retained earnings | | 1,714,233,161 | 922,980,778 | 1,401,972,797 | 748,360,117 |
| | | 3,933,664,782 | 2,948,710,949 | 3,399,460,535 | 2,646,419,114 |
| Non-controlling interest | 16 | - | 147,979,663 | - | - |
| Total equity | | 3,933,664,782 | 3,096,690,612 | 3,399,460,535 | 2,646,419,114 |
| Liabilities | | | | | |
| Preference shares | 17 | 50,500,000 | - | 50,500,000 | - |
| Retirement benefit obligations | 18 | 66,334,762 | 68,737,098 | 53,222,055 | 53,695,603 |
| Lease liability under SLFRS 16 | 14 | 381,494,181 | 382,802,969 | 295,985,027 | 290,817,618 |
| Insurance liabilities | 15 | 5,141,249,282 | 4,684,517,194 | 2,956,779,172 | 2,735,576,692 |
| Reinsurance creditors | 19 | 223,759,438 | 325,434,673 | 212,724,701 | 309,664,298 |
| Related party payables | 35 | 10,000,000 | - | - | - |
| Deferred tax liability | 21 | 48,624,012 | 61,110,824 | 48,624,012 | 61,110,824 |
| Other liabilities | 20 | 942,742,009 | 613,392,375 | 858,075,370 | 539,162,386 |
| Bank overdrafts | 12 | 60,466,614 | 32,784,250 | 60,466,614 | 32,784,250 |
| Total liabilities | | 6,925,170,298 | 6,168,779,383 | 4,536,376,951 | 4,022,811,671 |
| Total equity & liabilities | | 10,858,835,080 | 9,265,469,995 | 7,935,837,486 | 6,669,230,785 |
| Net assets per share | | 27.50 | 22.30 | 23.76 | 19.05 |

Notes on pages 147 to 231 form an integral part of these Financial Statements.

I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

Laksiri Nawaratne
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board;

W.L.A. Pieris
Chairman

Colombo.

26th March 2021

K.R.W. Ranasinghe
Managing Director

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| FOR THE YEAR ENDED 31ST DECEMBER (All amounts are in Sri Lankan Rupees) | Note | Group | | Company | |
|--|------|---------------|---------------|---------------|---------------|
| | | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Gross written premium | 22 | 5,171,822,516 | 5,075,046,995 | 4,400,098,871 | 4,305,789,306 |
| Less premium ceded to reinsurers | 23 | (717,420,850) | (736,597,391) | (670,436,393) | (684,620,967) |
| Net written premium | | 4,454,401,666 | 4,338,449,604 | 3,729,662,478 | 3,621,168,339 |
| Net change in reserves for unearned premium | 24 | (95,883,791) | (194,571,009) | (95,883,791) | (194,571,009) |
| Net earned premium | | 4,358,517,875 | 4,143,878,595 | 3,633,778,687 | 3,426,597,330 |
| Other revenue | | | | | |
| Investment income | 25 | 733,536,843 | 622,628,666 | 449,930,085 | 409,283,774 |
| Unrealised changes in losses of financial instruments | | 238,053 | 86,685 | - | - |
| Net realised gain in financial investments | | - | 131,781 | - | - |
| Policy administration fees | 26 | 257,312,090 | 231,719,804 | 257,312,090 | 231,719,804 |
| Other income | 27 | 24,481,413 | 16,715,224 | 21,474,321 | 15,354,297 |
| | | 1,015,568,399 | 871,282,160 | 728,716,496 | 656,357,875 |
| Total net revenue | | 5,374,086,274 | 5,015,160,755 | 4,362,495,183 | 4,082,955,205 |
| Net benefits & claims | | | | | |
| Gross benefits & claims incurred | 28 | 2,677,547,099 | 3,034,727,143 | 2,336,581,296 | 2,810,318,997 |
| Claims ceded to reinsurers | | (363,587,494) | (442,723,844) | (353,840,884) | (428,325,941) |
| Change in life contract liabilities | | 237,966,209 | 328,131,183 | - | - |
| | | 2,551,925,814 | 2,920,134,482 | 1,982,740,412 | 2,381,993,056 |
| Other expenses | | | | | |
| Underwriting & policy acquisition cost | 29 | 342,482,485 | 295,039,683 | 244,837,049 | 214,255,963 |
| Other operating & administrative expenses | 30 | 1,488,893,049 | 1,321,577,643 | 1,224,555,515 | 1,050,194,569 |
| Finance cost | 31 | 50,735,361 | 51,478,371 | 40,284,067 | 39,257,405 |
| | | 1,882,110,895 | 1,668,095,697 | 1,509,676,631 | 1,303,707,937 |
| Profit before income tax | 32 | 940,049,565 | 426,930,575 | 870,078,140 | 397,254,211 |
| Income tax expenses | 33 | (244,566,294) | (154,351,695) | (225,099,061) | (131,590,732) |
| Profit for the year | | 695,483,271 | 272,578,879 | 644,979,079 | 265,663,479 |
| Other comprehensive income | | | | | |
| Items that will not be reclassified subsequently to profit or loss; | | | | | |
| Revaluation of property, plant and equipment | | 130,511,459 | 136,072,216 | 114,259,875 | 106,524,696 |
| Actuarial gains/(losses) on defined benefit plan | | 12,975,136 | (5,825,658) | 10,229,690 | (4,908,095) |
| Items that may be reclassified subsequently to profit or loss; | | | | | |
| Net change in fair value of available for sale financial assets | | 110,817,288 | 108,518,143 | 5,859,534 | 15,193,797 |
| Tax on other comprehensive income | | (23,812,984) | (12,451,637) | (22,286,757) | (10,081,143) |
| | | 230,490,899 | 226,313,063 | 108,062,341 | 106,729,255 |
| Total comprehensive income for the year, net of tax | | 925,974,170 | 498,891,942 | 753,041,420 | 372,392,733 |
| Profit attributable to: | | | | | |
| Equity holders of the Company | | 687,245,729 | 265,880,839 | 644,979,079 | 265,663,480 |
| Non-controlling interest | | 8,237,542 | 6,698,040 | - | - |
| | | 695,483,271 | 272,578,879 | 644,979,079 | 265,663,480 |
| Total comprehensive attributable to: | | | | | |
| Equity holders of the Company | | 897,716,525 | 472,638,993 | 753,041,420 | 372,392,733 |
| Non-controlling interest | | 28,257,645 | 26,252,950 | - | - |
| | | 925,974,170 | 498,891,942 | 753,041,420 | 372,392,733 |
| Earnings per share | | | | | |
| Basic earnings per share | 34 | 4.80 | 1.91 | 4.51 | 1.91 |

Notes on pages 147 to 231 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2020

(All amounts are in Sri Lankan Rupees)

| Group | Stated Capital (Note 13) | Revaluation Reserve | Available for Sale Reserve | Retained Earnings | Non Controlling Interests | Total |
|---|-----------------------------|---------------------|----------------------------|-------------------|---------------------------|---------------|
| Balance as at 1st January 2019 | 1,430,194,585 | 382,768,644 | (82,409,685) | 827,222,541 | 142,828,874 | 2,700,604,961 |
| Effect on partial investment in subsidiary | - | 1,342,764 | (656,776) | 3,741,174 | (14,427,161) | (10,000,000) |
| | 1,430,194,585 | 384,111,408 | (83,066,461) | 830,963,714 | 128,401,713 | 2,690,604,961 |
| Total comprehensive income | | | | | | |
| Profit for the year | - | - | - | 265,880,839 | 6,698,040 | 272,578,879 |
| Other comprehensive income for the year | | | | | | |
| Net change in revaluation of property, plant and equipment | - | 131,240,464 | - | - | 4,831,752 | 136,072,216 |
| De-recognition of revaluation reserve | - | (1,043,721) | - | 1,043,721 | - | - |
| Net change in fair value of available for sale financial assets | - | - | 93,257,304 | - | 15,260,839 | 108,518,143 |
| Actuarial gains/(losses) on defined benefit plan | - | - | - | (5,675,614) | (150,044) | (5,825,658) |
| Tax on other comprehensive income | - | (8,499,231) | (6,026,261) | 2,461,489 | (387,635) | (12,451,637) |
| | - | 121,697,512 | 87,231,043 | (2,170,403) | 19,554,912 | 226,313,063 |
| Total comprehensive income for the year | - | 121,697,512 | 87,231,043 | 263,710,436 | 26,252,950 | 498,891,942 |
| Issue of shares | 85,562,085 | - | - | - | - | 85,562,085 |
| Ordinary dividends - 2018 | - | - | - | (171,693,373) | (6,675,000) | (178,368,372) |
| Balance as at 31st December 2019 | 1,515,756,670 | 505,808,920 | 4,164,581 | 922,980,778 | 147,979,663 | 3,096,690,612 |
| Balance as at 1st January 2020 | 1,515,756,670 | 505,808,920 | 4,164,581 | 922,980,778 | 147,979,663 | 3,096,690,612 |
| Total comprehensive income | | | | | | |
| Profit for the year | - | - | - | 687,245,729 | 8,237,542 | 695,483,271 |
| Other comprehensive income for the year | | | | | | |
| Net change in revaluation of property, plant and equipment | - | 125,407,755 | - | 2,446,167 | 2,657,537 | 130,511,459 |
| De-recognition of revaluation reserve | - | (5,839,248) | - | 5,839,248 | - | - |
| Net change in fair value of available for sale financial assets | - | - | 93,654,095 | - | 17,163,193 | 110,817,288 |
| Actuarial gains/(losses) on defined benefit plan | - | - | - | 12,526,187 | 448,949 | 12,975,136 |
| Gain on purchase of Cooplife Limited | - | | | 87,237,308 | - | - |
| Tax on other comprehensive income | - | (19,562,491) | 41,339 | (4,042,256) | (249,576) | (23,812,984) |
| | - | 100,006,016 | 93,695,434 | 104,006,654 | 20,020,103 | 317,728,207 |
| Total comprehensive income for the year | - | 100,006,016 | 93,695,434 | 791,252,383 | 28,257,645 | 1,013,211,478 |
| Effect of changes in holding percentage | | - | - | - | (176,237,308) | (176,237,308) |
| Balance as at 31st December 2020 | 1,515,756,670 | 605,814,936 | 97,860,015 | 1,714,233,161 | - | 3,933,664,782 |

Notes on pages 147 to 231 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2020

(All amounts are in Sri Lankan Rupees)

| Company | Stated Capital (Note 13) | Revaluation Reserve | Available for Sale Reserve | Retained Earnings | Total |
|--|-----------------------------|---------------------|----------------------------|----------------------|----------------------|
| Balance as at 1st January 2019 | 1,430,194,585 | 322,407,068 | (48,607,352) | 656,163,366 | 2,360,157,667 |
| Total comprehensive income | | | | | |
| Profit for the year | - | - | - | 265,663,480 | 265,663,480 |
| Other comprehensive income for the year | | | | | |
| Net change in revaluation of property, plant and equipment | - | 106,524,696 | - | - | 106,524,696 |
| Net change in fair value of available for sale financial assets | - | - | 15,193,797 | - | 15,193,797 |
| Actuarial gains/ (losses) on defined benefit plan | - | - | - | (4,908,095) | (4,908,095) |
| De-recognition of revaluation reserve | (673,249) | | | 673,249 | - |
| Tax on other comprehensive income | - (6,516,371) | (6,026,261) | 2,461,489 | (10,081,143) | |
| | - 99,335,076 | 9,167,535 | (1,773,356) | 372,392,734 | |
| Total comprehensive income for the year | - 99,335,076 | 9,167,535 | 263,890,124 | 372,392,734 | |
| Issue of shares | 85,562,085 | - | - | - | 85,562,086 |
| Ordinary dividends - 2018 | - | - | - | (171,693,373) | (171,693,372) |
| Balance as at 31st December 2019 | 1,515,756,670 | 421,742,144 | (39,439,817) | 748,360,117 | 2,646,419,114 |
| Balance as at 1st January 2020 | 1,515,756,670 | 421,742,144 | (39,439,817) | 748,360,117 | 2,646,419,114 |
| Total comprehensive income | | | | | |
| Profit for the year | - | - | - | 644,979,079 | 644,979,079 |
| Other comprehensive income for the year | | | | | |
| Net change in revaluation of property, plant & equipment | - | 111,813,708 | - | 2,446,167 | 114,259,875 |
| Net change in fair value of available for sale financial assets | - | - | 5,859,534 | - | 5,859,534 |
| Actuarial gains/ (losses) on defined benefit plan | - | - | - | 10,229,690 | 10,229,690 |
| Tax on other comprehensive income | - (18,285,840) | 41,339 | (4,042,256) | (22,286,757) | |
| | - 93,527,868 | 5,900,873 | 8,633,601 | 108,062,342 | |
| Total comprehensive income for the year | - 93,527,868 | 5,900,873 | 653,612,680 | 753,041,421 | |
| Balance as at 31st December 2020 | 1,515,756,670 | 515,270,012 | (33,538,944) | 1,401,972,797 | 3,399,460,535 |

Notes on pages 147 to 231 form an integral part of these Financial Statements.

Statement of Cash Flows

FOR THE YEAR ENDED 31ST DECEMBER 2020
(All amounts are in Sri Lanka Rupees)

| | Note | Group | | Company | |
|--|------|----------------------|----------------------|----------------------|----------------------|
| | | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Cash flows from operating activities | | | | | |
| Net profit before taxation | | 940,049,565 | 426,930,575 | 870,078,140 | 397,254,212 |
| Adjustments for: | | | | | |
| Interest income | | (733,536,843) | (571,150,294) | (449,930,085) | (379,656,860) |
| Interest expense | | 50,735,361 | 51,478,371 | 40,284,067 | 39,257,405 |
| Depreciation on property, plant and equipment | | 174,385,136 | 159,798,644 | 144,834,635 | 123,277,527 |
| Depreciation on right of use asset | | 75,908,455 | 71,460,283 | 56,184,327 | 54,665,639 |
| Reversal of impairment loss on property, plant and equipment | | (101,141) | (102,240) | - | - |
| Impairment loss on premium receivables | | 105,633,856 | 12,387,758 | 99,631,582 | 11,972,827 |
| Impairment loss on other assets | | - | - | - | - |
| Impairment loss on property, plant and equipment | | - | - | - | - |
| Amortisation of intangible assets | | 3,469,391 | 3,615,445 | 1,188,325 | 1,485,601 |
| Reversal of gain on bargaining purchases | | (87,237,308) | - | - | - |
| (Profit)/loss on sale of tangible assets | | (2,346,096) | (1,595,947) | (2,346,096) | (1,210,102) |
| Provision for employee benefits | | 16,685,962 | 16,114,987 | 13,492,836 | 12,673,545 |
| Operating profit before working capital changes | | 630,883,646 | 168,937,582 | 773,417,730 | 259,719,794 |
| Changes in operating assets | | (267,982,820) | (235,467,690) | (266,230,506) | (256,787,902) |
| Changes in operating liabilities | | 99,345,601 | 141,436,109 | 73,681,015 | 135,674,201 |
| Changes in general insurance reserves | | 221,202,480 | 505,632,848 | 221,202,480 | 505,632,848 |
| Increase in long term insurance provision | | 235,529,608 | 340,839,055 | - | - |
| Cash flows from operating activities | | 918,978,515 | 921,377,902 | 802,070,719 | 644,238,940 |
| Gratuity paid | | (6,113,162) | (7,433,633) | (3,736,694) | (4,624,465) |
| Taxation paid | | (121,580,260) | (139,255,515) | (121,580,260) | (133,043,972) |
| Rent and advance paid | | (105,070,730) | (101,849,539) | (83,787,898) | (80,720,963) |
| Cash flows from/(used in) operating activities | | 686,214,363 | 672,839,216 | 592,965,868 | 425,849,541 |
| Cash flows from investing activities | | | | | |
| Purchase of investments net of sale proceeds | | (1,312,799,155) | (969,142,129) | (907,699,211) | (595,319,784) |
| Investments in subsidiaries | | (38,500,000) | (10,000,000) | (58,500,000) | (10,000,000) |
| Interest received | | 733,120,405 | 570,750,986 | 448,530,904 | 379,656,860 |
| Dividend received | | 416,438 | 399,308 | 1,399,182 | 30,026,222 |
| Interest paid | | (275,319) | (172,092) | (275,319) | (106,455) |
| Proceeds on sale of tangible assets | | 8,905,928 | 4,627,682 | 5,559,582 | 3,439,890 |
| Purchase of intangible assets | | (8,156,919) | (11,419,261) | (8,156,919) | (7,884,261) |
| Purchase of tangible assets | | (47,544,168) | (83,011,474) | (42,846,488) | (77,582,903) |
| Net cash flows from/(used in) investing activities | | (664,832,790) | (497,966,979) | (561,988,269) | (277,770,431) |
| Cash flows from financing activities | | | | | |
| Repayment of finance leases | | - | (3,051,458) | - | (1,763,819) |
| Dividend paid | | - | (92,806,288) | - | (86,131,288) |
| Net cash flows from/(used in) financing activities | | - | (95,857,746) | - | (87,895,107) |
| Decrease in cash and cash equivalents | | 21,381,573 | 79,014,491 | 30,977,599 | 60,184,003 |
| Cash and cash equivalents at the beginning of the year | | 125,336,817 | 46,322,326 | 86,384,546 | 26,200,543 |
| Cash and cash equivalents at the end of the year | 12 | 146,718,390 | 125,336,817 | 117,362,144 | 86,384,546 |
| Note A | | | | | |
| Cash and cash equivalents at the end of the year | | 200,047,431 | 150,412,005 | 174,869,499 | 112,284,079 |
| Cash at banks | | 7,137,573 | 7,206,517 | 2,959,260 | 6,884,717 |
| Cash in hand | | - | 502,545 | - | - |
| Cash in transit | | (60,466,614) | (32,784,250) | (60,466,614) | (32,784,250) |
| Bank overdrafts | | 146,718,390 | 125,336,817 | 117,362,144 | 86,384,546 |

Notes on pages 147 to 231 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 Reporting Entity

Co-operative Insurance Company Limited is a Company incorporated on 11th August 1997 with limited liability and domiciled in Sri Lanka. The registered office and the principal place of business of the Company is situated at No. 74/5, Grandpass Road, Colombo 14, while the registered office of its subsidiaries (Cooplife Insurance Limited and Coopinsu Training Academy) are situated at "Coop House", No. 455, Galle Road, Colombo 03 and No. 70/3, Grandpass Road, Colombo 14, respectively.

1.2 Consolidated Financial Statements

The consolidated Financial Statements for the year ended and as at 31st December 2020 comprise "the Company" referring to Co-operative Insurance Company Limited as the holding company and "the Group" referring to Co-operative Insurance Company Limited and its subsidiaries as listed in note 3.1.1.

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

1.3 Principal Activities & Nature of Operations

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

Co-operative Insurance Company Limited, provides general insurance solutions for both individual and corporate customers. Insurance other than 'life insurance' falls under the category of general insurance. Fire, motor, marine and miscellaneous insurance are the main categories under general insurance.

Cooplife Insurance Limited provides life insurance solutions for both individual and corporate customers. Coopinsu Training Academy provides insurance education training mostly to the employees and also for the external parties.

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

1.4 Number of Employees

The staff strength of the Company as at 31st December 2020 was 1359 (2019 – 1352) and the Group as at that date was 1577 (2019 – 1542).

1.5 Date of Authorisation for Issue

The consolidated Financial Statements for the year ended 31st December 2020 were authorised for issue by the Board of Directors on 26th March 2020.

1.6 Responsibility of Financial Statements

The Board of Directors is responsible for these Financial Statements as per the provisions of the Companies Act, No. 07 of 2007, the Sri Lanka Accounting Standards and the Regulations of Insurance Industry Act, No. 43 of 2000.

The responsibility of the Directors in relation to these Financial Statements is set out in detail in the Annual Report of the Board of Directors; Directors' Responsibility for Financial Position appearing in this annual report.

BASIS OF PREPARATION

2.1 Statement of Compliance

The consolidated Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (hereinafter referred to as SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka, the requirements of Companies Act No. 07 of 2007 and the Regulations of Insurance Industry Act No. 43 of 2000 taken together with subsequent amendments.

The Company has not adopted any inappropriate accounting treatments, which are not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of these Financial Statements.

These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

Notes to the Financial Statements

The Financial Statements have the following components:

| Components | Page |
|---|---------|
| Consolidated statement of financial position | 142 |
| Consolidated statement of profit or loss and other comprehensive income | 143 |
| Consolidated statement of changes in equity | 144-145 |
| Consolidated statement of cash flows | 146 |
| Notes to the financial statements | 147-231 |

2.2 Basis of Measurement

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

| Item | Measurement Basis | Note No. |
|---|--|----------|
| Land and buildings | Fair value | 4 |
| Motor vehicles | Fair value | 4 |
| Held to maturity instruments | Amortised cost | 6.1 |
| Loans and receivable investments | Amortised cost | 6.2 |
| Available for sale financial assets | Fair value | 6.3 |
| Non derivative financial instruments at fair value through profit or loss | Fair value | 6.4 |
| Policyholder liabilities | Actuarial valuation | 15 |
| Defined benefit liabilities | Actuarially valued and recognised at present value | 18 |

2.3 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 on ‘Presentation of Financial Statements’ and amendments to the LKAS 1 on ‘Disclosure Initiative’, which was effective from 1st January 2016.

Notes to the Financial Statements are presented in a systematic manner, which ensures the understandability and comparability of Financial Statements of the

Company. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

2.4 Going Concern

The outbreak of COVID-19 is not expected to have a significant impact on the Group. Management has determined that there is no material uncertainty that casts doubt on the parent and its subsidiaries' ability to continue as a going concern. Management expects that COVID-19 might have an impact but it is not significant. The management has made an assessment of the parent company's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the parent company's ability to continue as a going concern. Therefore, consolidated Financial Statements continue to be prepared on a going concern basis.

Based on all available information, the management has considered the consequences of COVID-19, other events and conditions such as current market uncertainty and market volatility, and it has determined that they do not create a material uncertainty that casts substantial doubt upon the entity's ability to continue as a going concern. Management also evaluates the company's ability to continue operations under lockdown situation, cash reserves, ability to secure additional funding to finance the adverse effects to the cash flows, ability to secure required human resources, expected revenue streams, credit and collection management practices and ability to defer non-essential capital expenditures.

2.5 Functional and Presentation Currency

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

2.6 Comparative Information

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

2.7 Use of Estimates and Judgements

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standard 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 recognised in the period in which the estimates are revised and in any future periods affected.

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

| Critical Accounting Estimates/Judgements | Disclosure Note |
|--|-----------------|
| Useful lives of property and equipment | 3.5.7 |
| Impairment of non-financial assets | 3.7 |
| Classification of financial instruments | 3.3 |
| Unearned premium | 3.11.3a |
| Insurance provision– Life | 3.11.1 |
| Liability adequacy | 3.11.2 |
| Provision for IBNR/IBNER | 3.11.3b |
| Employee benefits | 3.14 |
| Deferred taxation | 3.21.2 |

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of Consolidation

The consolidated Financial Statements comprise the Financial Statements of the parent and its investees that are considered as subsidiaries as at 31st December 2020, in terms of SLFRS 10 - Consolidated Financial Statements.

3.1.1 Subsidiaries

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

Critical Judgements in Applying the Entity's Control

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

Interest in Subsidiaries

Set out below is the Group's principal Subsidiary as at 31st December 2020.

| Name of Entity | Place of Business/ Country of Incorporation | Percentage of Ownership | | Principal Activities |
|---|---|-------------------------|------|------------------------------|
| | | 2020 | 2019 | |
| Cooplife Insurance Limited | Colombo / Sri Lanka | 100% | 84% | Life Insurance |
| Co-operative Insurance Training Academy | Colombo / Sri Lanka | 100% | 100% | Insurance Training Education |

Acquisition

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

Transactions Eliminated on Consolidation

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

Loss of Control

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

Notes to the Financial Statements

3.2 Foreign Currency Transactions

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

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

Foreign currency differences arising on retranslation are recognised in the profit or loss; except for the difference arising on the retranslation of available for sale equity instruments, which are recognised in other comprehensive income.

3.3 Financial Instruments

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

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

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

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

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

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

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

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

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

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

3.3.2 Non-Derivative Financial Assets - Subsequent Measurement

(A) Available For Sale Financial Assets (AFS)

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

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

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

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

(b) Financial Assets at Fair Value through Profit or Loss (FVTPL)

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

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

(c) Held to Maturity Financial Assets (HTM)

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

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

(d) Loans & Receivables

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

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

• Reinsurance Receivables

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

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

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

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

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

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

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

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

The Company decided to account for life insurance premium on accrual basis in accordance with Sri Lanka Accounting Standards. Accordingly, life insurance premium for policies within one-month grace period are considered as due premium, subject to a provision for premium default as at each reporting date.

Notes to the Financial Statements

- Other Receivables and Dues from Related Parties

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

- Cash and Cash Equivalents

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

3.3.3 Non-Derivative Financial Liabilities - Measurement

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

3.3.4 Fair Value Measurement

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

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

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

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a

fair value measurement in both cases is the same to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

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

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

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

3.3.5 Determination of Fair Values

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

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

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

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

3.3.6 Amortised Cost Measurement

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

3.3.7 Reclassification

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

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

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

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

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

3.3.8 Impairment

a) Non-Derivative Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

Available for Sale Financial Assets

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

Notes to the Financial Statements

b) Non-Financial Assets

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

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

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

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

3.4 Insurance Contracts

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

3.4.1 Product Classification

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

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

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

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

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

3.5 Property, Plant and Equipment

3.5.1 Recognition and Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost.

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

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

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

3.5.2 Cost Model

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

3.5.3 Revaluation Model

The Group applies the revaluation model to the entire class of freehold land, buildings and motor vehicles. Such properties are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land and buildings are revalued annually on a roll over basis to ensure that the carrying amounts do not differ materially from the fair values at the reporting date.

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

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

3.5.4 Subsequent Costs

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

3.5.5 Depreciation

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

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

| | 2020 | 2019 |
|----------------------------|------------------------|------------------------|
| Buildings | 40 years - 60 years | 40 years - 60 years |
| Building improvements | 10 years | 10 years |
| Office equipment | 8 years | 8 years |
| Computers | 6 years | 6 years |
| Motor vehicles | 5 years | 5 years |
| Furniture and fittings | 8 years | 8 years |
| Motor vehicles – leasehold | 4 years | 4 years |

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

3.5.6 De-Recognition

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

3.5.7 Useful Lives of Property and Equipment

As described in accounting policies the Group reviews the estimated useful lives over which its property and equipments are depreciated. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty. The Group's management is satisfied that the estimates of useful lives are appropriate.

3.5.8 Gains and Losses on Disposal

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

3.5.9 Capital Work-In-Progress

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

Notes to the Financial Statements

3.5.10 Right of Using Assets

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

3.5.11 Estimating the Incremental Borrowing Rate

Company uses its incremental borrowing rate (“IBR”) to measure the lease liabilities, as it cannot readily determine the interest rate implicit in the lease. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of-use asset in a similar economic environment. Therefore, IBR reflects what the Company “would have to pay”, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable input when available and is required to make certain entity-specific adjustments.

3.5.12 Recognition

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

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

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

3.5.13 Measurement

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

Where the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of using the asset is subsequently depreciated adopting the straight-line method from the commencement date to the earlier of the end of the useful life of the right of using asset or the end of the lease term. Right of using assets are subject to impairment. The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date.

3.6 Intangible Assets – Software

3.6.1 Basis of Recognition

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

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

3.6.2 Subsequent Expenditure

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

3.6.3 Amortisation

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

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

3.6.4 Derecognition

An intangible asset is derecognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from the derecognition of such intangible assets are included in the profit or loss, when the item is derecognised.

3.7 Impairment of Non-Financial Assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

3.8 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle. Value of inventories includes expenditure incurred in acquiring, conversion costs and other costs incurred in bringing them to their existing location and condition.

Salvage inventory is recognised based on the salvage value on the claim reporting date supported by realisable values from independent sources or value subsequently sold.

3.9 Foreign Currency Translation

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

3.10 Stated Capital

3.10.1 Ordinary Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

3.10.2 Dividends on Ordinary Shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's Board of Directors in accordance with the Articles of Association. Dividends for the year that are approved after the reporting date, are dealt with as an event after the reporting date.

3.11 Insurance Contract and Liabilities

3.11.1 Insurance Provision – Life Insurance

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium method as specified by the Insurance Regulatory Commission of Sri Lanka (IRCSL) based on the recommendation of the Independent Actuary. The liability is determined as the sum of the discounted value of the expected future benefits, less the discounted value of the expected future premium that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is computed based on IRCSL specified guidelines and current assumptions, which vary based on the contract type.

Furthermore, adjustments are performed to capture the likely liabilities that may arise due to currently lapsed contracts reviving in the future.

Notes to the Financial Statements

3.11.2 Liability Adequacy Test (LAT) – Long Term Insurance

As required by SLFRS 4 –Insurance Contracts, the Company performed a Liability Adequacy Test (LAT) in respect of life insurance contract liabilities with the assistance of an External Actuary. In performing the LAT, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used.

3.11.3 Insurance Provision – Non-Life Insurance

Non-life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities, known as the policy liability provisions include the premium and claim liabilities. The premium liabilities relate to policies for which the premium have been received but the exposure has not fully expired, while the claim liabilities relate to that have been incurred but not yet reported (IBNR) / incurred, but not enough reported (IBNER).

a) Unearned Premium

The provision for unearned premium represents premium received or receivable for risks that have not yet expired at the reporting date. Generally, the reserve is released over the term of the contract and is recognised as premium income.

The provision is recognised when contracts are entered and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance services provided under the contract. Provision for unearned premium is calculated on a 1/24 basis except for marine / cargo class which is subject to 60 / 40 basis.

At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premium. If these calculations show that the carrying amount of the unearned premium (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement of profit or loss and other comprehensive income, by setting up a provision for premium deficiency.

b) Claims Payable Including IBNR

The claim liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, with a reduction for the expected value of salvage and other recoveries.

Delays can be experienced in the notification and settlement of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviations. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

IBNR reserve is decided by an independent external actuary.

3.11.4 Liability Adequacy Test (LAT) – Non-Life Insurance

At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed as laid out under SLFRS 4 to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premium. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premium (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement of profit or loss and other comprehensive income, by setting up a provision for liability adequacy.

3.11.5 Insurance Contract Liabilities – Non-Life Insurance

Non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty. The main assumption underlying estimating the amounts of outstanding claims is the past claims development experience.

3.12 Reinsurance Assets

The Company cedes insurance risk in the normal course of business to recognised reinsurers through formal reinsurance arrangements. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

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

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

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

3.13 Reinsurance Liabilities

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contracts.

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

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

3.14 Employee Benefits

3.14.1 Short-Term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans, if the Group has a present legal or a constructive obligation to pay this amount as a result of past service, provided by the employee and the obligation can be estimated reliably.

3.14.2 Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in the profit and loss, when incurred.

a) Employees' Provident Fund

All employees of the Company are members of the Employees' Provident Fund (EPF). The Company and employees contribute 12% and 8%, respectively, from the salary to EPF.

b) Employees' Trust Fund

All employees of the Company are members of the Employees' Trust Fund (ETF). The Company contributes 3% of the salary of each employee to the ETF.

3.14.3 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by an independent actuary using Projected Unit Credit method as recommended by LKAS 19 "Employee Benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the yield on government bonds at the reporting date and have maturity dates approximating to the terms of the Company's obligations.

The Group recognises actuarial gains and losses that arise in calculating the Company's obligation in respect of a plan in other comprehensive income.

Notes to the Financial Statements

The present value of the defined benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in note 18 Any, changes in these assumptions will impact the carrying amount of defined benefit obligations.

3.14.4 Defined Benefit Plan

Provisions have been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 "Employee Benefits". However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The obligation is not externally funded.

3.15 Provisions (Other Than Insurance Provision)

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.16 Capital Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. The Company's share of any contingencies and capital commitments and of its subsidiary for which the Company is also liable severally or otherwise, are also included with appropriate disclosures.

3.17 Revenue Recognition - Non-Life Insurance

3.17.1 Gross Premium

Gross written premium (GWP) comprise the total premium received/ receivable for the whole period of cover provided by contracts entered into during the accounting period. GWP is generally written upon inception of the policy. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross written premium.

3.17.2 Unearned Premium Reserve (UPR)

Unearned premium are those proportions of a premium written in a year that relate to periods of risk after the reporting date. UPR represents the portion of the premium written in the year, but relating to the unexpired term of coverage. Unearned premium are calculated on the 1/24 basis except for the marine and title policies, which are computed on a 60-40 basis. The proportion attributable to subsequent period is deferred as a provision for unearned premium.

3.17.3 Reinsurance Premium

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

3.17.4 Unearned Reinsurance Premium

Unearned reinsurance premium are the proportions of a premium written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premium is calculated on 1/24 basis except for the marine policies, which are computed on a 60-40 basis.

3.17.5 Unexpired Risk

Provision is made where appropriate for the estimated amount required over and above unearned premium to meet future claims and related expenses on the business in force, as at the reporting date.

3.17.6 Acquisition Costs

Acquisition costs comprise commissions and other variable costs directly connected with acquisition or renewal of insurance contracts, are deferred to the extent that these costs are recoverable out of future premium. All other acquisition costs are recognised as an expense when incurred.

3.17.7 Reinsurance Commission Income

Reinsurance commission income on outwards reinsurance contracts are recognised as revenue, when receivable. Subsequent to initial recognition, reinsurance commission income on outward reinsurance contracts are deferred and amortised on straight-line basis over the term of the expected premium payable.

3.17.8 Gross Benefits & Claims

Gross benefits and claims for non-life insurance include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims expenses and liabilities for outstanding claims are recognised in respect of direct and inward reinsurance business. The liability covers claims reported but not yet paid, incurred but not reported (IBNR) claims, incurred but not enough reserved (IBNER) and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims. The provision in respect of IBNR and IBNER is actuarially valued on an annual basis to ensure a more realistic estimation of the future liability based on past experience and trends.

While the directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustment to the amounts provided. Such amounts are reflected in the Financial Statements for that period. The methods used and the estimates made are reviewed regularly.

Recoveries from salvage sales and the movement in salvage inventory are netted off against claims expense.

3.17.9 Reinsurance Claims Recoveries

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract. This includes reinsurance exposure of IBNR.

3.18 Revenue Recognition -Life Insurance

3.18.1 Gross Premium

Gross written premium on life insurance contracts are recognised as revenue when payable by the policyholders (policies within one-month grace period are considered as due premium, subject to a provision for premium default).

For single premium business, revenue is recognised on the date on which the policy is effective.

3.18.2 Reinsurance Premium

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

3.18.3 Acquisition Costs

All acquisition costs are recognised as an expense when incurred.

3.18.4 Reinsurance Commission Income

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

3.18.5 Gross Benefits and Claims Expenses

Claims by death and maturity are charged against revenue on notification of death or on expiry of the term. The interim payments and surrenders are accounted for only at the time of settlement.

Expenses on life insurance relates to the acquisition expenses and expenses for maintenance of life insurance business, investment related expenses not treated as a part of the capital cost of investment, etc. are accounted on accrual basis.

3.18.6 Reinsurance Claims Recoveries

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

3.19 Other Revenue

3.19.1 Interest Income

Finance income comprises interest income on funds invested (including available for sale financial assets) and dividend income. Interest income is recognised in the income statement, as it accrues and is calculated by using the effective interest rate method (EIR). Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Notes to the Financial Statements

3.19.2 Dividends

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

3.19.3 Finance Expenses

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

3.19.4 Realised Gains and Losses

Realised gains and losses recorded in the income statement on investments, include gains and losses on financial assets.

Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

3.19.5 Fair Value Gains and Losses

Fair value gains and losses recorded in the income statement on investments include fair value gains on financial assets at fair value through the profit or loss.

3.19.6 Other Income

Other income comprises of fees charged for policy administration services, disposal gains on property, plant and equipment, gains on foreign currency translations, and miscellaneous income.

Gains on foreign currency translations are recognised on a net basis.

3.20 Expenses Recognition

Other expenses are recognised on accrual basis. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment has been charged to profit or loss.

a) Expenses are recognised in the profit or loss on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to statement of profit or loss and other comprehensive income, in arriving at the profit for the year.

b) For the purpose of presentation of the statement of profit or loss and other comprehensive income, the directors are of the opinion that function of expenses method presents fairly the elements of the Company's performance, and hence, such presentation method is adopted.

3.21 Income Tax Expense

Tax expense comprises of current and deferred tax. Current tax and deferred tax are recognised in items recognised directly in equity or in the income statement and in the statement of profit or loss and other comprehensive income.

3.21.1 Current Taxation

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

Provisions for taxation is based on the profit for the year adjusted for taxation purposes, in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto and the Inland Revenue Act No. 24 of 2017 at the rates specified in note 33.

3.21.2 Deferred Taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences:

- Temporary difference on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss.
- Temporary difference related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax is not recognised for the undistributed profits of subsidiaries as the parent company has control over the dividend policy of its subsidiaries and distribution of those profits. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.21.3 Tax Exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities and such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

3.22 Crop Insurance Levy (CIL)

The Crop Insurance Levy was introduced under the provisions of the Section 14 of the Finance Act No. 12 of 2013, and came into effect from 1st April 2013. It is payable to the National Insurance Trust Fund and liable at 1% of the profit after tax.

3.23 Cash Flow Statement

The cash flow statement has been prepared using the "indirect method" of preparing cash flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7, Cash Flow Statements.

Cash and cash equivalents comprise of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents include cash in-hand, balances with banks and short-term deposits with banks.

For cash flow purposes, cash and cash equivalents are indicated as cash at banks and in hand, net of bank overdrafts.

3.24 Events Occurring after the Reporting Date

All material subsequent events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the Financial Statements.

3.25 Earnings Per Share (EPS)

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

3.26 New Accounting Standards and Amendments to Existing Standard Issued but Not Effective as At The Reporting Date

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued the following new Sri Lanka Accounting Standards. However, these standards have not been applied in preparing these Financial Statements as those were not effective as of the reporting date.

SLFRS 9 – Financial Instruments: Classification & Measurement

SLFRS 9, as issued, reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets & liabilities, depending on the entity's business model for managing contractual cash flows characteristics of the financial asset.

This is effective for annual periods beginning on or after 1st January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

Notes to the Financial Statements

Temporary Exemption from SLFRS 9

An insurer that meets the criteria in paragraph 20B of SLFRS 4 (amended) provides a temporary exemption that permits, but does not require, the insurer to apply LKAS 39 – Financial Instruments: Recognition and Measurement rather than SLFRS 9 for annual periods beginning before 1st January 2023.

An insurer may apply the temporary exemption from SLFRS 9 if, and only if:

- It has not previously applied any version of SLFRS 9, other than only the requirements for the presentation of gains and losses of financial liabilities designated as at fair value through profit or loss and;
- Its activities are predominantly connected with insurance, at its annual reporting date that immediately precedes 1st April 2016, or at a subsequent annual reporting date.

Having considering the above criteria, Co-operative Insurance Company Limited and Cooplife Insurance Limited are predominantly connected with insurance activities; both the Companies may continue to apply LKAS 39 – Financial Instruments: Recognition and Measurement rather than SLFRS 9 for annual periods beginning before 1st January 2023.

Summary of the Requirements: Classification and Measurement

Financial Assets

SLFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics and contains three principal classification categories for financial assets measured at:

- Amortised cost
- Fair value through other comprehensive income (FVTOCI)
- Fair value through profit or loss

The standard eliminates the existing LKAS 39 categories of Held to Maturity, Loans and Receivables and Available For Sale.

Financial Liabilities

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities. However, under LKAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in Profit or Loss, whereas under SLFRS 9 these fair value changes are generally presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and
- The remaining amount of change in the fair value is presented in profit or loss.

Impairment

SLFRS 9 replaces the ‘Incurred Loss’ model in LKAS 39 with a forward-looking ‘Expected Credit Loss’ (ECL) model. This will require considerable judgment about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

- To financial assets measured at amortised cost or FVTOCI, the new impairment model will apply, except for investments in equity instruments, and to contract assets.
- Loss allowances will be measured on either of the following bases: 12-month ECLs (these are ECLs that result from possible default events within the 12 months after the reporting date), and Lifetime ECLs (these are ECLs that result from all possible default events over the expected life of a financial instrument).

Disclosure to Provide Comparability

The Group will make an assessment of the objective of the business model when a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

SLFRS 17 – Insurance Contracts

SLFRS 17 issued by the Institute of Chartered Accountants of Sri Lanka is in line with IFRS 17 issued by the International Accounting Standard Board and will come into effect from 01st January 2023. SLFRS 17 will supersede SLFRS 4 - “Insurance Contracts”. The Company is intends to adopt the new standard on its mandatory effective date.

Objective & Scope

The standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of SLFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives basis for users of Financial Statements to access the effect that insurance contract have on entity's financial position, financial performance and cash flows.

An entity shall apply SLFRS 17 Insurance contracts to:

- insurance contracts, including reinsurance contracts, it issues;
- reinsurance contracts it holds; and
- investment contracts with discretionary participation features issues, provided the entity also issues insurance contracts.

Recognition

An entity shall recognise a group of insurance contracts it issues from the earliest of the following:

- a) the beginning of the coverage period
- b) the date when the first payment from a policyholder becomes due, and
- c) when the group becomes onerous if facts and circumstances indicate that there is such a group.

SLFRS – 17 specify three measurement approaches:

- I. Building Block Approach (BBA)/General Measurement Model
- II. Premium Allocation Approach (PAA)
- III. Variable Fee Approach (VFA)

Onerous Contracts - Cost of Fulfilling a Contract (Amendments to LKAS 37)

An insurance contract is onerous at initial recognition if the total of the FCF, any previously recognised acquisition cash flows and any cash flows arising from the contract at that date is a net outflow. An entity shall recognise a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the FCF and the CSM of the group being zero. On subsequent measurement, if a group of insurance contracts become onerous (or more onerous), that excess shall be recognised in profit or loss. Additionally, CSM cannot increase and no revenue can be recognised, until the onerous amount previously recognised has been reversed in profit or loss as part of a service expense.

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1st January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The Company does not anticipate this amended to have a significant impact.

Other New Accounting Pronouncements

The following new and amended standards are not expected to have a significant impact on the Group's consolidated Financial Statements.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to LKAS 37)
- COVID-19-Related Rent Concessions (Amendment to SLFRS 16)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16)
- Reference to Conceptual Framework (Amendments to SLFRS 3)

Notes to the Financial Statements

NOTE 04 - PROPERTY, PLANT AND EQUIPMENT - GROUP

| Cost/valuation | Land Rs. | Building Rs. | Building improvements Rs. | Partitions Rs. | Computers Rs. |
|--------------------------------------|-------------|-----------------|---------------------------------|-------------------|------------------|
| Balance as at 1st January 2019 | 224,420,000 | 410,469,000 | 71,511,000 | 19,790,849 | 258,238,016 |
| Additions during the year | 40,015,265 | - | - | 4,736,529 | 15,945,323 |
| Disposals during the year | - | - | - | - | (4,333,845) |
| (Impairment)/Reversal of impairment | - | - | - | - | - |
| Transfers | - | - | - | - | - |
| Revaluation | 24,411,735 | 12,743,324 | 11,918,500 | - | - |
| Depreciation reversal on revaluation | - | (7,770,324) | (11,918,500) | - | - |
| Balance as at 31st December 2019 | 288,847,000 | 415,442,000 | 71,511,000 | 24,527,378 | 269,849,493 |
| Balance as at 1st January 2020 | 288,847,000 | 415,442,000 | 71,511,000 | 24,527,378 | 269,849,493 |
| Additions during the year | 684,070 | - | - | 6,941,217 | 14,015,349 |
| Disposals during the year | - | - | - | - | (127,000) |
| (Impairment)/reversal of impairment | - | - | - | - | - |
| Derecognition | | | | | |
| Revaluation | 1,347,930 | 9,774,259 | 13,741,200 | - | - |
| Depreciation reversal on revaluation | - | (8,045,259) | (14,302,200) | - | - |
| Balance as at 31st December 2020 | 290,879,000 | 417,171,000 | 70,950,000 | 31,468,595 | 283,737,842 |
| Depreciation | | | | | |
| Balance as at 1st January 2019 | - | - | - | 2,319,225 | 162,101,928 |
| Depreciation for the year | - | 7,856,748 | 11,918,500 | 2,876,905 | 28,867,991 |
| Depreciation on disposals | - | - | - | - | (4,333,845) |
| Transfers | - | - | - | - | - |
| Depreciation on revaluation | - | (7,856,748) | (11,918,500) | - | - |
| Balance as at 31st December 2019 | - | - | - | 5,196,130 | 186,636,074 |
| Balance as at 1st January 2020 | - | - | - | 5,196,130 | 186,636,074 |
| Depreciation for the year | - | 8,045,259 | 14,302,200 | 3,456,043 | 29,837,289 |
| Depreciation on disposals | - | - | - | - | (1,764) |
| Derecognition | - | - | - | - | - |
| Depreciation on revaluation | - | (8,045,259) | (14,302,200) | - | - |
| Balance as at 31st December 2020 | - | - | - | 8,652,173 | 216,471,599 |
| Carrying amounts | | | | | |
| As at 31st December 2019 | 288,847,000 | 415,442,000 | 71,511,000 | 19,331,249 | 83,213,419 |
| As at 31st December 2020 | 290,879,000 | 417,171,000 | 70,950,000 | 22,816,422 | 67,266,243 |

| Office equipment | Furniture & fittings | Motor vehicles | Leasehold equipment | Leasehold motor vehicles | Total |
|--------------------|----------------------|--------------------|---------------------|--------------------------|----------------------|
| Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| 160,850,987 | 271,009,461 | 104,156,959 | 6,640,200 | 18,850,000 | 1,545,936,472 |
| 10,069,568 | 8,785,974 | 10,683,815 | - | - | 90,236,474 |
| (2,728,809) | - | (4,236,000) | - | - | (11,298,654) |
| - | - | 102,240 | - | - | 102,240 |
| 6,640,200 | - | 11,625,000 | (6,640,200) | (18,850,000) | (7,225,000) |
| - | - | 86,998,656 | - | - | 136,072,216 |
| - | - | (78,850,711) | - | - | (98,539,536) |
| 174,831,947 | 279,795,436 | 130,479,959 | - | - | 1,655,284,212 |
| 174,831,947 | 279,795,436 | 130,479,959 | - | - | 1,655,284,212 |
| 16,463,344 | 7,191,188 | 2,249,000 | - | - | 47,544,168 |
| - | - | (15,360,960) | - | - | (15,487,960) |
| - | - | 101,141 | - | - | 101,141 |
| - | - | 105,648,069 | - | - | 130,511,458 |
| - | - | (69,936,437) | - | - | (92,283,896) |
| 191,295,291 | 286,986,624 | 153,180,772 | - | - | 1,725,669,123 |
| 75,028,842 | 144,094,729 | 5,217,651 | 3,103,482 | 15,471,568 | 407,337,425 |
| 16,320,145 | 26,391,541 | 68,699,041 | 800,766 | 1,933,432 | 165,665,068 |
| (2,459,752) | - | (1,473,322) | - | - | (8,266,919) |
| 3,904,248 | - | 11,625,000 | (3,904,248) | (17,405,000) | (5,780,000) |
| - | - | (78,850,711) | - | - | (98,625,959) |
| 92,793,483 | 170,486,270 | 5,217,658 | - | - | 460,329,615 |
| 92,793,483 | 170,486,270 | 5,217,658 | - | - | 460,329,614 |
| 18,040,885 | 27,031,629 | 73,671,831 | - | - | 174,385,136 |
| - | - | (8,926,354) | - | - | (8,928,118) |
| - | - | - | - | - | - |
| - | - | (69,936,437) | - | - | (92,283,896) |
| 110,834,368 | 197,517,898 | 26,698 | - | - | 533,502,736 |
| 82,038,464 | 109,309,166 | 125,262,301 | - | - | 1,194,954,597 |
| 80,460,923 | 89,468,726 | 153,154,074 | - | - | 1,192,166,388 |

Notes to the Financial Statements

NOTE 04 - PROPERTY, PLANT AND EQUIPMENT - COMPANY

| Cost/valuation | Land Rs. | Building Rs. | Building improvements Rs. | Partitions Rs. | Computers Rs. |
|--------------------------------------|-------------|-----------------|---------------------------------|-------------------|------------------|
| Balance as at 1st January 2019 | 200,000,000 | 268,489,000 | 71,511,000 | 19,790,849 | 235,083,496 |
| Additions during the year | 40,015,265 | - | - | 4,736,529 | 15,141,400 |
| Disposals during the year | - | | | | (4,333,845) |
| Transfers | - | - | - | - | - |
| Revaluation | 23,984,735 | 4,704,275 | 11,918,500 | - | - |
| Depreciation reversal on revaluation | - | (4,704,275) | (11,918,500) | - | - |
| Balance as at 31st December 2019 | 264,000,000 | 268,489,000 | 71,511,000 | 24,527,378 | 245,891,051 |
| Balance as at 1st January 2020 | 264,000,000 | 268,489,000 | 71,511,000 | 24,527,378 | 245,891,051 |
| Additions during the year | 684,070 | - | - | 6,941,217 | 10,982,303 |
| Disposals during the year | - | - | - | - | (127,000) |
| Write-offs | - | - | - | - | - |
| Transfers | - | - | - | - | - |
| Revaluation | 876,930 | 4,794,446 | 13,741,200 | - | - |
| Depreciation reversal on revaluation | - | (4,794,446) | (14,302,200) | - | - |
| Balance as at 31st December 2020 | 265,561,000 | 268,489,000 | 70,950,000 | 31,468,595 | 256,746,354 |
| Depreciation | | | | | |
| Balance as at 1st January 2019 | - | - | - | 2,319,225 | 153,459,859 |
| Depreciation for the year | - | 4,790,698 | 11,918,500 | 2,876,905 | 25,424,702 |
| Depreciation on disposals | - | - | - | - | (4,333,845) |
| Transfers | - | - | - | - | - |
| Depreciation on revaluation | - | (4,790,698) | (11,918,500) | - | - |
| Balance as at 31st December 2019 | - | - | - | 5,196,130 | 174,550,716 |
| Balance as at 1st January 2020 | - | - | - | 5,196,130 | 174,550,716 |
| Depreciation for the year | - | 4,794,446 | 14,302,200 | 3,456,043 | 26,092,904 |
| Depreciation on disposals | - | - | - | - | (1,764) |
| Transfers | - | - | - | - | - |
| Reversal on write-offs | - | - | - | - | - |
| Depreciation on revaluation | - | (4,794,446) | (14,302,200) | - | - |
| Balance as at 31st December 2020 | - | - | - | 8,652,173 | 200,641,856 |
| Carrying amounts | | | | | |
| As at 31st December 2019 | 264,000,000 | 268,489,000 | 71,511,000 | 19,331,249 | 71,340,335 |
| As at 31st December 2020 | 265,561,000 | 268,489,000 | 70,950,000 | 22,816,422 | 56,104,498 |

| Office equipment | Furniture & fittings | Motor vehicles | Leasehold equipment | Leasehold motor vehicles | Total |
|--------------------|----------------------|--------------------|---------------------|--------------------------|----------------------|
| Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| 127,262,060 | 181,896,386 | 77,935,000 | 6,640,200 | 11,625,000 | 1,200,232,990 |
| 8,196,911 | 6,143,983 | 3,348,815 | - | - | 77,582,903 |
| (2,719,309) | - | (3,158,000) | - | - | (10,211,154) |
| 6,640,200 | - | 11,625,000 | (6,640,200) | (11,625,000) | - |
| - | - | 65,917,186 | - | - | 106,524,696 |
| - | - | (58,286,000) | - | - | (74,908,775) |
| 139,379,863 | 188,040,368 | 97,382,000 | - | - | 1,299,220,660 |
| 139,379,863 | 188,040,368 | 97,382,000 | - | - | 1,299,220,660 |
| 15,548,856 | 6,441,042 | 2,249,000 | - | - | 42,846,488 |
| - | - | (5,592,000) | - | - | (5,719,000) |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 94,847,298 | - | - | 114,259,874 |
| - | - | (63,285,298) | - | - | (82,381,944) |
| 154,928,718 | 194,481,411 | 125,601,000 | - | - | 1,368,226,078 |
| 64,985,808 | 109,323,306 | - | 3,103,482 | 10,414,069 | 343,605,749 |
| 12,398,453 | 16,092,940 | 47,850,062 | 800,766 | 1,210,931 | 123,363,957 |
| (2,458,466) | - | (1,189,062) | - | - | (7,981,373) |
| 3,904,248 | - | 11,625,000 | (3,904,248) | (11,625,000) | - |
| - | - | (58,286,000) | - | - | (74,995,198) |
| 78,830,043 | 125,416,246 | - | - | - | 383,993,135 |
| 78,830,043 | 125,416,246 | - | - | - | 383,993,135 |
| 13,875,190 | 16,524,814 | 65,789,048 | - | - | 144,834,635 |
| - | - | (2,503,750) | - | - | (2,505,514) |
| - | - | - | - | - | - |
| - | - | (63,285,298) | - | - | (82,381,944) |
| 92,705,233 | 141,941,060 | - | - | - | 443,940,312 |
| 60,549,820 | 62,624,122 | 97,382,000 | - | - | 915,227,525 |
| 62,223,485 | 52,540,351 | 125,601,000 | - | - | 924,285,766 |

Notes to the Financial Statements

NOTE 04 - PROPERTY, PLANT AND EQUIPMENT

Revaluation of land and buildings

Land and buildings of the Group was valued by Mr. G.D. Asoka, AIV, a Professional Valuer, on 31st December 2020 on "contractors basis". The excess of Rs.130.5 million over the net book value as at 31st December 2020 arisen thereby, has been credited to the revaluation reserve.

The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties. The fair value measurement for all the lands has been categorised as a level 3 fair value based on the inputs to the valuation technique used. A significant increase in the market value per perch used in arriving at fair value would result in a significant increase in fair value, and vice versa in case of a significant decrease.

| As at 31st December | Land extent | Building area | No. of buildings | Date of valuation | Fair value (Rs.) |
|--------------------------|----------------|--------------------|------------------|-------------------|------------------|
| Property at Grandpass | 33.15 Perches | 28262 square feet | 1 | 31.12.2020 | 545,000,000 |
| Property at Ambalanthota | 4.27 Perches | 2,304 square feet | 1 | 31.12.2020 | 17,000,000 |
| Property at Nikaweratiya | 39.7 Perches | 17,775 square feet | 1 | 30.12.2020 | 157,000,000 |
| Property at Ja-Ela | 991.29 Perches | - | - | 31.12.2020 | 60,000,000 |
| | | | | | 779,000,000 |

Fair value hierarchy

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

| Land and buildings | Level 1 (Rs.) | Level 2 (Rs.) | Level 3 (Rs.) | Total (Rs.) |
|--------------------|---------------|---------------|---------------|-------------|
| 2020 | - | - | 779,000,000 | 779,000,000 |
| 2019 | - | - | 775,800,000 | 775,800,000 |

The fair value measurement has been categorised as level 3 fair value, based on the inputs to the valuation techniques used.

Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring the fair value of land and buildings, as well as the significant unobservable inputs used.

| Location | Valuation technique | Significant | Significant unobservable inputs - valued at |
|--------------------------|---------------------|---------------------------------|---|
| Property at Grandpass | Open market | Price per perch and square foot | 5,500,000/- per perch and 9,500/- per square foot |
| Property at Ambalanthota | Open market | Price per perch and square foot | 2,200,000/- per perch and 4,000 per square foot |
| Property at Nikaweratiya | Open market | Price per perch and square foot | 400,000/- per perch and 8,000/- per square foot |
| Property at Ja-Ela | Open market | Price per perch | 60,000/- per perch |

If the revalued land and buildings under property, plant and equipment were stated on the historical cost basis, the carrying amount would be as follows:

| Class of asset | Property at Grandpass (Rs.) | Property at Ambalanthota (Rs.) | Property at Nikaweratiya (Rs.) | Property at Ja-Ela (Rs.) |
|---|-----------------------------------|--------------------------------------|--------------------------------------|--------------------------------|
| Land | | | | |
| Cost | 205,000,000 | 9,438,000 | 15,880,000 | 59,684,070 |
| Accumulated depreciation | - | - | - | - |
| Net book value as at 31st December 2020 | 205,000,000 | 9,438,000 | 15,880,000 | 59,684,070 |
| Net book value as at 31st December 2019 | 160,064,000 | 1,120,415 | 8,217,758 | 40,015,265 |
| Buildings | | | | |
| Cost | 340,000,000 | 10,423,590 | 88,712,132 | - |
| Accumulated depreciation | 19,096,646 | (3,844,972) | (12,422,748) | - |
| Net book value as at 31st December 2020 | 320,903,354 | 6,578,619 | 76,289,384 | - |
| Net book value as at 31st December 2019 | 137,750,503 | 6,767,109 | 77,989,452 | - |

Fully depreciated assets

Company's property, plant and equipment includes fully depreciated assets having a gross carrying amount of Rs. 220,809,930. (2019 - Rs. 182,844,456) and Cooplife property plant and equipment includes fully depreciated assets having a gross carrying amount of Rs. 14,068,924. (2019 - Rs. 18,851,878).

Security

During the year, there were no property, plant and equipment in the Group and in the Company, pledged as security for liabilities (2019 - Nil).

Useful life of property, plant and equipment are as follows:

| Buildings | 2020 | 2019 |
|---------------------------|----------|----------|
| Grandpass | 60 years | 60 years |
| Ambalanthota | 40 years | 40 years |
| Nikaweratiya | 50 years | 50 years |
| Office equipment | 8 years | 8 years |
| Computers | 6 years | 6 years |
| Motor vehicles | 5 years | 5 years |
| Furniture & fittings | 8 years | 8 years |
| Partitions | 8 years | 8 years |
| Improvements to buildings | 10 years | 10 years |

Notes to the Financial Statements

Assessment of impairment of property, plant and equipment

The Board of Directors have assessed the potential impairment indicators of PPE as at 31st December 2020. Based on the assessment. Impairment indicators were identified.

Capitalisation of borrowing costs

There were no capitalised borrowing costs relating to the acquisition of PPE during the year. (2019 – Nil)

Temporarily idle property, plant and equipment

There were no temporarily idle property as at the year ended 31st December 2020. (2019 – Nil)

NOTE 04.01 - RIGHT OF USE ASSETS

| Cost | Group | Company |
|---|--------------------|--------------------|
| Balance as at 1st January 2019 | 395,379,688 | 297,631,964 |
| Additions during the year | 54,119,112 | 43,624,735 |
| Disposals during the year | (4,102,845) | (4,102,845) |
| Balance as at 31st December 2019 | 445,395,955 | 337,153,854 |
| Balance as at 1st January 2020 | 445,395,955 | 337,153,854 |
| Additions during the year | 65,999,678 | 61,644,337 |
| Disposals during the year | (12,853,814) | (12,853,814) |
| Balance as at 30th December 2020 | 498,541,819 | 385,944,377 |
| Depreciation | | |
| Balance as at 1st January 2019 | - | - |
| Depreciation for the year | 71,460,283 | 54,665,639 |
| Depreciation on disposals | (1,645,724) | (1,645,724) |
| Balance as at 31st December 2019 | 69,814,559 | 53,019,915 |
| Balance as at 1st January 2020 | 69,814,559 | 53,019,915 |
| Depreciation for the year | 75,908,455 | 57,837,910 |
| Depreciation on disposals | (1,664,684) | (1,664,684) |
| Balance as at 30th December 2020 | 144,058,330 | 109,193,141 |
| Carrying amounts | | |
| Carrying value as at 31st December 2019 | 375,581,396 | 284,133,939 |
| Carrying value as at 31st December 2020 | 354,483,489 | 276,751,236 |

NOTE 05 - INTANGIBLE ASSETS

| Cost/ valuation | Computer software | | Development costs | | Total | |
|-------------------------------------|-------------------|------------|-------------------|------------|------------|------------|
| | Group | Company | Group | Company | Group | Company |
| Balance as at 1st January 2019 | 21,975,558 | 10,344,168 | 89,500 | 89,500 | 22,065,058 | 10,433,668 |
| Acquisitions - internally developed | - | - | 7,884,261 | 7,884,261 | 7,884,261 | 7,884,261 |
| Additions | 3,535,000 | - | - | - | 3,535,000 | - |
| Transfers | 89,500 | 89,500 | (89,500) | (89,500) | - | - |
| Balance as at 31st December 2019 | 25,600,058 | 10,433,668 | 7,884,261 | 7,884,261 | 33,484,319 | 18,317,929 |
| Balance as at 1 January 2020 | 25,600,058 | 10,433,668 | 7,884,261 | 7,884,261 | 33,484,319 | 18,317,929 |
| Acquisitions - Internally developed | - | - | - | 8,156,919 | 8,156,919 | 8,156,919 |
| Balance as at 31 December 2020 | 25,600,058 | 10,433,668 | 7,884,261 | 16,041,180 | 41,641,238 | 26,474,848 |
| Amortisation | | | | | | |
| Balance as at 1st January 2019 | 16,733,724 | 7,571,713 | - | - | 16,733,724 | 7,571,713 |
| Amortisation for the year | 3,615,445 | 1,485,601 | - | - | 3,615,445 | 1,485,601 |
| Balance as at 31st December 2019 | 20,349,169 | 9,057,314 | - | - | 20,349,169 | 9,057,314 |
| Balance as at 1st January 2020 | 20,349,169 | 9,057,314 | - | - | 20,349,169 | 9,057,314 |
| Amortisation for the year | 3,469,391 | 1,188,325 | - | - | 3,469,391 | 1,188,325 |
| Balance as at 31st December 2020 | 23,818,560 | 10,245,639 | - | - | 23,818,560 | 10,245,639 |
| Carrying amounts | | | | | | |
| As at 31st December 2019 | | | | | 13,135,150 | 9,260,615 |
| As at 31st December 2020 | | | | | 17,822,678 | 16,229,209 |

Intangible assets

Computer software represents the cost incurred to improve performance of core (Oracle) system. Development cost represents the investment on new system development by the Co-operative Insurance Company Ltd., software development unit.

Amortisation

The amortisation of software and development costs is included in the operating expenses.

Notes to the Financial Statements

NOTE 06 - FINANCIAL INVESTMENTS

| | Note | Group | | Company | |
|---|-------|----------------------|----------------------|----------------------|----------------------|
| | | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Held to maturity financial assets (HTM) | 06.01 | 2,764,818,867 | 1,978,028,875 | 2,396,734,364 | 1,609,240,333 |
| Loans & receivables (L&R) | 06.02 | 3,289,594,048 | 3,020,753,463 | 2,001,788,918 | 1,871,699,956 |
| Available for sale financial assets (AFS) | 06.03 | 1,309,994,535 | 942,656,477 | 13,125,027 | 17,149,275 |
| Financial assets at fair value through profit or loss (FVTPL) | 06.04 | 1,223,530 | 575,722 | - | - |
| Total | | 7,365,630,980 | 5,942,014,536 | 4,411,648,309 | 3,498,089,564 |

NOTE 06.01 - HELD TO MATURITY FINANCIAL ASSETS (HTM)

Amortised cost

| | | | | | |
|---------------------|-----------|----------------------|----------------------|----------------------|----------------------|
| Treasury bonds | 06.01 (a) | 835,988,844 | 723,231,476 | 467,904,341 | 354,442,933 |
| Quoted debentures | 06.01 (b) | 1,902,409,672 | 1,228,373,945 | 1,902,409,672 | 1,228,373,945 |
| Unquoted debentures | 06.01 (c) | 26,420,351 | 26,423,454 | 26,420,351 | 26,423,454 |
| | | 2,764,818,867 | 1,978,028,875 | 2,396,734,364 | 1,609,240,333 |

NOTE 06.01 (a) - TREASURY BONDS

| 2020 Maturity date | Group | | Company | |
|-----------------------|--------------------|-----------------------|--------------------|-----------------------|
| | Face value Rs. | Amortized cost Rs. | Face value Rs. | Amortized cost Rs. |
| 2022 | 26,279,623 | 27,282,507 | 26,279,623 | 27,282,507 |
| 2024 | 130,000,000 | 133,906,103 | 130,000,000 | 133,906,103 |
| 2025 | 100,000,000 | 111,469,612 | 100,000,000 | 111,469,612 |
| 2026 | 50,000,000 | 45,385,926 | 50,000,000 | 45,385,926 |
| 2028 | 50,000,000 | 54,768,832 | - | - |
| 2029 | 144,511,428 | 149,860,193 | 144,511,428 | 149,860,193 |
| 2030 | 300,000,000 | 313,315,671 | - | - |
| | 800,791,051 | 835,988,844 | 450,791,051 | 467,904,341 |

| Maturity date | Group | | Company | |
|---------------|--------------------|--------------------|--------------------|--------------------|
| | Face value | Amortised cost | Face value | Amortised cost |
| | Rs. | Rs. | Rs. | Rs. |
| 2022 | 26,279,623 | 27,003,361 | 26,279,623 | 27,003,361 |
| 2024 | 130,000,000 | 132,964,182 | 130,000,000 | 132,964,182 |
| 2026 | 50,000,000 | 44,510,087 | 50,000,000 | 44,510,087 |
| 2028 | 55,918,750 | 54,992,949 | - | - |
| 2029 | 144,511,428 | 149,965,304 | 144,511,428 | 149,965,304 |
| 2030 | 319,304,700 | 313,795,593 | - | - |
| | 726,014,501 | 723,231,476 | 350,791,051 | 354,442,933 |

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

| Issuer | 2020 | | | |
|---|---------------|-------------------|-----------------------------------|---------------|
| | Maturity date | No. of debentures | Carrying value amortised cost Rs. | Interest rate |
| Sampath Bank PLC | 12/21/22 | 800,000 | 85,283,263 | 12.50% |
| Nations Trust Bank PLC | 11/8/21 | 383,300 | 38,872,827 | 12.65% |
| DFCC Bank PLC | 11/9/21 | 1,300,000 | 131,602,894 | 12.15% |
| Commercial Bank of Ceylon PLC | 10/27/21 | 890,500 | 90,436,395 | 12.00% |
| National Development Bank PLC | 12/19/25 | 250,000 | 26,745,068 | 14.00% |
| National Development Bank PLC | 12/19/23 | 100,000 | 10,880,299 | 13.90% |
| Bank of Ceylon | 10/24/23 | 26,800 | 2,612,918 | 13.75% |
| Hatton National Bank PLC | 8/29/23 | 120,000 | 11,699,931 | 8.00% |
| Seylan Bank PLC | 4/18/24 | 1,000,000 | 103,297,615 | 14.50% |
| Nations Trust Bank PLC | 12/23/24 | 683,900 | 68,612,781 | 12.80% |
| National Development Bank PLC | 9/24/25 | 307,000 | 31,518,936 | 9.50% |
| DFCC Bank PLC | 10/23/25 | 830,000 | 84,381,563 | 9.00% |
| Peoples Leasing & Finance PLC | 11/16/21 | 987,500 | 100,239,624 | 12.60% |
| Citizens Development Business Finance PLC | 3/27/23 | 1,100,000 | 121,725,162 | 14.20% |
| Lanka Orix Finance PLC | 7/31/23 | 1,000,000 | 106,164,223 | 14.75% |
| LOLC Holdings PLC | 9/27/24 | 2,200,000 | 228,591,194 | 15.00% |
| Lanka Orix Finance PLC | 7/31/23 | 550,000 | 59,004,842 | 14.75% |
| Softlogic Capital PLC | 12/19/23 | 500,000 | 50,256,052 | 14.75% |
| LOLC Holdings PLC | 9/27/24 | 700,000 | 82,374,953 | 15.00% |
| First Capital Treasuries LTD | 1/30/25 | 1,384,000 | 156,100,128 | 12.75% |
| Commercial Leasing & Finance PLC | 9/23/25 | 1,500,000 | 154,433,855 | 10.50% |
| First Capital Treasuries LTD | 1/30/25 | 495,000 | 57,138,144 | 12.75% |
| Commercial Leasing & Finance PLC | 9/23/25 | 950,000 | 100,437,005 | 10.50% |
| | | | 1,902,409,672 | |

Notes to the Financial Statements

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

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

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

| Issuer | Maturity date | No. of debentures | 2020 | |
|------------------------|---------------|-------------------|---|---------------|
| | | | Carrying value amortised cost Rs. | Interest rate |
| Softlogic Holdings PLC | 2/28/22 | 250,000 | 26,420,351 | 16.75% |
| | | | 26,420,351 | |

| Issuer | Maturity date | No. of debentures | 2019 | |
|------------------------|---------------|-------------------|---|---------------|
| | | | Carrying value amortised cost Rs. | Interest rate |
| Softlogic Holdings PLC | 2/28/22 | 250,000 | 26,423,454 | 16.75% |
| | | | 26,423,454 | |

NOTE 06.02 - LOANS & RECEIVABLES (L&R)

Amortised cost

| | Group | | Company | |
|---------------------|---------------|---------------|---------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs. | Rs. | Rs. | Rs. |
| Fixed deposits | 2,433,798,303 | 1,779,323,808 | 1,660,604,094 | 929,291,562 |
| Investment in repos | 853,468,765 | 969,963,257 | 339,403,283 | 914,435,490 |
| Commercial paper | - | 228,359,537 | - | 27,972,904 |
| Money market | 545,439 | 43,106,861 | - | - |
| Savings account | 1,781,541 | - | 1,781,541 | - |
| | 3,289,594,048 | 3,020,753,463 | 2,001,788,918 | 1,871,699,956 |

NOTE 06.03 - AVAILABLE FOR SALE (AFS)

| | Group | | | | | |
|--------------------------------------|-----------------|----------------|---------------|-----------------|----------------|-------------|
| | 2020 | | 2019 | | | |
| | Cost/face value | Amortised cost | Fair value | Cost/face value | Amortised cost | Fair value |
| Unquoted equity instruments - | | | | | | |
| Co-operative Leasing Company Ltd. | 4,115,420 | - | 4,953,105 | 4,115,420 | - | 5,884,877 |
| Unquoted debentures (06.03(b)) | 60,000,000 | 63,365,583 | 70,851,300 | | | |
| Quoted equity instruments - | | | | | | |
| Peoples Leasing Company PLC | 10,944,400 | - | 8,171,922 | 10,944,400 | - | 11,264,398 |
| Treasury bonds (06.03 (a)) | 277,456,731 | 309,724,699 | 348,018,062 | 277,456,731 | 312,918,067 | 310,131,252 |
| Quoted debentures (06.03 (b)) | 727,669,863 | 762,230,328 | 878,000,146 | 531,759,124 | 556,057,302 | 615,375,949 |
| | 1,080,186,414 | 1,135,320,610 | 1,309,994,535 | 824,275,675 | 868,975,369 | 942,656,477 |

| | Company | | | | | |
|--------------------------------------|-----------------|----------------|------------|-----------------|----------------|------------|
| | 2020 | | 2019 | | | |
| | Cost/face value | Amortised cost | Fair value | Cost/face value | Amortised cost | Fair value |
| Unquoted equity instruments - | | | | | | |
| Co-Operative Leasing Company Ltd | 4,115,420 | - | 4,953,105 | 4,115,420 | - | 5,884,877 |
| Quoted equity instruments - | | | | | | |
| Peoples Leasing Company PLC | 10,944,400 | - | 8,171,922 | 10,944,400 | - | 11,264,398 |
| | 15,059,820 | - | 13,125,027 | 15,059,820 | - | 17,149,275 |

Notes to the Financial Statements

NOTE 06.03 (a) - TREASURY BONDS

| Face value | Year of maturity | Group | | Company | |
|--------------------|------------------|--------------------|--------------------|----------------|------------|
| | | Amortised cost | Fair value | Amortised cost | Fair value |
| 23,720,377 | 2022 | 26,105,689 | 26,927,063 | - | - |
| 70,000,000 | 2024 | 78,602,511 | 83,785,660 | - | - |
| 83,736,354 | 2029 | 101,296,937 | 114,095,639 | - | - |
| 100,000,000 | 2030 | 103,719,562 | 123,209,700 | - | - |
| 277,456,731 | | 309,724,699 | 348,018,062 | - | - |

| Face value | Year of maturity | Group | | Company | |
|--------------------|------------------|--------------------|--------------------|----------------|------------|
| | | Amortised cost | Fair value | Amortised cost | Fair value |
| 23,720,377 | 2022 | 26,737,409 | 26,201,339 | - | - |
| 70,000,000 | 2024 | 79,882,422 | 77,914,410 | - | - |
| 83,736,354 | 2029 | 102,463,252 | 99,580,606 | - | - |
| 100,000,000 | 2030 | 103,834,984 | 106,434,898 | - | - |
| 277,456,731 | | 312,918,068 | 310,131,252 | - | - |

NOTE 06.03 (b) - QUOTED DEBENTURES - GROUP

| Issuer | Maturity date | 2020 | | | |
|----------------------------------|---------------|-------------------|--------------------|--------------------|--------------------|
| | | No. of debentures | Cost | Amortised cost | Fair value |
| Quoted | | | | | |
| Hatton National Bank PLC | 8/29/23 | 324,832 | 21,995,999 | 29,081,394 | 34,944,257 |
| Hatton National Bank PLC | 3/28/21 | 300,000 | 30,000,000 | 32,537,992 | 33,006,420 |
| National Development Bank PLC | 12/19/23 | 87,500 | 12,063,125 | 11,181,376 | 10,577,254 |
| Seylan Bank PLC | 4/18/24 | 500,000 | 50,000,000 | 51,457,106 | 63,600,650 |
| Sampath Bank PLC | 6/10/21 | 680,000 | 68,000,000 | 72,719,030 | 73,861,192 |
| LOLC Holdings PLC | 9/20/24 | 1,642,000 | 169,930,739 | 174,561,185 | 216,787,677 |
| Softlogic Capital PLC | 12/19/23 | 600,000 | 60,000,000 | 60,299,976 | 74,306,700 |
| Nations Trust Bank PLC | 12/23/24 | 683,900 | 68,390,000 | 77,339,654 | 83,482,716 |
| National Development Bank PLC | 9/25/25 | 72,900 | 7,290,000 | 7,467,870 | 8,292,740 |
| Commercial Leasing & Finance PLC | 9/24/25 | 1,400,000 | 140,000,000 | 143,898,916 | 165,560,640 |
| DFCC Bank PLC | 10/23/27 | 1,000,000 | 100,000,000 | 101,685,829 | 113,579,900 |
| | | 7,291,132 | 727,669,863 | 762,230,328 | 878,000,146 |
| Unquoted | | | | | |
| Softlogic Holdings PLC | 2/28/22 | 600,000 | 60,000,000 | 63,365,583 | 70,851,300 |
| | | 600,000 | 60,000,000 | 63,365,583 | 70,851,300 |

| Issuer | Maturity date | 2019 | | | Fair value |
|-------------------------------|---------------|-------------------|-------------|----------------|-------------|
| | | No. of debentures | Cost | Amortised cost | |
| Hatton National Bank PLC | 8/29/23 | 324,832 | 21,995,999 | 27,825,886 | 31,937,222 |
| Hatton National Bank PLC | 3/28/21 | 300,000 | 30,000,000 | 32,530,012 | 33,472,350 |
| National Development Bank PLC | 12/19/23 | 87,500 | 12,063,125 | 11,526,735 | 9,979,069 |
| Seylan Bank PLC | 4/18/24 | 500,000 | 50,000,000 | 51,443,679 | 59,638,750 |
| Softlogic Finance PLC | 2/28/22 | 600,000 | 60,000,000 | 63,347,080 | 69,744,300 |
| DFCC Vardana Bank Ltd. | 6/10/20 | 263,100 | 26,310,000 | 27,658,725 | 27,823,693 |
| Sampath Bank PLC | 6/10/21 | 680,000 | 68,000,000 | 72,698,842 | 74,362,080 |
| LOLC Holdings PLC | 9/20/24 | 1,350,000 | 135,000,000 | 140,174,592 | 161,377,700 |
| Softlogic Capital PIC | 12/19/23 | 600,000 | 60,000,000 | 60,281,171 | 70,333,740 |
| Nations Trust Bank PLC | 12/23/24 | 683,900 | 68,390,000 | 68,570,581 | 76,707,045 |
| | | 5,389,332 | 531,759,124 | 556,057,302 | 615,375,949 |

NOTE 06.04 - INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| Description | No. of shares | Group | | Company | |
|--------------------------|------------------|----------------|---------|---------|------|
| | | 2020 | 2019 | 2020 | 2019 |
| Commercial Bank PLC(X) | 1,744 | 122,253 | 146,200 | - | - |
| Galadari Hotel Lanka PLC | 20,000 | 190,000 | 163,422 | - | - |
| Colombo Dockyard PLC | 2,000 | 170,600 | 120,600 | - | - |
| Singer Sri Lanka PLC | 2,000 | 110,000 | 69,000 | - | - |
| Lanka Tiles PLC | 1,000 | 143,800 | 76,500 | - | - |
| Commercial Bank PLC(N) | 3,581 | 289,703 | - | - | - |
| Hemas Holdings PLC | 1,265 | 126,374 | - | - | - |
| Nations Trust Bank PLC | 1,180 | 70,800 | - | - | - |
| Total | 1,223,530 | 575,722 | | - | - |

NOTE 07 - INVESTMENTS IN SUBSIDIARIES

| | Company | |
|--|--------------------|--------------------|
| | 2020 | 2019 |
| | Rs. | Rs. |
| Cooplife Insurance Limited - ordinary shares | 544,260,040 | 455,260,040 |
| Cooplife Insurance Limited - preference shares | 30,000,000 | |
| Coopinsu Training Academy (Pvt) Ltd. | 10 | 10 |
| Total | 574,260,050 | 455,260,050 |

Notes to the Financial Statements

NOTE 08 - LOANS TO LIFE POLICYHOLDERS

| | Group | | Company | |
|---------------------|-------------------|-------------------|---------|------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs. | Rs. | Rs. | Rs. |
| Loans | 20,122,485 | 18,099,595 | - | - |
| Interest receivable | 8,429,146 | 6,837,795 | - | - |
| Total | 28,551,631 | 24,937,390 | - | - |

NOTE 09 - REINSURANCE RECEIVABLES

| | Group | | Company | |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs. | Rs. | Rs. | Rs. |
| On claims | 342,310,626 | 374,666,589 | 330,868,944 | 358,667,521 |
| On IBNR | 33,136,598 | 35,742,222 | 33,136,598 | 35,742,222 |
| Balance at the end of the year | 375,447,224 | 410,408,812 | 364,005,542 | 394,409,744 |

Fair value of reinsurance receivables

The carrying values disclosed above approximate the fair value at the reporting date.

Impairment of reinsurance receivables

No impairment was observed in the case of reinsurance receivables.

Collateral details

The Company does not hold any collateral as security against potential default by reinsurance counter parties.

NOTE 10 - PREMIUM RECEIVABLES

| | Group | | Company | |
|--|----------------------|--------------------|----------------------|--------------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs. | Rs. | Rs. | Rs. |
| Premium receivables - Non-Life Insurance | 1,196,352,253 | 949,209,868 | 1,196,352,253 | 949,209,868 |
| Premium receivables - Life Insurance | 13,534,726 | 14,113,898 | - | - |
| Impairment allowance on premium receivables | (105,633,856) | (31,659,858) | (99,631,582) | (25,968,791) |
| | 1,104,253,123 | 931,663,908 | 1,096,720,671 | 923,241,077 |
| Movement in the allowance for doubtful debts; | | | | |
| Balance at beginning of the year | 31,659,858 | 19,272,100 | 25,968,791 | 13,995,964 |
| Impairment allowance recognised during the year | 99,942,789 | 26,646,631 | 99,631,582 | 25,968,791 |
| Amounts written-off during the year as uncollectable | - | (257,235) | - | - |
| Amounts recovered during the year | (25,968,791) | (14,001,638) | (25,968,791) | (13,995,964) |
| Foreign exchange gains/(losses) | - | - | - | - |
| Balance at the end of the year | 105,633,856 | 31,659,858 | 99,631,582 | 25,968,791 |

Fair value of premium receivables

The carrying amount disclosed above, approximates the fair value at the reporting date.

Impairment of premium receivables

Impairment charges for the year are recognised in other operating and administrative expenses.

Collateral details

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

NOTE 11 - OTHER ASSETS

| | Note | Group | | Company | |
|------------------------------------|------|--------------------|--------------------|-------------------|-------------------|
| | | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Deposits, advances and prepayments | | 22,793,874 | 10,742,738 | 22,793,874 | 10,742,738 |
| Withholding tax receivable | 11.1 | 22,376,965 | 24,621,684 | 1,238,429 | - |
| Staff loans | | 23,990,911 | 20,852,155 | 11,187,356 | 14,245,619 |
| Salvage inventory | | 23,121,773 | 14,438,011 | 23,121,773 | 14,438,011 |
| Inventory - Complement items | | 7,936,963 | 8,340,084 | 436,735 | 455,573 |
| Other receivables | | 24,231,608 | 25,858,982 | 19,679,308 | 13,881,460 |
| (-) Impairment - Other assets | | - | - | - | - |
| Total | | 124,452,094 | 104,853,653 | 78,457,475 | 53,763,400 |

Fair value

The fair value of staff loans are based on cash flow discounting rate. Discount rate is equal to AWPLR plus appropriate risk margin.

NOTE - 11.1 WITHHOLDING TAX RECEIVABLES - SUBSIDIARY

| | Note | Group | | Company | |
|---|--------|-------------------|-------------------|-------------|-------------|
| | | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Taxes recoverable from the Commissioner General of Inland Revenue | | | | | |
| Withholding tax receivable | | 21,138,536 | 21,787,028 | - | - |
| Notional tax on government securities | 11.1 a | - | 2,834,656 | - | - |
| | | 21,138,536 | 24,621,684 | - | - |

Notes to the Financial Statements

11.1.a. Notional tax on government securities

| | Group | | Company | |
|--|-------------|------------------|-------------|-------------|
| | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Balance as at 1st January 2020 | 2,834,656 | 2,834,656 | - | - |
| Notional tax written off during the year | (2,834,656) | - | - | - |
| Balance as at 31st December 2020 | - | 2,834,656 | - | - |

As per the Inland Revenue Act No. 24 of 2017, notional tax on interest from government securities have been withdrawn. However, as per extraordinary gazette notification No. 2064/53 dated 01.04.2018 - transitional provisions, under section 138(2) of Inland Revenue Act No.10 of 2006, notional tax can be carried forward for set-off against the income tax liability, for the next three consecutive years of assessment, commencing from year of assessment 2018/2019. As the Company has set-off its business profits against its brought forward tax losses, the Board of Directors are of the view that the Company can only utilise notional tax receivable against income tax liability that arises from other sources of income, within three years of assessment commencing from 2018/19. Since the said three years of period had expired in Y/A 2020/2021, the Board of Directors have decided to write-off the balance notional tax credit amounting to Rs. 2,834,656/- from the books of account.

NOTE 12 - CASH & CASH EQUIVALENTS

| | Group | | Company | |
|--|--------------------|--------------------|--------------------|-------------------|
| | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Cash at banks | 200,047,431 | 150,412,005 | 174,869,499 | 112,284,079 |
| Cash in hand | 7,137,573 | 7,206,517 | 2,959,260 | 6,884,717 |
| Cash in transit | - | 502,545 | - | - |
| Cash & cash equivalents | 207,185,004 | 158,121,067 | 177,828,759 | 119,168,796 |
| Bank overdrafts | (60,466,614) | (32,784,250) | (60,466,614) | (32,784,250) |
| Cash & cash equivalents (net) in the statement of cashflows | 146,718,390 | 125,336,817 | 117,362,145 | 86,384,546 |

NOTE 13 - STATED CAPITAL

| | Group | | Company | | |
|------------------|-------|---------------|---------------|---------------|---------------|
| | Note | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Ordinary shares | 13.01 | 1,515,756,670 | 1,515,756,670 | 1,515,756,670 | 1,515,756,670 |
| Number of shares | 13.02 | 143,058,837 | 143,058,837 | 143,058,837 | 143,058,837 |

NOTE 13.01 - VOTING ORDINARY SHARES

| | | | | |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Balance at the beginning of the year | 1,515,756,670 | 1,515,756,670 | 1,515,756,670 | 1,430,194,585 |
| Share issue | - | - | - | 85,562,085 |
| Balance at the end of the year | 1,515,756,670 | 1,515,756,670 | 1,515,756,670 | 1,515,756,670 |

| Note | Group | | Company | |
|---|-------------|-------------|-------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs. | Rs. | Rs. | Rs. |
| NOTE 13.02 - RECONCILIATION OF NUMBER OF SHARES - VOTING ORDINARY SHARES | | | | |
| No. of shares at the beginning of the year | 143,058,837 | 143,058,837 | 143,058,837 | 137,354,891 |
| Shares issued during the year | - | - | - | 5,703,946 |
| No. of shares at the end of the year | 143,058,837 | 143,058,837 | 143,058,837 | 143,058,837 |

NOTE 13.03 - ORDINARY SHARES & RIGHTS OF SHAREHOLDERS

All issued shares are fully paid. There is only one class of ordinary shares. All shares issued carry equal voting rights. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at general meetings of the Company.

NOTE 14 - LEASE LIABILITY UNDER SLFRS 16

| | Group | | Company | |
|-----------------|-------------|-------------|-------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs. | Rs. | Rs. | Rs. |
| Lease creditors | 381,494,181 | 382,802,969 | 295,985,027 | 290,817,618 |
| Total | 381,494,181 | 382,802,969 | 295,985,027 | 290,817,618 |

NOTE 14.01 - MATURITY ANALYSIS FOR LEASE LIABILITY UNDER SLFRS 16

The Group has entered into commercial lease agreements for certain properties. These leases have average lifespan of between three and five years. Future minimum lease rental payables under non-cancellable operating leases as at 31/12/2020 are as follows.

| Balance as at 31st December 2020 | Within 1 year | 1-3 years | Above 3 years | Total operating lease rentals payable |
|-------------------------------------|---------------|-------------|---------------|---------------------------------------|
| Co-operative Insurance Company Ltd. | 29,949,815 | 91,022,562 | 175,012,651 | 295,985,027 |
| Cooplife Company Ltd | 11,328,100 | 31,269,989 | 42,911,064 | 85,509,154 |
| | 41,277,915 | 122,292,551 | 217,923,715 | 381,494,181 |

| Balance as at 31st December 2019 | Within 1 year | 1-3 years | Above 3 years | Total operating lease rentals payable |
|-------------------------------------|---------------|------------|---------------|---------------------------------------|
| Co-operative Insurance Company Ltd. | 29,036,480 | 71,601,789 | 190,179,349 | 290,817,618 |
| Cooplife Company Ltd | 10,438,309 | 24,966,056 | 56,580,986 | 91,985,352 |
| | 39,474,789 | 96,567,845 | 246,760,335 | 382,802,970 |

Notes to the Financial Statements

NOTE 15 - INSURANCE LIABILITIES

| | Note | Group | | Company | |
|---|-------|----------------------|----------------------|----------------------|----------------------|
| | | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Life Insurance | | | | | |
| Long-term insurance fund | 15.01 | 2,136,121,777 | 1,898,155,568 | - | - |
| Unclaimed benefits | | 48,348,333 | 50,784,934 | - | - |
| | | 2,184,470,110 | 1,948,940,502 | - | - |
| Non-Life Insurance | | | | | |
| Premium | | | | | |
| Unearned premium | 15.02 | 1,945,225,701 | 1,849,341,910 | 1,945,225,701 | 1,849,341,910 |
| Net deferred acquisition cost | 15.03 | (144,699,218) | (115,014,395) | (144,699,218) | (115,014,395) |
| Gross claims reserve | 15.04 | | | | |
| Claims outstanding | | 835,959,027 | 658,034,524 | 835,959,027 | 658,034,524 |
| Claims incurred but not reported (IBNR) - net | | 320,293,662 | 343,214,653 | 320,293,662 | 343,214,653 |
| | | 2,956,779,172 | 2,735,576,692 | 2,956,779,172 | 2,735,576,692 |
| Total | | 5,141,249,282 | 4,684,517,194 | 2,956,779,172 | 2,735,576,692 |

NOTE 15.01 - LONG-TERM INSURANCE FUND

The movement in the life insurance fund is as follows:

| | 2020 Rs. | 2019 Rs. |
|--------------------------------------|----------------------|----------------------|
| Balance as at 1st January | 1,898,155,568 | 1,570,024,385 |
| Increase in long-term insurance fund | 237,966,209 | 329,786,850 |
| Transfer to shareholder fund | | (1,655,667) |
| Balance as at 31st December | 2,136,121,777 | 1,898,155,568 |

The fund as at 31st December 2020 pertaining to long term insurance business valued by Mr. Saket Singhal Consultant Actuary of Actsure Lab (Pvt) Limited, has been estimated at Rs. 2,136 million (2019 - Rs. 1,898 million). In the opinion of the Actuary, this amount is adequate to cover the liabilities of the life insurance business.

In the opinion of the Appointed Actuary, the company as at 31st December 2020 maintains a capital adequacy ratio (CAR) and the total available capital (TAC), as per the solvency margin (risk based capital) rules 2015 requirement, as prescribed in section 26 (1) of the Regulation of Insurance Industry Act No. 43 of 2000.

One-off surplus due to change in valuation method

With effect from 1st January 2016, the Insurance Regulatory Commission of Sri Lanka (IRCSL) implemented the risk based capital (RBC) framework for solvency purposes. As per the guidelines issued by IRCSL, the surplus created due to change in the valuation method from net premium valuation (NPV) to gross premium valuation (GPV), is required to maintain within the Long Term Insurance Fund. The details with regard to surplus created on 1st January 2016, due to change in valuation method from NPV to GPV are as follows:

| | Participating | Non-participating | Total |
|---|---------------|-------------------|---------------|
| Policy liability as per NPV | | | |
| Policy liability as per GPV | 700,495,000 | 347,370,000 | 1,047,865,000 |
| One-off surplus due to change in valuation method from NPV to GPV | 664,836,000 | 333,258,000 | 998,094,000 |
| | 35,659,000 | 14,112,000 | 49,771,000 |

The surplus created as at 1st January 2016, due to change in valuation method from NPV to GPV, was valued by Mr. M. Poopalanathan a Professional Valuer from Actuarial and Management Consultants (Private) Limited. Subsequently, IRCSL, through the Direction No.16 issued on 20th March 2018 on "directions for identification and treatment of one-off surplus" life insurance companies were allowed to transfer one-off surplus attributable to non-participating fund to shareholders' fund in the relevant period. However, according to the opinion of the Actuary, Mr. M. Poopalanathan, the surplus was maintained within the long-term insurance fund, without being transferred to shareholders.

Life insurance provision

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

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

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

LIABILITY ADEQUACY TEST-LIFE

A liability adequacy test ("LAT") for life insurance contract liability has been carried out by Mr. Saket Singhal a Professional Actuary, as at 31st December 2020 as required by SLFRS 4 - Insurance Contracts. When performing the LAT, the Actuary discounted all contractual cash flows and compared this amount with the carrying value of the liability. In his opinion, as at 31st December 2020 the assets are adequate when compared to the discounted cash flow reserves and in contrast to the reserves. Therefore, as at 31st December 2020, no additional provision was required against LAT.

Notes to the Financial Statements

NOTE 15.02 - UNEARNED PREMIUM

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Balance as at 1st January | 1,849,341,910 | 1,849,341,910 | 1,849,341,910 | 1,654,770,901 |
| Transferred to income statement during the year | 95,883,791 | - | 95,883,791 | 194,571,009 |
| Balance as at 31st December | 1,945,225,701 | 1,849,341,910 | 1,945,225,701 | 1,849,341,910 |

NOTE 15.03 - NET DEFERRED ACQUISITION COST

| | Group | | Company | |
|---------------------------------|--------------|--------------|--------------|--------------|
| | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Deferred acquisition cost | | | | |
| Balance as at 1st January | 207,271,472 | 43,079,391 | 207,271,472 | 43,079,391 |
| Transfers during the year | 10,319,148 | 164,192,081 | 10,319,148 | 164,192,081 |
| Balance as at 31st December | 217,590,620 | 207,271,472 | 217,590,620 | 207,271,472 |
| Deferred reinsurance commission | | | | |
| Balance as at 1st January | (92,257,077) | (68,372,834) | (92,257,077) | (68,372,834) |
| Transfers during the year | 19,365,675 | (23,884,243) | 19,365,675 | (23,884,243) |
| Balance as at 31st December | (72,891,402) | (92,257,077) | (72,891,402) | (92,257,077) |
| Net deferred acquisition cost | 144,699,218 | 115,014,395 | 144,699,218 | 115,014,395 |

NOTE 15.04 - GROSS CLAIM RESERVE

| | Group | | Company | |
|--|---------------|---------------|---------------|---------------|
| | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Balance as at 1st January | 658,034,524 | 482,145,051 | 658,034,524 | 482,145,051 |
| Increase/(decrease) in outstanding claims | 177,924,503 | 175,889,473 | 177,924,503 | 175,889,473 |
| Balance as at 31st December | 835,959,027 | 658,034,524 | 835,959,027 | 658,034,524 |
| IBNR/IBNER balance as at 1st January | 343,214,653 | - | 343,214,653 | 202,878,384 |
| Increase/(decrease) in IBNR/IBNER | (22,920,991) | 343,214,653 | (22,920,991) | 140,336,269 |
| IBNR/IBNER balance as at 31st December | 320,293,662 | 343,214,653 | 320,293,662 | 343,214,653 |
| Total reserve for gross outstanding claims | 1,156,252,689 | 1,001,249,177 | 1,156,252,689 | 1,001,249,177 |

NOTE 15.05 - RECONCILIATION BETWEEN INSURANCE PROVISION AND TECHNICAL RESERVE

| | Company | |
|--------------------------------|---------------|---------------|
| | 2020 | 2019 |
| | Rs. | Rs. |
| Insurance provision - Non-life | 2,956,779,172 | 2,735,576,692 |
| Reinsurance on claims reserves | (330,868,944) | (358,667,521) |
| | 2,625,910,228 | 2,376,909,171 |

Significant delays occur in the notification of claims and a substantial measure of experience and judgement is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the reporting date. The reserves are determined based on the information currently available. However, it is inherent to the nature of the business written that the ultimate liability may vary as a result of subsequent developments.

The Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) claims reserve have been actuarially computed by Mr. Sivaraman Kumar for and on behalf of NMG Financial Services Consulting Pte Limited. The valuation is based on internationally accepted actuarial methods and is performed on an annual basis.

The non-life insurance technical reserve of Rs. 2,956,779,172 as at 31st December 2020 includes the provision of IBNR claims of Rs. 330,868,944 that has been certified by the independent consultants actuaries - NMG Financial Services Consulting Pte Limited.

LIABILITY ADEQUACY TEST - NON-LIFE

As per the liability adequacy test performed by Mr. Sivaraman Kumar for and on behalf of NMG Financial Services Consulting Pte Limited, it was concluded that the liability value is sufficient to meet future benefits and expenses. Hence, no provision has been made for premium deficiency.

NOTE 16 - NON-CONTROLLING INTEREST

The table below shows details of non-wholly owned subsidiaries of the parent company that have material non-controlling interests:

| Name of subsidiary | Country of incorporation & principal place of business | Proportion of ownership interests held by non-controlling interests as at 31st December | | (Loss)/ profit allocated to non-controlling interests for the year ended 31st December | | Accumulated non-controlling interests as at 31st December | |
|-------------------------|--|---|--------|--|-----------|---|-------------|
| | | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Cooplife Insurance Ltd. | Sri Lanka | - | 16.35% | 8,237,542 | 6,698,040 | - | 147,979,663 |
| | | 0.00% | 16% | 8,237,542 | 6,698,040 | 147,979,663 | |

During the year, the Company has purchased 1 million shares of Cooplife Insurance Ltd, which has resulted in an increase in ownership from 84% to 100%.

Notes to the Financial Statements

NOTE 17 - PREFERENCE SHARES

The Company has issued preference shares to the following, during the year 2020.

| | Group | | Company | |
|--|-------------|-------------|-------------|-------------|
| | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Public Service Co-operative Thrift and Credit Society | 39,500,000 | | 39,500,000 | |
| Health Department Co-operative Thrift and Credit Society | 11,000,000 | | 11,000,000 | |
| | 50,500,000 | | 50,500,000 | |

NOTE 18 - RETIREMENT BENEFIT OBLIGATION

Amounts recognised in the statement of financial position are made up of as follows:

| | Group | | Company | |
|---|--------------|-------------|--------------|-------------|
| | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Balance as at 1st January | 68,737,098 | 54,230,085 | 53,695,603 | 40,738,427 |
| Interest cost | 6,873,709 | 5,965,309 | 5,369,560 | 4,481,227 |
| Current service cost | 9,812,253 | 10,149,678 | 8,123,276 | 8,192,318 |
| Actuarial (gain)/loss on obligation | (12,975,136) | 5,825,659 | (10,229,690) | 4,908,096 |
| Payments made during the year | (6,113,162) | (7,433,633) | (3,736,694) | (4,624,465) |
| Balance as at 31st December | 66,334,762 | 68,737,098 | 53,222,055 | 53,695,603 |
| Expenses on retirement benefit obligation | | | | |
| Recognised in profit or loss | | | | |
| Interest cost | 6,873,709 | 5,965,309 | 5,369,560 | 4,481,227 |
| Current service cost | 9,812,253 | 10,149,678 | 8,123,276 | 8,192,318 |
| | 16,685,961 | 16,114,987 | 13,492,836 | 12,673,545 |
| Recognised in other comprehensive income | | | | |
| Net actuarial (gain)/loss on obligation | (12,975,136) | 5,825,659 | (10,229,690) | 4,908,096 |
| | (12,975,136) | 5,825,659 | (10,229,690) | 4,908,096 |

As at 31st December 2020, the gratuity liability was actuarially valued under the Projected Unit Credit (PUC) method by Mr. M. Poopalanathan of Actuarial and Management Consultants (Private) Limited (Consultant and Actuaries), as required by LKAS 19 - Employee Benefits.

The liability is not externally funded. The valuation is performed on an annual basis.

Principal assumptions as at reporting date

| | 2020 | 2019 |
|----------------------------|-----------------------|-----------------------|
| As at 31st December | | |
| Discount rate | 8% | 10% |
| Future salary increase | 10% once in two years | 18% once in two years |
| Retirement age (years) | 55 | 55 |

Assumptions regarding future mortality are based on published statistics and mortality tables.

Sensitivity of assumptions used in actuarial valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the statement of profit or loss and other comprehensive income statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

Group

| 2020 | Effect on charge to the statement of profit or loss & other comprehensive income | | Effect on employee benefit obligation | |
|--------------------------------------|--|-------------|---------------------------------------|-------------|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (change by 1%) | (2,924,140) | 2,675,182 | (2,924,140) | 2,675,182 |
| Salary increment rate (change by 1%) | 1,499,304 | (1,162,642) | 1,499,304 | (1,162,642) |

| 2019 | Effect on charge to the statement of profit or loss & other comprehensive income | | Effect on employee benefit obligation | |
|--------------------------------------|--|-------------|---------------------------------------|-------------|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (change by 1%) | (3,969,324) | 4,447,714 | (3,969,324) | 4,447,714 |
| Salary increment rate (change by 1%) | 2,230,816 | (2,140,021) | 2,230,816 | (2,140,021) |

Company

| 2020 | Effect on charge to the statement of profit or loss & other comprehensive income | | Effect on employee benefit obligation | |
|--------------------------------------|--|-------------|---------------------------------------|-------------|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (change by 1%) | (2,436,270) | 2,675,182 | (2,436,270) | 2,675,182 |
| Salary increment rate (change by 1%) | 1,201,100 | (1,162,642) | 1,201,100 | (1,162,642) |

| 2019 | Effect on charge to the statement of profit or loss & other comprehensive income | | Effect on employee benefit obligation | |
|--------------------------------------|--|-------------|---------------------------------------|-------------|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (change by 1%) | (3,381,797) | 3,812,073 | (3,381,797) | 3,812,073 |
| Salary increment rate (change by 1%) | 1,883,687 | (1,801,665) | 1,883,687 | (1,801,665) |

Notes to the Financial Statements

NOTE 19 - REINSURANCE CREDITORS

| | Group | | Company | |
|---------|-------------|-------------|-------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs. | Rs. | Rs. | Rs. |
| Foreign | 223,759,438 | 325,434,673 | 212,724,701 | 309,664,298 |
| Total | 223,759,438 | 325,434,673 | 212,724,701 | 309,664,298 |

NOTE 20 - OTHER LIABILITIES

| Note | Group | | Company | |
|---------------------------|-------------|-------------|-------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs. | Rs. | Rs. | Rs. |
| Commission payable | 62,344,864 | 54,063,877 | 61,380,969 | 53,031,299 |
| Government levies & taxes | 20.01 | 237,787,702 | 73,000,214 | 237,751,296 |
| Dividend - Ordinary | | 138,470 | 63,363 | 138,470 |
| Accrued expenses | | 85,467,315 | 50,711,750 | 66,851,289 |
| Deposits & other funds | | 557,003,658 | 435,553,167 | 491,953,346 |
| Total | 942,742,009 | 613,392,374 | 858,075,370 | 539,162,386 |

NOTE 20.01 - GOVERNMENT LEVIES & TAXES

| | | | | |
|-------------------------|-------------|------------|-------------|------------|
| Income tax payable | 199,153,189 | 68,917,863 | 199,116,783 | 68,821,170 |
| Value added tax payable | 37,453,252 | 1,451,184 | 37,453,252 | 1,451,184 |
| Economic service charge | - | - | - | - |
| PAYE tax payable | 46,261 | 224,379 | 46,261 | 169,217 |
| Withholding tax payable | - | 1,314,788 | - | 1,120,920 |
| Diesel tax payable | 1,135,000 | 1,092,000 | 1,135,000 | 1,092,000 |
| | 237,787,702 | 73,000,214 | 237,751,296 | 72,654,490 |

NOTE 21 - DEFERRED TAX LIABILITY

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

| | Group | | Company | |
|---|---------------|---------------|---------------|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs. | Rs. | Rs. | Rs. |
| Deferred tax comprises of | | | | |
| Deferred tax assets - subsidiary company | 88,842,469 | 109,799,486 | - | - |
| Deferred tax liabilities - parent company | (48,624,012) | (61,110,824) | (48,624,012) | (61,110,824) |
| | 40,218,457 | 48,688,662 | (48,624,012) | (61,110,824) |
| Deferred tax liabilities | (129,392,767) | (116,632,446) | (103,937,161) | (92,703,069) |
| Deferred tax assets | 169,611,223 | 165,321,108 | 55,313,149 | 31,592,244 |
| | 40,218,456 | 48,688,662 | (48,624,012) | (61,110,825) |

Unrecognised deferred tax assets - subsidiary

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

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

| | 2020 Rs. | 2019 Rs. |
|---------------|--------------------|--------------------|
| On tax losses | 102,947,049 | 109,819,228 |
| | 109,819,228 | 109,819,228 |

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

The movement in the deferred tax account is as follows:

| | Group | | Company | |
|--|-------------------|-------------------|---------------------|---------------------|
| | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Balance as at 1st January 2020 | 48,688,662 | 78,618,368 | (61,110,825) | (51,698,298) |
| Recognised in profit or loss | 15,342,779 | (17,478,068) | 34,773,567 | 668,616 |
| Recognised in other comprehensive income | (23,812,985) | (12,451,638) | (22,286,757) | (10,081,143) |
| Balance as at 31st December 2020 | 40,218,456 | 48,688,662 | (48,624,015) | (61,110,825) |

| | Assets | | Liabilities | | Net | |
|-------------------------------------|--------------------|--------------------|----------------------|----------------------|-------------------|-------------------|
| | 2020 re' | 2019 re' | 2020 re' | 2019 re' | 2020 re' | 2019 re' |
| Property, plant & equipment | - | - | (127,829,071) | (114,847,214) | (127,829,071) | (114,847,214) |
| Intangible assets | - | - | (1,563,696) | (1,785,232) | (1,563,696) | (1,785,232) |
| Available for sale financial assets | 12,514,130 | 12,472,790 | - | - | 12,514,130 | 12,472,790 |
| Employee benefits | 14,902,175 | 12,886,945 | - | - | 14,902,175 | 12,886,945 |
| Carryforward tax losses | 114,298,075 | 133,728,863 | - | - | 114,298,075 | 133,728,863 |
| Provisions | 27,896,843 | 6,232,510 | - | - | 27,896,843 | 6,232,510 |
| Net tax assets (liabilities) | 169,611,223 | 165,321,108 | (129,392,767) | (116,632,446) | 40,218,456 | 48,688,661 |

Notes to the Financial Statements

Movement in deferred tax balances during the year - Group

| | Balance as at 1st January 2019 Rs. | Recognised in profit or loss Rs. | Recognised in other comprehensive income Rs. | Balance as at 31st December 2019 Rs. | Balance as at 1st January 2020 Rs. | Recognised in profit or loss Rs. | Recognised in other comprehensive income Rs. | Balance as at 31st December 2020 Rs. |
|-------------------------------------|---------------------------------------|-------------------------------------|---|---|---------------------------------------|-------------------------------------|---|---|
| Property, plant & equipment | (107,266,829) | 1,306,481 | (8,886,866) | (114,847,214) | (114,847,214) | 6,830,211 | (19,812,068) | (127,829,071) |
| Intangible assets | 184,968 | (1,970,200) | - | (1,785,232) | (1,785,232) | 221,536 | - | (1,563,696) |
| Available for sale financial assets | 18,499,052 | - | (6,026,261) | 12,472,791 | 12,472,791 | - | 41,339 | 12,514,130 |
| Employee benefits | 11,406,759 | (981,304) | 2,461,489 | 12,886,944 | 12,886,944 | 6,057,487 | (4,042,256) | 14,902,175 |
| Carry forward tax loss | 151,875,547 | (18,146,684) | - | 133,728,863 | 133,728,863 | (19,430,788) | - | 114,298,075 |
| Provisions | 3,918,870 | 2,313,640 | - | 6,232,510 | 6,232,510 | 21,664,333 | - | 27,896,843 |
| | 78,618,367 | (17,478,067) | (12,451,638) | 48,688,662 | 48,688,662 | 15,342,779 | (23,812,985) | 40,218,456 |

Deferred tax asset and liability - Company

| | Assets | | Liabilities | | Net | |
|-------------------------------------|-------------|-------------|---------------|--------------|---------------|--------------|
| | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Property plant & equipment | - | - | (102,373,465) | (90,917,836) | (102,373,465) | (90,917,836) |
| Intangible assets | - | - | (1,563,696) | (1,785,232) | (1,563,696) | (1,785,232) |
| Available for sale financial assets | 12,514,132 | 12,472,791 | - | - | 12,514,132 | 12,472,791 |
| Employee benefits | 14,902,174 | 12,886,944 | - | - | 14,902,174 | 12,886,944 |
| Provisions | 27,896,843 | 6,232,510 | - | - | 27,896,843 | 6,232,510 |
| Net tax assets (liabilities) | 55,313,149 | 31,592,245 | (103,937,161) | (92,703,068) | (48,624,012) | (61,110,823) |

Movement in deferred tax balances during the year - company

| | Balance as at 1st January 2019 Rs. | Recognised in other comprehensive income | | Balance as at 31st December 2019 Rs. | Balance as at 1st January 2020 Rs. | Recognised in other comprehensive income | | Balance as at 31st December 2020 Rs. |
|--|---------------------------------------|--|---------------|---|---------------------------------------|--|---------------|---|
| | | Recognised in profit or loss Rs. | income Rs. | | | Recognised in profit or loss Rs. | income Rs. | |
| Property, plant & equipment with right of use assets | (85,707,946) | 1,306,481 | (6,516,371) | (90,917,836) | (90,917,836) | 6,830,211 | (18,285,840) | (102,373,465) |
| Intangible assets | 184,968 | (1,970,200) | - | (1,785,232) | (1,785,232) | 221,536 | - | (1,563,696) |
| Available for sale financial assets | 18,499,052 | - | (6,026,261) | 12,472,791 | 12,472,791 | - | 41,339 | 12,514,132 |
| Employee benefits | 11,406,758 | (981,304) | 2,461,489 | 12,886,943 | 12,886,943 | 6,057,487 | (4,042,256) | 14,902,174 |
| Provisions | 3,918,870 | 2,313,640 | - | 6,232,510 | 6,232,510 | 21,664,333 | - | 27,896,843 |
| | (51,698,298) | 668,617 | (10,081,143) | (61,110,826) | (61,110,826) | 34,773,567 | (22,286,757) | (48,624,012) |

NOTE 22 - GROSS WRITTEN PREMIUM

| | Group | | Company | |
|--------------------|---------------|---------------|---------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs. | Rs. | Rs. | Rs. |
| Life insurance | 771,745,178 | 769,456,743 | - | - |
| Non-life insurance | | | | |
| Motor | 3,848,650,733 | 3,784,394,609 | 3,848,672,266 | 3,784,593,663 |
| Fire | 86,794,532 | 145,277,224 | 86,794,532 | 145,277,224 |
| Marine | 26,445,269 | 13,964,778 | 26,445,269 | 13,964,778 |
| Miscellaneous | 438,186,804 | 361,953,641 | 438,186,804 | 361,953,641 |
| Total | 5,171,822,516 | 5,075,046,995 | 4,400,098,871 | 4,305,789,306 |

NOTE 23 - PREMIUM CEDED TO REINSURERS

| | Group | | Company | |
|--------------------|-------------|-------------|-------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs. | Rs. | Rs. | Rs. |
| Life | 46,984,457 | 51,976,424 | | |
| Non-life insurance | | | | |
| Motor | 327,440,495 | 342,479,569 | 327,440,495 | 342,479,569 |
| Fire | 46,273,626 | 80,029,919 | 46,273,626 | 80,029,919 |
| Marine | 16,787,972 | 10,643,315 | 16,787,972 | 10,643,315 |
| Miscellaneous | 154,231,939 | 137,978,403 | 154,231,939 | 137,978,403 |
| Riots & strikes | | | | |
| Motor | 76,998,507 | 69,450,682 | 76,998,507 | 69,450,682 |
| Fire | 29,211,078 | 39,875,521 | 29,211,078 | 39,875,521 |
| Marine | 1,563,677 | 426,209 | 1,563,677 | 426,209 |
| Miscellaneous | 17,929,099 | 3,737,350 | 17,929,099 | 3,737,350 |
| Total | 717,420,850 | 736,597,391 | 670,436,393 | 684,620,967 |

NOTE 24 - NET CHANGE IN RESERVES FOR UNEARNED PREMIUM

| | Group | | Company | |
|------------------|------------|--------------|------------|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs. | Rs. | Rs. | Rs. |
| Unearned premium | | | | |
| Motor | 68,863,475 | 236,895,514 | 68,863,475 | 236,895,514 |
| Fire | 7,605,089 | (6,197,465) | 7,605,089 | (6,197,465) |
| Marine | 2,079,347 | (937,957) | 2,079,347 | (937,957) |
| Miscellaneous | 17,335,880 | (35,189,084) | 17,335,880 | (35,189,084) |
| Total | 95,883,791 | 194,571,009 | 95,883,791 | 194,571,009 |

Notes to the Financial Statements

NOTE 25 - INVESTMENT INCOME

| | Group | | Company | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Available-for-sale | | | | |
| Treasury bonds | 29,326,389 | 34,288,560 | - | - |
| Debentures | 80,700,329 | 51,050,564 | - | - |
| Dividend income | 399,182 | 399,308 | 399,182 | 399,308 |
| Held to maturity | | | | |
| Treasury bonds | 77,004,931 | 70,560,120 | 38,958,970 | 32,549,049 |
| Debentures | 184,304,395 | 125,258,820 | 184,304,395 | 125,258,820 |
| Loans & receivables | | | | |
| Fixed deposits | 272,734,253 | 227,324,782 | 170,856,210 | 146,754,470 |
| Repo | 3,972,524 | 18,956,358 | 1,531,606 | 6,949,667 |
| Overnight deposits | 3,643,747 | 4,738,191 | 3,643,747 | 4,738,191 |
| Commercial paper | 69,241,283 | 84,434,699 | 46,599,124 | 61,150,301 |
| Money market | 6,491,243 | 928,737 | - | - |
| Fair value through profit or loss | | | | |
| Quoted shares - dividend | 17,256 | 19,768 | - | - |
| Interest income on | | | | |
| Savings deposits | 1,390,604 | 161,269 | 1,390,604 | 161,269 |
| Policy loans | 2,752,978 | 2,416,461 | - | - |
| Staff loans | 1,557,729 | 2,091,030 | 1,246,247 | 1,695,786 |
| Total finance income | 733,536,843 | 622,628,666 | 448,930,085 | 379,656,860 |
| Dividend from subsidiary - ordinary shares | - | - | - | 29,626,914 |
| Dividend from subsidiary - preference shares | - | | 1,000,000 | - |
| Net finance income | 733,536,843 | 622,628,666 | 449,930,085 | 409,283,774 |

NOTE 26 - POLICY ADMINISTRATION FEES

| | Group | | Company | |
|---------------|--------------------|--------------------|--------------------|--------------------|
| | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Motor | | | | |
| Motor | 251,087,414 | 223,723,043 | 251,087,414 | 223,723,043 |
| Fire | 568,388 | 1,645,435 | 568,388 | 1,645,435 |
| Marine | 682,678 | 527,098 | 682,678 | 527,098 |
| Miscellaneous | 4,973,610 | 5,824,228 | 4,973,610 | 5,824,228 |
| Total | 257,312,090 | 231,719,804 | 257,312,090 | 231,719,804 |

NOTE 27 - OTHER INCOME

| Note | Group | | Company | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Gain/(loss) on foreign currency transaction | 107,193 | (233,968) | 107,193 | (233,968) |
| Gain on sale of property, plant and equipment | 2,346,096 | 1,225,475 | 2,346,096 | 1,210,102 |
| Miscellaneous income | 27.1 | 22,028,124 | 15,723,717 | 19,021,032 |
| Total | 24,481,413 | 16,715,224 | 21,474,321 | 15,354,297 |

NOTE 27.01 - MISCELLANEOUS INCOME

| | Group | | Company | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Other income | 16,448,683 | 9,630,128 | 14,113,452 | 8,945,870 |
| Sundry income | 1,386,285 | 3,047,650 | 714,425 | 2,386,354 |
| Policy fee charges | 1,264,506 | 974,552 | 1,264,506 | 974,552 |
| Unidentified receipts written back | - | - | - | - |
| Profit commission | - | - | - | - |
| Non-refundable tender fees | 2,928,649 | 2,071,387 | 2,928,649 | 2,071,387 |
| | 22,028,123 | 15,723,717 | 19,021,032 | 14,378,163 |

NOTE 28 - GROSS BENEFITS & CLAIMS INCURRED

| | Group | | Company | |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Life insurance contracts | | | | |
| Death, disability & hospitalisation | 85,187,659 | 65,665,780 | - | - |
| Policy surrenders | 9,822,643 | 35,019,737 | - | - |
| Pension benefits | 15,858,139 | 3,379,833 | - | - |
| Policy maturity | 2,519,116 | 112,658,798 | - | - |
| Survival benefits | 227,578,246 | 7,683,998 | - | - |
| | 340,965,803 | 224,408,146 | - | - |
| Non-life insurance contracts | | | | |
| Motor | 2,262,939,629 | 2,538,076,619 | 2,262,939,629 | 2,538,076,619 |
| Fire | 58,928,354 | 133,841,353 | 58,928,354 | 133,841,353 |
| Marine | 4,619,166 | 2,617,961 | 4,619,166 | 2,617,961 |
| Miscellaneous | 187,054,134 | 310,592,209 | 187,054,134 | 310,592,209 |
| | 2,513,541,283 | 2,985,128,142 | 2,513,541,283 | 2,985,128,142 |
| Less: salvage income | (176,959,987) | (174,817,008) | (176,959,987) | (174,817,008) |
| movement in salvage stock | - | 7,863 | - | 7,863 |
| | 2,336,581,296 | 2,810,318,997 | 2,336,581,296 | 2,810,318,997 |
| Total | 2,677,547,099 | 3,034,727,143 | 2,336,581,296 | 2,810,318,997 |

Notes to the Financial Statements

NOTE 29 - UNDERWRITING & POLICY ACQUISITION COST

| | Group | | Company | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs. | Rs. | Rs. | Rs. |
| Net underwriting & policy acquisition cost | 523,647,500 | 497,644,433 | 418,982,027 | 409,647,261 |
| Increase/(decrease) in deferred acquisition cost | (29,684,823) | (29,048,146) | (29,684,823) | (29,048,146) |
| Reinsurance commission | (151,480,192) | (173,556,605) | (144,460,155) | (166,343,152) |
| Total | 342,482,485 | 295,039,683 | 244,837,049 | 214,255,964 |

NOTE 30 - OTHER OPERATING & ADMINISTRATIVE EXPENSES

| Note | Group | | Company | |
|---|-------|----------------------|----------------------|----------------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs. | Rs. | Rs. | Rs. |
| Staff expenses | 30.1 | 638,430,072 | 564,498,599 | 519,171,472 |
| Administrative & establishment expenses | | 346,860,743 | 308,659,236 | 292,435,641 |
| Selling expenses | | 248,091,926 | 213,562,538 | 210,741,114 |
| Depreciation | | 250,921,065 | 231,344,066 | 201,018,963 |
| Amortisation of intangible assets | | 1,188,325 | 3,615,444 | 1,188,325 |
| Reversal of impairment on motor vehicle | | (101,141) | - | - |
| Impairment on motor vehicle | | - | (102,240) | - |
| Notional tax written off | | 3,502,059 | - | - |
| Total | | 1,488,893,049 | 1,321,577,643 | 1,224,555,515 |
| | | | | 1,050,194,569 |

NOTE 30.01 - STAFF EXPENSES

| | Group | | Company | |
|---|-------------|-------------|-------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs. | Rs. | Rs. | Rs. |
| Salaries & wages | 489,274,019 | 448,516,200 | 387,485,509 | 348,948,758 |
| Contributions to defined contribution plan | 67,620,005 | 61,343,829 | 54,607,639 | 48,735,736 |
| Contributions to defined benefit plan | 16,685,963 | 16,114,987 | 13,492,837 | 12,673,545 |
| Contribution for staff group term assurance | 408,150 | 542,602 | 3,664,923 | 3,459,487 |
| Staff welfare | 14,908,756 | 10,152,487 | 13,283,873 | 7,752,375 |
| Staff bonus | 35,644,432 | 11,181,700 | 35,644,432 | 9,991,279 |
| Staff training & development | 2,094,670 | 2,833,525 | 1,517,103 | 1,715,869 |
| Other staff expenses | 11,794,076 | 13,813,268 | 9,475,156 | 11,487,729 |
| | 638,430,072 | 564,498,599 | 519,171,472 | 444,764,780 |

NOTE 31 - FINANCE COST

| FOR THE YEAR ENDED 31ST DECEMBER | Group | | Company | |
|--------------------------------------|------------|------------|------------|------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs. | Rs. | Rs. | Rs. |
| Interest on finance lease agreements | - | 172,092 | - | 106,455 |
| Finance cost - Right to use assets | 50,735,361 | 51,306,279 | 40,284,067 | 39,150,950 |
| Total finance cost | 50,735,361 | 51,478,371 | 40,284,067 | 39,257,405 |

NOTE 32 - PROFIT BEFORE INCOME TAX

The profit from operations for the year is stated after charging the following expenses.

| | Group | | Company | |
|--|-------------|-------------|-------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs. | Rs. | Rs. | Rs. |
| Directors remuneration | 7,633,175 | 20,399,196 | 2,659,333 | 14,726,238 |
| Directors medical insurance | - | 133,852 | - | 133,852 |
| Auditor's remuneration | 1,738,000 | 2,509,045 | 1,386,000 | 1,309,045 |
| Impairment loss on premium receivables | 99,942,789 | 26,570,176 | 99,631,582 | 25,968,791 |
| Depreciation | 144,834,635 | 178,598,544 | 144,834,635 | 178,598,544 |
| Amortisation of intangible assets | 1,188,325 | 1,485,601 | 1,188,325 | 1,485,601 |

NOTE 33 - INCOME TAX EXPENSES

| FOR THE YEAR ENDED 31ST DECEMBER | Group | | Company | |
|--|---------------------|--------------------|---------------------|--------------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs. | Rs. | Rs. | Rs. |
| Current tax expense | | | | |
| Current year | 260,496,341 | 131,211,726 | 260,459,896 | 131,115,033 |
| (Over)/under provision for the last year | (587,268) | 1,144,316 | (587,268) | 1,144,316 |
| Withholding tax on inter-company dividend | - | 4,517,586 | - | - |
| Capital gain tax | - | - | - | - |
| | 259,909,073 | 136,873,628 | 259,872,628 | 132,259,349 |
| Deferred Tax Expense | | | | |
| (Origination)/reversal of deferred tax asset | (21,370,611) | 15,833,044 | (40,801,399) | (2,313,640) |
| Origination/(reversal) of deferred tax liability | 6,027,832 | 1,645,024 | 6,027,832 | 1,645,024 |
| | (15,342,779) | 17,478,068 | (34,773,567) | (668,616) |
| Income tax expense | 244,566,294 | 154,351,695 | 225,099,061 | 131,590,733 |

Notes to the Financial Statements

NOTE 33.01 - RECONCILIATION OF ACCOUNTING PROFIT AND TAXABLE INCOME

| | Group | | Company | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Profit for the year | 695,483,271 | 272,578,879 | 644,979,079 | 265,663,480 |
| Current tax expense | 259,909,073 | 136,873,628 | 259,872,628 | 132,259,348 |
| (Origination)/reversal of deferred tax asset | (21,370,611) | 15,833,044 | (40,801,399) | (2,313,640) |
| Origination/(reversal) of deferred tax liability | 6,027,832 | 1,645,024 | 6,027,832 | 1,645,024 |
| Profit before tax | 940,049,565 | 426,930,575 | 870,078,140 | 397,254,212 |
| At the statutory income tax rate of 24% (2019-28%) | 278,624,427 | 119,540,561 | 208,818,754 | 111,231,179 |
| Less: exempted interest income | - | - | - | - |
| Less: surplus transferred from long-term insurance fund | (1,395,538) | (1,655,667) | - | - |
| Add: disallowable expenses | 81,210,041 | 69,619,788 | 81,210,041 | 69,612,866 |
| Less: allowable expenses | (29,748,924) | (70,243,132) | (29,748,924) | (41,927,532) |
| Bonus declared to policyholders (Life) | 12,559,842 | 14,901,000 | - | - |
| Surplus transferred from long term insurance fund | 1,395,538 | 1,655,667 | - | - |
| Less: other income considered separately | (108,546,283) | (118,186,130) | (108,546,283) | (113,993,596) |
| Business income | 151,733,587 | 267,500 | 151,733,587 | 24,922,918 |
| Other sources of income | 108,726,309 | 110,848,236 | 108,726,309 | 106,192,114 |
| Assessable income | 260,459,896 | 126,747,822 | 260,459,896 | 131,115,033 |
| Less: deductions | | | | |
| Deductions under section 19 of the IR Act No. 24 of 2017 | (23,062,344) | (20,095,991) | - | - |
| Total current tax | 283,522,240 | 106,651,831 | 260,459,896 | 131,115,033 |

NOTE 34 - BASIC EARNINGS PER SHARE

The basic earnings per share is based on net profit attributable to ordinary shareholders for the year divided by the weighted average number of ordinary shares outstanding for the year, calculated as follows:

| | Group | | Company | |
|--|--------------|--------------|--------------|--------------|
| | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Profit attributable to ordinary shareholders (Rs.) | 687,245,729 | 265,880,839 | 644,979,079 | 265,663,480 |
| Weighted average number of ordinary shares in issue applicable to basic earnings per share (Rs.) | 143,058,837 | 138,890,569 | 143,058,837 | 138,890,569 |
| Earnings per share (Rs.) | 4.80 | 1.91 | 4.51 | 1.91 |
| Net assets per share (Rs.) | 27.50 | 22.30 | 23.76 | 19.05 |

NOTE 34.01 - WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

| | Group | | Company | |
|--|-------------|--------------------|-------------|--------------------|
| | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| No. of shares held as at 1st January | 143,058,837 | 137,354,891 | 143,058,837 | 137,354,891 |
| Add: weighted average number of shares issued due to scrip dividends | - | 1,535,678 | - | 1,535,678 |
| No. of shares held as at 31st December | 143,058,837 | 138,890,569 | 143,058,837 | 138,890,569 |

NOTE 35 - RELATED PARTY TRANSACTION

NOTE 35.01 - TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL (KMP)

The Board of Directors of the Company have the authority and responsibility of planning, directing and controlling the activities of the Company. Accordingly, the Board of Directors of the Company have been identified as the KMP of the Company.

The emoluments paid to KMP of the Company are disclosed as follows;

| | 2020 Rs. | 2019 Rs. |
|------------------------------|-------------|-------------|
| Short-term employee benefits | 13,767,195 | 14,726,238 |

Post employment benefits accrued are not included above as these cannot be identified separately, due to the actuarial valuation.

Loans given to Directors

Company has not given any loans for the Directors of the Company during the year ended 31st December 2020.

Loans obtained from Directors

Company has not obtained any loans from the Directors of the Company during the year ended 31st December 2020.

Notes to the Financial Statements

NOTE 35.02 - Directors & their directorships in other entities are listed below as the societies represented by the Directors on the board are considered as related parties.

| Director | Company | Relationship |
|----------------------------------|---|-------------------|
| Dr. W. Lalith A. Peiris | Wennappuwa MPCS Ltd. | Chairman |
| | Co-op Life Insurance Company Ltd. | Chairman |
| | Sri Lanka Co-operative Rural Bank Federation | Director |
| | National Institute of Co-operative Development - Polgolla | Director |
| | Co-opinsu Training Academy | Chairman |
| | National Co-operative Council of Sri Lanka | Chairman |
| | Chilaw District Co-operative Council | Chairman |
| Mr. K.R.W Ranasinghe | Sirioya Hydro Power (Pvt) Ltd. | Director |
| | Prime Engineering Lanka (Pvt) Ltd. | Director |
| | Co-op Life Insurance Company Ltd. | Managing Director |
| | Co-opinsu Training Academy | Director |
| | Pela Holidays (Pvt) Ltd. | Director |
| Mr. K.J. Sesiri | Beralapanatara MPCS | Chairman |
| | Matara Dist. Co-operative Rural Bank Union | Director |
| | Matara Dist. Co-operative Council | Vice Chairman |
| | Matara Dist. Tea Producers Co-operative Society Union | Vice Chairman |
| Mr. R.K. Rankothge | Pujapitiya MPCS | Chairman |
| | Sri Lanka Marketing Federation | Chairman |
| Mr. C.P. Jayasinghe | Dambadeniya MPCS Ltd. | Chairman |
| | Sri Lanka Co-operative Rural Bank Federation Ltd. | Chairman |
| Mr. A.D.T.S. Palitha | TSP Associates | Partner |
| Mr. K. Susil Shantha Weerasekara | Weligama MPCS Ltd. | Chairman |
| | Matara District Co-operative Council | Director |
| | Matara Dist. Co-operative Rural Bank Society | Vice Chairman |
| | Sri Lanka Tea Producers Co-operative Society Ltd. | Chairman |
| Mr. D.L. Samarakrama | Colombo District Rural Bank Federation | Director |
| | Colombo South Co-operative Society Ltd. | Chairman |
| | Public Service Co-operative Credit & Thrift Society Ltd. | Chairman |
| | Co-op Life Insurance Company Ltd. | Director |
| Mr. R. Sooriyarachchi | Airport And Aviation Sri Lanka Ltd. | Vice Chairman |
| Mr. A.B. Senadeera | New Thalawakale MPCS Ltd. | Chairman |
| | Sri Lanka Customer Co-operative Federation | Director |
| | Co-operative District Council Nuwaraeliya | Chairman |
| | Central Province Rural Bank Union Ltd. | Director |

NOTE 35.03 - TRANSACTIONS & BALANCES WITH RELATED PARTIES

The Multi-Purpose Co-operative Societies represented on the Board are considered as related parties due to the joint shareholdings and representation on the Board. Related party balances and transactions are listed below:

| Entity | Nature of transaction | Transactions with CICL | | Transactions with group companies | |
|---|--------------------------------------|------------------------|--------------|-----------------------------------|-------------|
| | | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Coop Life Insurance Ltd. | Equity investment - indirect | - | 10,000,010 | - | - |
| | Receiver for shared service expenses | (24,333,302) | (27,932,731) | - | - |
| | Insurance premium | (21,533) | (199,054) | - | - |
| | Life GTA | 3,664,923 | 3,325,635 | - | - |
| | Vehicle rent | (675,000) | (2,290,473) | - | - |
| | Building rent | 3,282,682 | 3,093,077 | - | - |
| | Water and electricity | 157,244 | - | - | - |
| | Claims | - | 139,539 | - | - |
| | Dividends paid | - | (29,626,914) | - | - |
| Coop Insurance Training Academy | Payment reimbursements | 676,376 | 173,000 | - | - |
| MPCS Wennappuwa | Office rent | 1,124,695 | 1,038,180 | - | - |
| | Fuel | - | 66,131 | - | - |
| | Dividend | - | 11,749,266 | - | - |
| | Commission | 534,216 | 416,637 | 76,615 | 101,094 |
| | Claims | 480,805 | 666,020 | - | - |
| | Other | 5,320 | - | - | - |
| National Co-operative Council of Sri Lanka | Commission | - | 10,847 | - | - |
| | Transport | - | 17,300 | - | - |
| | Claims | - | 50,000 | - | - |
| | Dividends | - | 18,569 | - | - |
| | Training & diaries | - | 30,950 | - | - |
| | Hall and accommodation charges | - | - | - | 25,865 |
| | Maintenance charges for elevator | - | - | - | 160,000 |
| | Water and electricity | - | - | - | 143,802 |
| | Office rent | - | - | - | 15,156,214 |
| | Others | - | - | - | 152,077 |
| Sri Lanka Co-operative Marketing Federation | Fuel | 716,036 | 635,793 | - | - |
| | Commission | 1,547 | - | - | - |
| | Claims | - | 5,650 | - | - |
| | Dividends | - | 22,264 | - | - |

Notes to the Financial Statements

| Entity | Nature of transaction | Transactions with CICL | | Transactions with group companies | |
|---|----------------------------------|------------------------|-------------|-----------------------------------|-------------|
| | | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Sri Lanka Co-operative Rural Bank Federation | Refunds & other | 28,512 | - | - | - |
| | Vehicle rental/card machine rent | - | - | 1,159,950 | - |
| | Dividends | - | 1,512,375 | - | - |
| | Claims | - | 4,714,833 | - | - |
| | Commission | 134,943 | 287,801 | - | - |
| | Rent | - | 1,558,660 | - | - |
| | Vehicle repairs | - | 780,550 | - | - |
| Dambadeniya MPSC Ltd. | Commission incentive | 209,721 | 180,694 | - | - |
| | Claims | 57,898 | - | - | - |
| | Dividends | - | 933,661 | - | - |
| | Business discount | - | 10,000 | - | - |
| | Other | 6,721 | - | - | - |
| Health Department Co-operative Thrift & Credit Society Ltd. | Printing charges | - | - | 49,198,736 | 15,098,260 |
| | Purchase of preference shares | 11,000,000 | - | - | - |
| Beralapanatara MPSC | Claims | - | 331,394 | - | - |
| | Commission incentive | 205,137 | 251,219 | - | - |
| | Dividend | - | 1,828,156 | - | - |
| Matara Dist. Tea Producers Co-operative Society Union | Claims | - | 411,195 | - | - |
| | Dividend | - | 4,417,559 | - | - |
| Welligama MPSC | Claims | - | 13,178 | - | - |
| | Dividend | - | 21,589 | - | - |
| | Sponsorship | 110,000 | - | - | - |
| | Share transfer | - | 10,000,010 | 898 | - |
| Beliatta MPSC | Share purchase of Cooplife Ltd. | 17,500,000 | - | - | - |
| | Dividends | - | 42,729 | - | - |
| | Claims | - | 201,348 | - | - |
| Galigamuwa MPSC | Business discount | - | 25,000 | - | - |
| | Share purchase of Cooplife Ltd. | 11,000,000 | - | - | - |
| | Dividends | - | 42,729 | - | - |
| | Claims | - | 201,348 | - | - |
| Homagama MPSC | Commission | - | 642,086 | - | - |
| | Claims | - | 2,466,504 | - | - |
| | Claims | - | 199,895 | - | - |
| | Commission | - | 887,360 | - | - |
| | Dividends | - | 6,089,235 | - | - |
| Wayamba Co operative Rural Bank Union | Souvenir | - | 100,000 | - | - |

| Entity | Nature of transaction | Transactions with CICL | | Transactions with group companies | |
|--|-------------------------------|------------------------|-------------|-----------------------------------|-------------|
| | | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Chilaw District Co-operative Council | Office rent | 420,000 | 420,000 | - | - |
| Matara District Coop Rural Bank Union Ltd. | Dividends | - | 2,930,274 | - | - |
| Matara District Co-operative Council | Dividends | - | 19,461 | - | - |
| Pujapitiya MPCS Ltd. | Dividends | - | 142,651 | - | - |
| Kegalle District Coop Rural Bank | Dividends | - | 5,318 | - | - |
| Colombo South Coop Society Ltd. | Tea items | 1,696,956 | 2,277,667 | - | - |
| | Claim | 18,000 | 6,000 | - | - |
| | Dividends | - | 2,203 | - | - |
| | Business discount | - | 25,000 | - | - |
| Public Service Co-operative Society | Commission | 251,969 | - | - | - |
| | Claim | 3,067,107 | - | - | - |
| | Purchase of preference shares | 39,500,000 | - | - | - |
| Thalawakale MPCS Ltd. | Commission | 23,613 | - | - | - |
| Central Province Rural Bank | Loan deductions of employees | 164,750 | - | - | - |
| Pela Holidays (Pvt) Ltd. | Office rent | 1,695,880 | - | - | - |

| Entity | Nature of transaction | Balances with CICL | | Balances with Group Companies | |
|-------------------------------------|--------------------------------------|--------------------|-------------|-------------------------------|-------------|
| | | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Coop Life Insurance Ltd. | Equity investment | 574,260,050 | 455,260,050 | - | - |
| | Receiver for shared service expenses | 24,308,257 | 15,301,646 | - | - |
| | Life protection cover | (929,031) | (266,571) | - | - |
| Coop Insurance Training Academy | Equity investment | 10 | 10 | - | - |
| | Payment reimbursements | 2,261,492 | 1,641,001 | - | - |
| Public Service Co-operative Society | Share purchase of Cooplife Ltd. | 10,000,000 | - | - | - |

Notes to the Financial Statements

NOTE 36 - CONTINGENCIES

There were no significant contingent liabilities for which no provision has been made in the accounts or approved by the Board, but not contracted as at the reporting date that would require adjustments to or disclosure in the Financial Statements, other than what has been described below.

NOTE 36.01 COMPANY

(A) Value Added Tax assessments issued by the Commissioner General of Inland Revenue

The Co-operative Insurance Company Limited (Company) received notices of assessment on Value Added Tax (VAT) on Financial Services (FS) and NBT on Financial Services informing that the Company is liable for VAT and NBT on financial services for the taxable periods from 01.01.2017 to 31.12.2017. The Company has appealed against the assessments, as the Company based on that, the Company is in the business of insurance and is not liable for VAT and NBT on financial services. Other insurers have also received similar assessments and they have also appealed against the assessments. Consequently, no provision has been made in the Financial Statements for the taxes in dispute and the penalties, which cumulates to Rs. 12.26 million.

(B) Income Tax assessments issued by the Commissioner General of Inland Revenue

The Company has received assessments for income tax for life insurance, taxation and claim of expenses on account of accrued insurance claims payable, for the year of assessment 2014/2015. In the view of the Company and its tax consultant, these assessments have been issued by the Inland Revenue Department contrary to the Section 92 of Inland Revenue Act, No. 10 of 2006. It is the view of the tax consultant that these assessments will not materialise and as such no additional provision thereof has been made in the Financial Statements.

The Company has duly appealed against these assessments in consultation with tax consultants and the status of each assessment is provided in the table below.

| Year of assessment | Tax type | Status of assessment | Nature of contingent impact to the Company | Measurement of contingent impact to the Company |
|--------------------|------------|--|---|---|
| 2014/2015 | Income tax | Appealed to the Tax Appeals Commission | Additional tax liability | 89 Million |
| 2017/2018 | Income tax | Appealed to Department of Inland Revenue | No impact due to availability of 10.3 Million Withholding tax credits | |

NOTE 36.02 SUBSIDIARY

(B) Income tax assessments issued by the Commissioner General of Inland Revenue

The Commission General of Inland Revenue has determined on the appeals filed by the Company for the years of assessment 2015/16 and 2016/17 amounting to Rs. 17 million and 15 million, in favor of the Commissioner General of Inland Revenue. The Company is in the process of hearing the appeals by the Tax Appeals Commission.

The Company has received tax assessments amounting to Rs. 31 million for the year of assessment 2017/18 for which valid appeals have been lodged against the assessments.

The Board of Directors and the Company's tax consultant are of the view, that the Company has followed the due process in its tax submissions and acted in accordance with the prevailing laws. As such, they are of the view that the probability of the Company having to settle any of these tax assessments are minimal.

NOTE 37 - EVENTS OCCURRING AFTER THE REPORTING DATE

There were no material events that occurred after the reporting date that required adjustment to or disclosure in the Financial Statements.

NOTE 38 - FINANCIAL RISK MANAGEMENT

Primary objective of the Group's business and financial risk management framework is to protect the Group's shareholders from events that could hinder the delivery of financial objectives. The risk management process comprises the identification and evaluation of existing and potential risks associated with the Group's operations and strategy, followed by appropriate management responses such as tolerance, mitigation, transfer, avoidance, termination or a combination of such responses. It is of paramount importance that the management identifies the uncertainties that hinder the achievement of financial objectives of the Group and implement effective mitigating strategies to safeguard the financial expectations of the stakeholders.

Notes to the Financial Statements

FINANCIAL INSTRUMENTS – FAIR VALUES & RISK MANAGEMENT

A. Accounting classification & fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. The table does not include fair value information for financial assets and financial liabilities not measured at fair value, if the carrying amount is a reasonable approximation of fair value.

| As at 31st December 2020 Group | Note | FVTPL Rs.000 | Held to maturity Rs.000 | Loans & receivables & other financial assets | | | | Available for sale Rs.000 | Other financial liabilities Rs.000 | Total Rs.000 | Level 1 Rs.000 | Level 2 Rs.000 | Level 3 Rs.000 | Total Rs.000 |
|---|----------------------|-----------------|-------------------------------|--|-----------|---|-----------|---------------------------------|---|-----------------|-------------------|-------------------|-------------------|-----------------|
| | | | | | | | | | | | | | | |
| Financial assets measured at fair value/amortised cost | | | | | | | | | | | | | | |
| Treasury bonds | 6.1 (a) & 6.3 (a) | - | 835,989 | - | 348,018 | - | 1,184,007 | 348,018 | - | - | - | 348,018 | - | - |
| Unquoted equity instruments | 6.3 | - | - | - | 4,953 | - | 4,953 | - | - | - | 4,953 | 4,953 | - | - |
| Quoted equity instruments | 6.4 | - | - | - | 8,172 | - | 8,172 | 8,172 | - | - | - | 8,172 | - | - |
| Quoted debentures | 6.1 (b) & 6.3 (b) | 1,224 | 1,902,410 | - | 878,000 | - | 2,781,633 | 878,000 | - | - | - | 878,000 | - | - |
| Unit trusts | 6.3 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Financial assets not measured at fair value | | | | | | | | | | | | | | |
| Fixed deposits | 6.2 | - | - | 2,433,798 | - | - | 2,433,798 | - | - | - | - | - | - | - |
| Unquoted debentures | 6.2 | - | 26,420 | - | 70,851 | - | 97,271 | - | - | - | - | - | - | - |
| Investments in repo | 6.2 | - | - | 853,469 | - | - | 853,469 | - | - | - | - | - | - | - |
| Commercial paper | 6.2 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Money market | 6.2 | - | - | 545 | - | - | 545 | - | - | - | - | - | - | - |
| Reinsurance receivables | 9 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Premium receivables | 10 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Cash & cash equivalents | 12 | - | - | 1,782 | - | - | 1,782 | - | - | - | - | - | - | - |
| Total assets | | 1,224 | 2,764,819 | 3,289,048 | 1,309,995 | - | 7,365,084 | 1,234,190 | - | 4,953 | 1,239,143 | - | - | - |
| Financial liabilities not measured at fair value | | | | | | | | | | | | | | |
| Financial leases | 14 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Lease creditors | 15 | - | - | - | - | - | 381,494 | 381,494 | - | - | - | 381,494 | - | - |
| Re-insurance creditors | 19 | - | - | - | - | - | 223,759 | 223,759 | - | - | - | 223,759 | - | - |
| Bank overdrafts | 12 | - | - | - | - | - | 60,467 | 60,467 | - | - | - | 60,467 | - | - |
| Total liabilities | | - | - | - | - | - | 665,719 | 665,719 | - | - | - | 665,719 | - | - |

| As at 31st December 2019 Group | Note | FVTPL Rs.000 | Held to maturity Rs.000 | Loans & receivables & other financial assets Rs.000 | | Available for sale Rs.000 | Other financial liabilities Rs.000 | Total Rs.000 | Level 1 Rs.000 | Level 2 Rs.000 | Level 3 Rs.000 | Total Rs.000 |
|---|----------------------|-----------------|-------------------------------|--|----------------|---------------------------------|---|-----------------|-------------------|-------------------|-------------------|-----------------|
| | | | | | | | | | | | | |
| Financial assets measured at fair value/amortised cost | | | | | | | | | | | | |
| Treasury bonds | 6.1 (a) & 6.3 (a) | - | 723,231 | - | 310,131 | - | 1,033,363 | 310,131 | - | - | - | 310,131 |
| Unquoted equity instruments | 6.3 | - | - | - | 5,885 | - | 5,885 | - | - | 5,885 | - | 5,885 |
| Quoted equity instruments | 6.4 | 576 | - | - | 11,264 | - | 11,840 | 11,840 | - | - | - | 11,840 |
| Quoted debentures | 6.1 (b) & 6.3 (b) | - | 1,228,374 | - | 615,376 | - | 1,843,750 | 615,376 | - | - | - | 615,376 |
| Unit trusts | 6.3 | - | - | - | - | - | - | - | - | - | - | - |
| Fixed deposits | 6.2 | - | - | 1,779,324 | - | - | 1,779,324 | - | - | - | - | - |
| Unquoted debentures | 6.2 | - | - | 969,963 | - | - | 969,963 | - | - | - | - | - |
| Commercial paper | 6.2 | - | - | 228,360 | - | - | 228,360 | - | - | - | - | - |
| Money market | 6.2 | - | - | 43,107 | - | - | 43,107 | - | - | - | - | - |
| Reinsurance receivables | 9 | - | - | 410,409 | - | - | 410,409 | - | - | - | - | - |
| Premium receivables | 10 | - | - | 931,664 | - | - | 931,664 | - | - | - | - | - |
| Cash & cash equivalents | 12 | - | - | 158,121 | - | - | 158,121 | - | - | - | - | - |
| Total assets | | 576 | 1,951,605 | 4,520,947 | 942,656 | - | 7,415,785 | 937,347 | - | 5,885 | 943,232 | |
| Financial liabilities not measured at fair value | | | | | | | | | | | | |
| Financial leases | 14 | - | - | - | - | - | - | - | - | - | - | - |
| Lease creditors | 15 | - | - | - | - | 382,803 | 382,803 | - | - | - | - | - |
| Re-insurance creditors | 19 | - | - | - | - | 325,435 | 325,435 | - | - | - | - | - |
| Bank overdrafts | 12 | - | - | - | - | 32,784 | 32,784 | - | - | - | - | - |
| Total liabilities | | - | - | - | - | 741,022 | 741,022 | - | - | - | - | - |

Notes to the Financial Statements

| As at 31st December 2020 Company | Note | FVTPL Rs.000 | Held to maturity Rs.000 | Loans & receivables & other financial assets Rs.000 | | Available for sale Rs.000 | Other financial liabilities Rs.000 | Total Rs.000 | Level 1 Rs.000 | Level 2 Rs.000 | Level 3 Rs.000 | Total Rs.000 |
|---|---------|-----------------|-------------------------------|--|--------|---------------------------------|---|-----------------|-------------------|-------------------|-------------------|-----------------|
| | | | | | | | | | | | | |
| Financial assets measured at fair value | | | | | | | | | | | | |
| Treasury bonds | 6.1 (a) | - | 467,904 | - | - | - | 467,904 | 467,904 | - | - | - | 467,904 |
| Unquoted equity instruments | 6.3 | - | - | - | 4,953 | - | 4,953 | - | - | 4,953 | 4,953 | |
| Quoted equity instruments | 6.3 | - | - | - | 8,172 | - | 8,172 | 8,172 | - | - | - | 8,172 |
| Quoted debentures | 6.1(b) | - | 1,902,410 | - | - | - | 1,902,410 | - | - | - | - | |
| Financial assets not measured at fair value | | | | | | | | | | | | |
| Fixed deposits | 6.2 | - | - | 1,660,604 | - | - | 1,660,604 | - | - | - | - | - |
| Unquoted debentures | 6.3 | - | 26,420 | - | - | - | 26,420 | - | - | - | - | 26,420 |
| Investments in repo | 6.2 | - | - | 339,403 | - | - | 339,403 | - | - | - | - | - |
| Commercial paper | 6.2 | - | - | - | - | - | - | - | - | - | - | - |
| Reinsurance receivables | 9 | - | - | 364,006 | - | - | 364,006 | - | - | - | - | - |
| Premium receivables | 10 | - | - | 1,096,721 | - | - | 1,096,721 | - | - | - | - | - |
| Cash & cash equivalents | 12 | - | - | 179,610 | - | - | 179,610 | - | - | - | - | - |
| Total assets | | - | 2,396,734 | 3,640,344 | 13,125 | - | 6,050,203 | 476,076 | - | 4,953 | 507,450 | |
| Financial liabilities not measured at fair value | | | | | | | | | | | | |
| Financial leases | 14 | - | - | - | - | - | - | - | - | - | - | - |
| Lease creditors | 15 | - | - | - | - | - | - | - | - | - | - | - |
| Reinsurance creditors | 19 | - | - | - | - | 212,725 | 212,725 | - | - | - | - | - |
| Bank overdrafts | 12 | - | - | - | - | 60,467 | 60,467 | - | - | - | - | - |
| Total liabilities | | - | - | - | - | 273,191 | 273,191 | - | - | - | - | - |

| As at 31st December 2019 Company | Note | FVTPL Rs.000 | Loans & receivables & other financial assets Rs.000 | | Available for sale Rs.000 | Other financial liabilities Rs.000 | Total Rs.000 | Level 1 Rs.000 | Level 2 Rs.000 | Level 3 Rs.000 | Total Rs.000 |
|---|---------|-----------------|--|---------|---------------------------------|---|-----------------|-------------------|-------------------|-------------------|-----------------|
| | | | Held to maturity Rs.000 | | | | | | | | |
| Financial assets measured at fair value | | | | | | | | | | | |
| Treasury bonds | 6.1 (a) | - | 354,443 | | - | - | 354,443 | - | - | - | - |
| Unquoted equity instruments | 6.3 | - | - | | 5,885 | - | 5,885 | - | - | 5,885 | 5,885 |
| Quoted equity instruments | 6.3 | - | - | | 11,264 | - | 11,264 | 11,264 | - | - | 11,264 |
| Quoted debentures | 6.1(b) | - | 1,228,374 | | - | - | - 1,228,374 | - | - | - | - |
| Financial assets not measured at fair value | | | | | | | | | | | |
| Fixed deposit | 6.2 | - | - | 929,292 | - | - | 929,292 | - | - | - | - |
| Investments in repo | 6.2 | - | - | 914,435 | - | - | 914,435 | - | - | - | - |
| Commercial paper | 6.2 | - | - | 27,973 | - | - | 27,973 | - | - | - | - |
| Reinsurance receivables | 9 | - | - | 394,410 | - | - | 394,410 | - | - | - | - |
| Premium receivables | 10 | - | - | 923,241 | - | - | 923,241 | - | - | - | - |
| Cash & cash equivalents | 12 | - | - | 119,169 | - | - | 119,169 | - | - | - | - |
| Total assets | | - 1,582,817 | 3,308,520 | 17,149 | - | - 4,908,486 | 11,264 | - | 5,885 | 17,149 | |
| Financial liabilities not measured at fair value | | | | | | | | | | | |
| Financial leases | 14 | - | - | - | - | - | - | - | - | - | - |
| Lease creditors | 15 | - | - | - | - | 290,818 | 290,818 | - | - | - | - |
| Reinsurance creditors | 19 | - | - | - | - | 309,664 | 309,664 | - | - | - | - |
| Bank overdrafts | 12 | - | - | - | - | 32,784 | 32,784 | - | - | - | - |
| Total liabilities | | - | - | - | - | - 633,266 | 633,266 | - | - | - | - |

Notes to the Financial Statements

B. Measurement of fair value

i. Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring level 2 and level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

| Type | Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs & fair value measurement |
|-------------------------------|----------------------------------|---|---|
| Equity instruments - Unquoted | Net assets based valuation | Net assets value and number of shares outstanding | Positive |
| Debentures | Future cash flow based valuation | Discounting factor | Negative |

ii. Level 3 fair values

Reconciliation of level 3 fair value

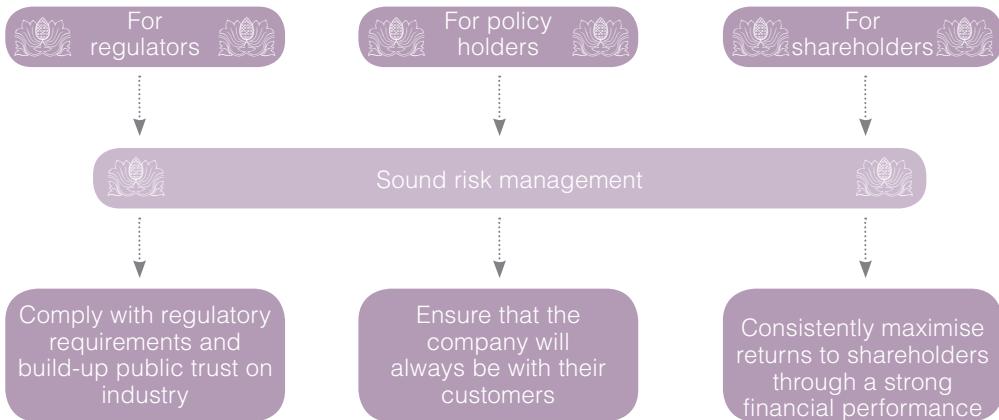
The following table shows a reconciliation of the opening balances with the closing balances, for level 3 fair values.

| | Group/Company Available for sale financial assets |
|--|--|
| Balance as at 1st January 2019 | 5,823,576 |
| Total gains or losses recognised in other comprehensive income | 61,301 |
| Closing balance as at 31st December 2019 | 5,884,877 |
| Balance as at 1st January 2020 | 5,884,877 |
| Total gains or losses recognised in other comprehensive income | (931,772) |
| Closing balance as at 31st December 2020 | 4,953,105 |

NOTE 38.01 - FINANCIAL RISK MANAGEMENT

Introduction & overview

Effective risk management is very important for an organisation to identify, measure, mitigate and manage the various types of risks falling within the Group and the industry. CICL Group recognises the importance of sound risk management in every aspect of the company business and the responsibility to the stakeholders.



NOTE 38.01.01 - RISK & CAPITAL MANAGEMENT

(A) Governance framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the risk management committee, which is responsible for developing and monitoring the group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group audit committee oversees how management monitors compliance with the group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Notes to the Financial Statements

(B) Regulatory framework

Insurance Regulatory Commission of Sri Lanka, (IRCSL) safeguards the policyholders through the supervisory control of insurance companies in Sri Lanka. The Group operates according to the regulatory requirements set out by the IRCSL. The Group has successfully implemented the Risk Based Capital (RBC) framework on solvency margin, as required by IRCSL. The capital positions of the Group's operating companies as at 31st December 2020 and 2019 are as follows.

| | 31st December 2020 | | | | 31st December 2019 | | | |
|------|-------------------------------|-----------------------------|---|------------------------|-------------------------------|-----------------------------|---|------------------------|
| | Total available capital (TAC) | Minimum capital requirement | Risk-based capital adequacy ratio (CAR) | Regulatory minimum CAR | Total available capital (TAC) | Minimum capital requirement | Risk-based capital adequacy ratio (CAR) | Regulatory minimum CAR |
| CICL | 2,374,262 | 500,000 | 232% | 120% | 1,698,534 | 500,000 | 187% | 120% |

Total available capital and risk based capital adequacy ratio of CICL were maintained throughout the year, in excess of the minimum requirement as prescribed by the IRCSL. Thus, the operations of the Group are in compliance with the regulatory requirements of the IRCSL. Further the Group is in compliance with other regulators such as the Central Bank of Sri Lanka (CBSL), Department of Inland Revenue (IRD) etc. The Group is also regulated by the Companies Act No. 07 of 2007.

(C) Capital management framework

The Group's approach to managing capital involves managing assets, liabilities and risks in a co-ordinated way, assessing shortfall between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions and risk characteristics. The capital requirements are forecasted on a periodic basis by the management and the Board of Directors.

There were no significant changes from the previous year, to its policies and processes. There were no changes in the capital structure in the Company during the year.

The Company and its subsidiaries are subject to regulatory guidelines and frameworks, which include minimum capital requirement, solvency margin, approved assets requirements, etc. to minimise the risk of default and insolvency on the part of the insurance company to meet unforeseeable liabilities as they arise. During the year, the Group has complied with all regulatory requirements.

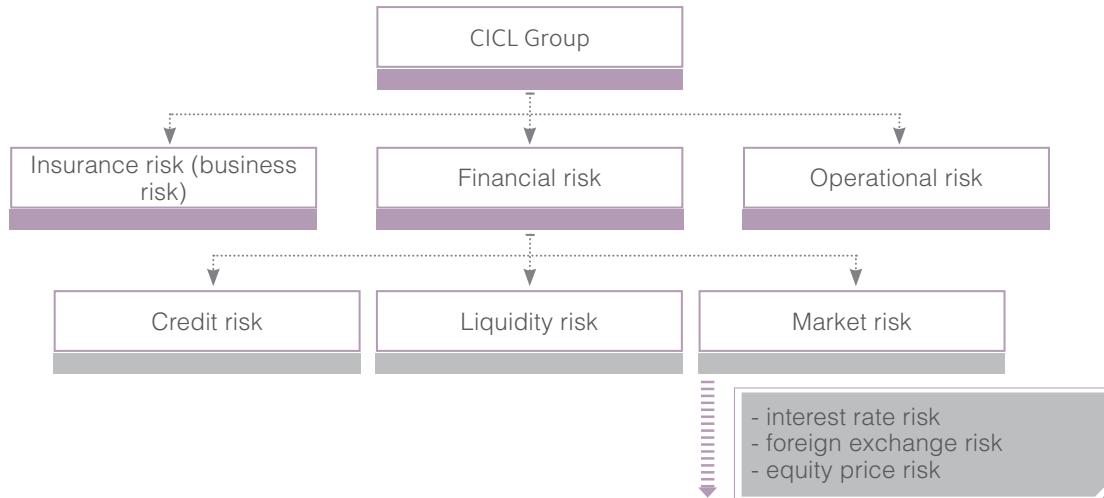
(D) Asset & liability management (ALM) framework

The Group manages assets & liabilities to achieve long-term investment returns in excess of its obligations under insurance contracts. Financial risks arising from interest rates, currency and equity products, all of which are exposed to general and specific market movements will have an impact on asset & liability management (ALM). The main risk that the Group faces, due to the nature of its investments and liabilities, is the interest rate risk. The Group manages these positions within a clearly defined ALM framework.

NOTE 38.02 - INSURANCE & FINANCIAL RISKS

This section deals in detail with the various risks from insurance contracts and describes uncertainties in measuring them. In accordance with the requirements of SLFRS 4, the effects of changes in the assumptions underlying the measurement of insurance contracts and / or in the market environment are also quantified.

The Group has exposure to the following risks;



NOTE 38.02.01 - INSURANCE RISK (BUSINESS RISK)

Due to the very nature of an insurance contract risk is based on fortuity and is therefore unpredictable. The risks under any insurance contract is the possibility that the insured event occurs and the uncertainty regarding the amount of the resulting claim.

For a portfolio of insurance contracts, where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces is that the actual claim and the benefit payment could exceed the carrying amount of the insurance liability. This could occur because the frequency or severity of claims and benefits could be greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established, using statistical techniques.

Notes to the Financial Statements

NOTE 38.02.01.01 - LIFE INSURANCE CONTRACTS

(A) Risk management identification

Life insurance products include protection and annuity covers.

Protection products carry mortality, longevity and morbidity risks as well as market and credit risks. The most significant factors that could increase the frequency of mortality claims are epidemics, such as covid-19, strains of influenza, or lifestyle changes such as eating, drinking and exercise habits, resulting in earlier or more claims than expected. Morbidity claims experience would not only be affected by the factors mentioned above, but because disability is defined in terms of the ability to perform an occupation, it could also be affected by economic conditions. In order to reduce cross-subsidies in the pricing basis, premium are differentiated, where permitted, for example by product, age, gender and smoker status.

The policy terms and conditions and the disclosure requirements contained in insurance applications are designed to mitigate the risks arising from non-standard and unpredictable risks that may result in severe financial loss.

In the life annuity business, the most significant insurance risk is continued medical advances and improvement in social conditions that lead to increase in longevity. Annuitant mortality assumptions include allowance for future mortality improvements.

In addition to the specific risks listed above, the Company is exposed to policyholder behaviour and expense risks. Policyholder behaviour risk is mitigated by product design that match revenue and expenses associated with the contract as closely as possible. Expense risk is mitigated by careful control of expenses and by regular expense analyses and allocation exercises.

The Group is exposed to two main types of concentration risks in its life business:

Market risk: interest rate guarantees expose the Group to financial losses that may arise as a result of adverse movements in financial markets.

Insurance risk: main factors include mortality risk, morbidity risk, longevity risk, policyholder behavior risk (lapse, anti-selection) and expense risk.

Accordingly, having a well-diversified portfolio of products reduces risks associated with the life insurance business.

The Group's exposure to life insurance risks varies significantly by product lines and may change over time. The insurance risk described above is also affected by the contract holder's right to pay reduced premium or no future premium, to terminate the contract completely. As a result, the amount of insurance risk is also subject to contract holder behaviour.

Following table illustrates the strategies followed by the Group to mitigate risks associated with life insurance.

| | |
|--|---|
| Strategies associated with life insurance undertaking | <ul style="list-style-type: none">Focused training is provided to insurance advisors on proper selling in Sinhala, Tamil and English.Maximum input is obtained from the consultant actuary and reinsurer in deciding on the terms and conditions of products in order to ensure that products are adequately priced. |
| Strategies associated with life insurance claims to manage within expected level | <ul style="list-style-type: none">Claims are reserved immediately at the intimation or on the availability of information of the death or injury of an insured.The support of the reinsurers is obtained on reserving such claim liability and the share of reinsurers. |
| Reinsurance strategies associated with life insurance undertaking | <ul style="list-style-type: none">A very close and professional relationship is maintained with all reinsurers and reinsurance brokersFrequent review of the outstanding reinsurance receivables. |

(B) Concentration risk

The Group defines concentration risk in the life business as the risk of exposure to increased losses associated with inadequately diversified portfolios of assets and /or obligations.

A more diversified portfolio of risks is less likely to be affected across the Board by a change in any subset of risks.

Any potential change in the mix of the portfolio could significantly alter the nature of the overall risk. Hence, the executive committee reviews risks inherent in all new business propositions against the risk appetite of the life business.

Concentration risk within the Life Business

The following table shows the concentration of the participating and non-participating funds position of the Group.

| | Insurance contract liabilities as at 31st December 2020 | Insurance contract liabilities as at 31st December 2019 |
|-------------------|--|--|
| | Rs. | Rs. |
| Participating | 1,547,259 | 1,312,216 |
| Non-participating | 588,863 | 585,940 |
| Total | 2,136,122 | 1,898,156 |

(C) Assumptions in determining life insurance contract liabilities

Life insurance contracts, estimates are made in two stages. At the inception of the contract, the Group determines assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. Subsequently, new estimates are developed at each reporting date to determine whether liabilities are adequate in the light of the latest current estimates. Improvements in estimates have no impact on the value of the liabilities and related assets, while significant enough deteriorations in estimates have an impact.

The assumptions used for the insurance contracts are as follows:

| Assumption | Description |
|--------------------|---|
| Mortality | The mortality table used was the A67 / 70 ultimate for all assurances and deferred annuities before vesting and, a (90) ultimate table of annuitants after vesting. |
| Investment returns | Investment returns affect the assumed level of future benefits due to the contract holders and the selection of the appropriate discount rate. |

Notes to the Financial Statements

(D) Sensitivity analysis

Following table presents the sensitivity of the value of insurance liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance liabilities. For liabilities under life insurance contracts with fixed and guaranteed terms, changes in assumptions will not cause a change to the amount of the liability, unless the change is severe enough to trigger a liability adequacy test adjustment.

No adjustments were required in 2020 or 2019, based on the results of the liability adequacy test. The table D indicates the level of the respective variable that will trigger an adjustment and then indicates the liability adjustment required as a result of a further deterioration in the variable.

| | Change in assumptions | Impact on liabilities | |
|---------------|-----------------------|-----------------------|-----------|
| | | 2020 | 2019 |
| Mortality | 10% | 1,647,299 | 1,773,934 |
| | -10% | 1,619,230 | 1,639,725 |
| Discount rate | 10% | 1,519,041 | 1,608,979 |
| | -10% | 1,765,710 | 1,930,598 |

(A) Risk management identification

General insurance risks include the reasonable possibility of significant loss due to uncertainty in the frequency of the occurrence of the insured event as well as in the severity of the resulting claim. An overview of the Group's main lines of business is as follows;

| Line of business | Description |
|----------------------|--|
| Motor | Includes automobile physical damage, loss of the insured vehicle and automobile third party liability insurance |
| Fire & engineering | Includes fire risks (for example fire, explosion and business interruption), natural perils (for example earthquake and flood), engineering lines (for example boiler explosion, machinery breakdown and construction) |
| Accident & liability | Includes general/public and product liability, excess and professional liability including medical malpractice, errors and omissions of liability. |
| Marine/ cargo | Coverage for special risk insurance and trip cargo insurance and contracts with open policy cargo insurance that covers all of a shipper's goods in transit. |

The Group's underwriting strategy is to take advantage of the diversification of general insurance risks across industries. The Group seeks to optimise shareholder value by achieving its equity goals. Doing so necessitates a prudent, stable underwriting philosophy that aims to take advantage of its competitive strengths while avoiding risks with disruptive volatility. At the core of the Group's underwriting is a robust governance process.

Following table illustrates the strategies followed by the Company to mitigate risk associates with life insurance.

| | |
|---|---|
| Strategies associated with general insurance undertaking | <ul style="list-style-type: none"> • Limits are set on underwriting capacity, and authority granted to individuals based on their specific expertise. • Appropriate pricing guidelines have been set, with a focus on consistent technical pricing across the organisation. • Diversified large portfolio of insurance contracts and geographical areas. • Careful selection and implementation of underwriting strategies. |
| Strategies associated with general insurance claims to manage within expected level | <ul style="list-style-type: none"> • Claims are assessed immediately upon intimation and reserved accordingly. • The service of a qualified independent actuary is obtained to assess the adequacy of reserves made in relation to incurred but not reported (IBNR) and incurred but not enough reported (IBNER) claims. |
| Reinsurance strategies associated with general insurance undertaking | <ul style="list-style-type: none"> • There are strict controls to ensure that no insurance cover is issued without a proper reinsurance arrangement backing the cover. • Review adequacy of reinsurance support for catastrophe/extreme events on a regular basis. • Periodic review of the credit rating and ensuring all reinsurers maintain the rating throughout the year. |

(B) Reinsurance risk

The Group obtains reinsurance to limit its exposure to individual risks and aggregation of risks arising from individual large claims and catastrophic events. The types of reinsurance obtained are as follows;

- Excess of loss reinsurance obtained to protect a range of individual inwards contracts which could give rise to individually large claims.
- Facultative reinsurance obtained to reduce risk relating to an individual specific inwards contract.

Notwithstanding to the advantages reinsurance provides insurers, it can expose them, at varying degrees, to various risks inherent in its use. A new or continuing reinsurance contract could give rise to one or more of the following risks;

- residual insurance risk
- legal risk
- counterparty risk
- liquidity risk

Considering the above factors the overall risk management strategy cedes insurance risk through proportional, non-proportional and specific reinsurance treaties.

As at 31st December 2020, 99% of our reinsurance receivables were due from reinsurers with a rating of 'B+' or better and from the National Insurance Trust Fund (NITF). There were no collateral against reinsurance receivables as at the reporting date.

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The ratings of reinsurer's and their related rating agencies are as follows:

| Reinsurer | Country of origin | Rating | Rating agency |
|--|-------------------|---------------------|------------------|
| General Insurance Corporation of India | India | A- | A M Best |
| African Reinsurance Corporation | Nigeria | A | Standard & Poors |
| Malaysian Reinsurance Berhad | Malaysia | A- | Fitch |
| Hannover Re (Bermuda) Ltd. | Bermuda | A+ | Standard & Poor |
| Swiss Re International SE | Luxembourg | A+ | A M Best |
| First Capital Insurance Limited | Singapore | A-(EXCELLENT) | A M Best |
| Santam Re | South Africa | AAA | S&P Global |
| National Insurance Trust Fund | Sri Lanka | Government security | Not Applicable |
| Asian Reinsurance Corporation | Thailand | B+ | A M Best |
| Qatar Insurance Company | Qatar | A- | A M Best |
| Ocean International Reinsurance Company Ltd. | Panama | A- | A M Best |

(C) Concentration risk

For general insurance contracts, the most significant risks arise from the motor class.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts into different classes as mentioned earlier. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits.

Concentration risk based on classes within the general insurance business based on the gross written premium is as follows:

| Class | 2020 | | | | 2019 | | | |
|---------------|-----------------------------------|-------------------------|---------------------------------|------|-----------------------------------|-------------------------|---------------------------------|------|
| | Gross written premium Rs.'000' | Reinsurance Rs.'000' | Net written premium Rs.'000' | % | Gross written premium Rs.'000' | Reinsurance Rs.'000' | Net written premium Rs.'000' | % |
| | 3,848,672 | 404,439 | 3,444,233 | 87% | 3,784,594 | 411,930 | 3,372,663 | 88% |
| Motor | 86,795 | 75,485 | 11,310 | 2% | 145,277 | 119,905 | 25,372 | 3% |
| Fire | 26,445 | 18,352 | 8,093 | 1% | 13,965 | 11,070 | 2,895 | 0% |
| Marine | 438,187 | 172,161 | 266,026 | 10% | 361,954 | 141,716 | 220,238 | 8% |
| Miscellaneous | 4,400,099 | 670,437 | 3,729,661 | 100% | 4,305,789 | 684,621 | 3,621,168 | 100% |
| Total | | | | | | | | |

(D) Sources of uncertainty in the estimation of future claim payments

The Company is liable for all insured events that occurred during the term of the contracts, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and large element of the claims provision related to incurred but not reported (IBNR) claims. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management they adopt.

(E) Estimation of IBNR reserve

The IBNR claims reserve has been actuarially computed by NMG Consulting (NMG). The valuation is determined using internationally accepted actuarial techniques.

The risks associated with these insurance contracts are complex and subject to a number of variables that complicate the quantitative sensitivity analysis. NMG uses several statistical methods to incorporate the various assumptions made in order to estimate the ultimate costs of claims. The two methods more commonly used are the Chain-Ladder and the Bornhuetter-Ferguson.

Generally, NMG has given higher credibility to the chain ladder method on cumulative claims reported basis for each class of business. In general, the reported basis would display more stability relative to the paid basis, especially for more recent accident years. To increase consistency, the BF method uses results from the 31st December 2011 analysis as the seed loss ratio for each accident year and a projected loss ratio for the latest accident year. Loss development factors, NMG has used loss development factors based on weighted averages except where;

- The weighted average is contrary to a trend in the recent ratios. For some classes, the trend in loss development factors applies only to certain development years.
- Payments in particular years are clearly out of line relative to those in other years, in which case such outliers are disregarded in selecting the loss development factors.

Sensitivity of profit before tax and net assets due to increase in net claims ratio:

| +1% In claim ratio | 2020 Rs.'000 | 2019 Rs.'000 |
|---------------------------------|-----------------|-----------------|
| Net impact to profit before tax | 15,946 | 5,715 |
| Impact to net assets | 62,302 | 38,072 |

NOTE 38.02.02 - CREDIT RISK

(A) Introduction to risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and other banks, and investment debt securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposures (such as individual obligor default risk, country and sector risk). The Group is exposed to credit risk on securities issued by third parties. The debt security investments are broadly categorized into investments in government securities and investments in corporate debt securities.

The Group's credit risk could mainly arise from;

- Financial investments in debt securities
- Reinsurance receivables
- Premium receivables
- Loans to life policyholders and others
- Cash and cash equivalents, excluding cash in hand
- Other financial receivables

The Group manages credit risk exposure within parameters that reflect the Group's strategic objectives and risk tolerance. Sources of credit risk are identified, assessed and monitored, and the Group has policies to manage the specific risks within the various subcategories.

Notes to the Financial Statements

(B) Credit risk exposure

Group's exposure to credit risk as at the financial position date is given in the tables below with the comparative figures and has been derived as per the Group risk management policy of using the carrying values in the statements of financial position.

| | Note | 2020 | | | | 2019 | | | |
|---------------------------------------|------|----------------------|-----------------|----------------------|-----------------|------------------|-----------------|------------------|-----------------|
| | | Group | % of allocation | Company | % of allocation | Group | % of allocation | Company | % of allocation |
| Debt securities - loans & receivables | 6.2 | 854,014,204 | 24% | 339,403,283 | 17% | 942,408 | 30% | 942,408 | 39% |
| Debt securities - available for sale | 6.3 | 878,000,146 | 25% | | 0% | 615,396 | 19% | - | 0% |
| Total debt securities | | 1,732,014,350 | 48% | 339,403,283 | 17% | 1,557,784 | 49% | 942,408 | 39% |
| Life policyholders loans | 8 | 28,551,631 | 1% | | 0% | 24,939 | 1% | - | 0% |
| Reinsurance receivables | 9 | 375,447,224 | 11% | 364,005,542 | 18% | 410,409 | 13% | 394,410 | 16% |
| Premium receivables | 10 | 1,104,253,123 | 31% | 1,096,720,671 | 53% | 931,664 | 29% | 923,241 | 40% |
| Other assets | 11 | 124,452,094 | 3% | 78,457,475 | 4% | 104,854 | 3% | 53,763 | 2% |
| Cash & cash equivalents | 12 | 207,185,004 | 6% | 177,828,759 | 9% | 156,891 | 5% | 119,169 | 5% |
| Total credit risk exposure | | 3,571,903,426 | 100% | 2,056,415,730 | 100% | 3,186,541 | 100% | 2,432,991 | 100% |

The Group is exposed to credit risk on securities issued by third parties. The Group limits its exposure by analysing the creditworthiness of each debt security investment. The creditworthiness of a potential debt security investment is assessed mainly through ratings assigned to the issuing institution or the ratings assigned to an issue. The debt security investments are broadly categorized into investments in government securities and investments in corporate debt securities.

The tables below set out information about the credit quality of financial investments (government securities and corporate debt securities) and the allowance for impairment loss held by the Group against the assets.

| Group | Carrying amount as at 31st December 2020 | | | | | | |
|---------------------------------|---|---------------------------------|---|---|-------------------------------------|-------------------|-------------|
| | | | Financial assets | | | | |
| | Held to maturity financial assets Rs.'000' | Loans & receivables Rs.'000' | Available for sale financial assets Rs.'000' | at fair value though profit or loss Rs.'000' | Cash & cash equivalents Rs.'000' | Total Rs.'000' | % |
| AAA+ to AAA- | - | - | - | - | - | - | 0% |
| AA+ to AA- | 104,749 | 450,084 | 34,944 | - | - | 589,777 | 8% |
| A+ to A- | 1,323,383 | 1,609,971 | 705,149 | - | - | 3,638,503 | 48% |
| BBB+ to BBB- | 500,698 | 374,289 | 208,759 | - | - | 1,083,745 | 14% |
| BB+ to BB- | - | - | - | - | - | - | 0% |
| Government guaranteed | 835,989 | 341,185 | 348,018 | - | - | 1,525,192 | 20% |
| Not rated | - | 514,065 | 13,125 | 1,224 | 207,185 | 735,599 | 10% |
| Total | 2,764,819 | 3,289,594 | 1,309,995 | 1,224 | 207,185 | 7,572,816 | 100% |
| Allowance for impairment | - | - | - | - | - | - | 0% |
| As at 31st December 2020 | 2,764,819 | 3,289,594 | 1,309,995 | 1,224 | 207,185 | 7,572,816 | 100% |

| Group | Carrying amount as at 31st December 2019 | | | | | | |
|--------------------------|---|---------------------------------|---|--|--------|-------------------------------------|-------------------|
| | | | Financial assets | | | Cash & cash equivalents Rs.'000' | Total Rs.'000' |
| | Held to maturity financial assets Rs.'000' | Loans & receivables Rs.'000' | Available for sale financial assets Rs.'000' | at fair value through profit or loss Rs.'000' | | | |
| AAA+ to AAA- | - | 60,576 | - | - | - | 60,576 | 0% |
| AA+ to AA- | 201,583 | 102,628 | 31,937 | - | - | 336,148 | 12% |
| A+ to A- | 749,004 | 1,357,532 | 383,722 | - | - | 2,490,258 | 34% |
| BBB+ to BBB- | 301,633 | 479,657 | 199,717 | - | - | 981,007 | 20% |
| BB+ to BB- | - | 49,326 | - | - | - | 49,326 | 2% |
| Government guaranteed | 723,231 | 914,435 | 310,130 | - | - | 1,947,797 | 31% |
| Not rated | 2,577 | 55,528 | 17,149 | - | 86,960 | 162,214 | 1% |
| Total | 1,978,029 | 3,019,681 | 942,655 | - | 86,960 | 6,027,325 | 100% |
| Allowance for impairment | - | - | - | - | - | - | - |
| As at 31st December 2019 | 1,978,029 | 3,019,681 | 942,655 | - | 86,960 | 6,027,325 | 100% |

| Company | Carrying amount as at 31st December 2020 | | | | | | |
|--------------------------|---|---------------------------------|---|--|---------|-------------------------------------|-------------------|
| | | | Financial assets | | | Cash & cash equivalents Rs.'000' | Total Rs.'000' |
| | Held to maturity financial assets Rs.'000' | Loans & receivables Rs.'000' | Available for sale financial assets Rs.'000' | at fair value through profit or loss Rs.'000' | | | |
| AAA+ to AAA- | - | - | - | - | - | 554,294 | 12% |
| AA+ to AA- | 104,749 | 449,545 | - | - | - | 2,319,170 | 51% |
| A+ to A- | 1,323,383 | 995,788 | - | - | - | 715,969 | 16% |
| BBB+ to BBB- | 500,698 | 215,271 | - | - | - | - | 0% |
| BB+ to BB- | - | - | - | - | - | - | - |
| Government guaranteed | 467,904 | 341,185 | - | - | - | 809,089 | 18% |
| Not rated | - | - | 13,125 | - | 177,829 | 190,954 | 4% |
| Total | 2,396,734 | 2,001,789 | 13,125 | - | 177,829 | 4,589,477 | 100% |
| Allowance for impairment | - | - | - | - | - | - | - |
| As at 31st December 2020 | 2,396,734 | 2,001,789 | 13,125 | - | 177,829 | 4,589,477 | 100% |

| Company | Carrying amount as at 31st December 2019 | | | | | | |
|--------------------------|---|---------------------------------|---|--|--------|-------------------------------------|-------------------|
| | | | Financial assets | | | Cash & cash equivalents Rs.'000' | Total Rs.'000' |
| | Held to maturity financial assets Rs.'000' | Loans & receivables Rs.'000' | Available for sale financial assets Rs.'000' | at fair value through profit or loss Rs.'000' | | | |
| AAA+ to AAA- | - | 60,576 | - | - | - | 60,576 | 0% |
| AA+ to AA- | 201,583 | 100,336 | - | - | - | 301,919 | 18% |
| A+ to A- | 749,004 | 621,146 | - | - | - | 1,370,150 | 31% |
| BBB+ to BBB- | 301,633 | 125,881 | - | - | - | 427,514 | 24% |
| BB+ to BB- | - | 49,326 | - | - | - | 49,326 | 3% |
| Government guaranteed | 354,443 | 914,435 | - | - | - | 1,268,878 | 23% |
| Not rated | 2,577 | - | 17,149 | - | 86,385 | 106,111 | 1% |
| Total | 1,609,240 | 1,871,700 | 17,149 | - | 86,385 | 3,523,899 | 100% |
| Allowance for impairment | - | - | - | - | - | - | - |
| As at 31st December 2019 | 1,609,240 | 1,871,700 | 17,149 | - | 86,385 | 3,523,899 | 100% |

Notes to the Financial Statements

Following are some strategies followed by the Group to mitigate credit risk in investments.

- Checking the credit worthiness of potential investees, mainly through ratings assigned to the issuing institution or the ratings assigned to the issue.
- Deciding on single party exposure limits based on the credit ratings and regulatory requirements and monitoring them closely at different levels.
- Adhering to the guidelines on selection of primary dealer with regard to government security investments.
- Conducting a detailed analysis of individual counterparties for each equity and corporate debt investment before taking the investment decision.

The following table provides information relating to credit risk exposure of other financial assets:

| Group | Reinsurance receivables | | Premium receivables | |
|--|-------------------------|----------------|---------------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs.'000' | Rs.'000' | Rs.'000' | Rs.'000' |
| Maximum exposure to credit risk | | | | |
| Neither past dues nor impaired | 116,984 | 78,929 | 936,420 | 799,641 |
| Past dues but not impaired | | | | |
| 61-90 days | 36,546 | 36,932 | 168,032 | 131,906 |
| 91-365 days | 66,570 | 226,114 | 79,125 | 16,612 |
| 365 days + | 122,210 | 32,692 | 26,310 | 15,164 |
| Total | 342,311 | 37,466 | 1,209,886 | 963,324 |
| Impaired | | | (105,634) | (31,660) |
| IBNR | 33,137 | 35,742 | - | |
| Total | 375,447 | 410,409 | 1,104,253 | 931,664 |

| Company | Reinsurance receivables | | Premium receivables | |
|--|-------------------------|----------------|---------------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs.'000' | Rs.'000' | Rs.'000' | Rs.'000' |
| Maximum exposure to credit risk | | | | |
| Neither past dues nor impaired | 115,200 | 72,670 | 928,889 | 791,218 |
| Past dues but not impaired | | | | |
| 61-90 days | 34,893 | 33,882 | 167,832 | 131,906 |
| 91-365 days | 61,973 | 221,954 | 78,995 | 15,963 |
| 365 days + | 118,802 | 30,162 | 20,637 | 10,122 |
| Total | 330,869 | 358,668 | 1,196,352 | 949,210 |
| Impaired | | | (99,632) | (25,969) |
| IBNR | 33,137 | 35,742 | | |
| Total | 364,006 | 394,410 | 1,096,721 | 923,241 |

(C) Credit risk relating to reinsurance receivable

As part of its overall risk management strategy, the Group cedes insurance risk through proportional, non-proportional and specific risk reinsurance treaties. While these mitigate insurance risk, the recoverables from reinsurers and receivables arising from ceded reinsurance, exposes the Group to credit risk.

Reinsurance is placed in line with policy guidelines approved by the Board of Directors on an annual basis in line with the guidelines issued by the Insurance Board of Sri Lanka and concentration of risk is managed by reference to counterparties' limits that are set each year and are subject to regular reviews.

There were no collateral against reinsurance receivables as at the reporting date.

The Group follows policies and procedures to mitigate credit risk in premium receivables as conducting follow-up meetings on debt collections on a monthly basis and processing claims only for the premium settled policies.

Credit risk of reinsurance receivables by rating class have been illustrated below in order to ensure that the Company has significant control over managing them.

| Ratings - Non-life | 2020 | | | | 2019 | | | |
|--------------------------------------|----------------------------|------------------------|-------------------|-------------|----------------------------|------------------------|-------------------|-------------|
| | On paid claims Rs.'000' | On reserve Rs.'000' | Total Rs.'000' | % | On paid claims Rs.'000' | On reserve Rs.'000' | Total Rs.'000' | % |
| AAA | | | - | 0% | 33,532 | 18,122 | 51,654 | 9% |
| AA- | | | - | 0% | - | - | - | 0% |
| A+ | | | - | 0% | - | - | - | 0% |
| A | 3,401 | 7,226 | 10,628 | 3% | 2,895 | 196 | 3,091 | 1% |
| A- | 1,471 | 459 | 1,930 | 1% | 100,032 | 95,871 | 195,903 | 59% |
| BB | 19,801 | 20,011 | 39,811 | 11% | - | - | - | 0% |
| B+ | 71,034 | 113,719 | 184,753 | 51% | - | - | - | 0% |
| NITF | | | - | 0% | 59,082 | 48,938 | 108,020 | 31% |
| Unrated | 33,140 | 60,607 | 93,747 | 26% | - | - | - | 0% |
| Total | 128,847 | 202,022 | 330,869 | 91% | 195,541 | 163,126 | 358,668 | 100% |
| IBNR | - | - | 33,137 | 9% | - | - | 35,742 | 0% |
| Total reinsurance receivables | 128,847 | 202,022 | 364,006 | 100% | 195,541 | 163,126 | 394,410 | 100% |

| Ratings - Life | 2020 | | | | 2019 | | | |
|--------------------------------------|----------------------------|------------------------|-------------------|-------------|----------------------------|------------------------|-------------------|-------------|
| | On paid claims Rs.'000' | On reserve Rs.'000' | Total Rs.'000' | % | On paid claims Rs.'000' | On reserve Rs.'000' | Total Rs.'000' | % |
| AA | 7,384 | 8,615 | 15,999 | 100% | 7,384 | 8,615 | 15,999 | 100% |
| AA- | | | | 0% | - | - | - | 0% |
| Total reinsurance receivables | 7,384 | 8,615 | 15,999 | 100% | 7,384 | 8,615 | 15,999 | 100% |

Notes to the Financial Statements

(D) Credit risk relating to reinsurance receivables

| Group | Up to 30 days | 31-60 days | Above 60 days | Total receivables |
|------------------------------------|---------------|------------|---------------|-------------------|
| As at 31st December 2020 (Rs.'000) | 763 | 1,021 | 9,658 | 11,442 |
| As at 31st December 2019 (Rs.'000) | 943 | 5,316 | 9,741 | 15,999 |

| Company | Up to 30 days | 31-60 days | Above 60 days | Total receivables |
|------------------------------------|---------------|------------|---------------|-------------------|
| As at 31st December 2020 (Rs.'000) | 41,582 | 73,619 | 215,669 | 330,869 |
| As at 31st December 2019 (Rs.'000) | 37,227 | 35,444 | 285,997 | 358,668 |

(E) Credit risk relating to loans

The following table illustrates how the loans have been segregated amongst different categories.

| Loan categories | Group | | Company | |
|------------------------|---------------|---------------|---------------|---------------|
| | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Staff loans | 14,985 | 18,535 | 11,187 | 14,246 |
| Loans to policyholders | 28,552 | 24,937 | - | - |
| Loans to field staff | 1,422 | 2,317 | - | - |
| Total | 44,958 | 45,789 | 11,187 | 14,246 |

The Group grants loan facilities to staff including field staff after a robust process of evaluating the credit worthiness of the individual, value of the facility and the related collateral. The field staff loan and 45% of staff loan portfolio is largely made-up of vehicle loans and the Group has undertaken the absolute ownership of those vehicles as collateral.

(F) Credit risk relating to cash & cash equivalents

The Group held cash and cash equivalents of Rs. 177.82 million as at 31 December 2020 (2019 - Rs. 158.1 million). The cash and cash equivalents are held with banks and financial institutional counterparties, which are rated BBB+ or better except for cash in hand of Rs. 7.13 million (2019 - Rs. 7.26 million).

(G) Collateral of debt securities

Reverse repo investments, which fall under government securities is backed up by treasury bills and bonds, which are provided as collateral. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. As at the financial position date, the Group held treasury bonds and bills worth Rs. 835 million as collateral for reverse repo investments amounting to Rs. 853.4 million.

(H) Concentration of credit risk - financial investments in debt securities

The Group actively manages its investment mix to ensure that there is no significant concentration of credit risk. The Group monitors concentration of credit risk by sector and instruments. An analysis of concentration of credit risk from financial investments is shown below:

| As at 31st December | Group | | Company | |
|--|-------------|-------------|-------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| Government securities & related institutions | 28% | 29% | 18% | 36% |
| Corporate debt securities | 38% | 25% | 44% | 37% |
| Equity instruments | 34% | 16% | 38% | 0% |
| Others | 0% | 30% | 0% | 27% |
| Total | 100% | 100% | 100% | 100% |

NOTE 38.02.03 - LIQUIDITY RISK

Liquidity risk is the risk that the Group may not have sufficient liquid financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so. In respect of catastrophic / unexpected large claim events there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

The following policies and procedures are in place to mitigate the exposure to liquidity risk:

- The investment committee manages this risk by diversifying investment durations and reviewing cash flow projections regularly.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure availability of sufficient funding to meet insurance and investment contract obligations.
- Maintaining sufficient cash balances, repurchase agreements and other short tenure investments to accommodate expected obligations and commitments of the Group.
- Reviewing the maturity mix of the investment portfolio by the management and the investment committee on a regular basis.

Notes to the Financial Statements

(A) Maturity analysis

Following table summarises the maturity profiles of non-derivative financial assets and financial liabilities based on remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contract liabilities and reinsurance receivables, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

(B) Maturity profile

| Group | As at 31st December 2020 | | | As at 31st December 2019 | | |
|---|--------------------------|-------------------------|-----------------------------|--------------------------|-------------------------|-----------------------------|
| | Current Rs.'000' | Non-current Rs.'000' | Carrying amount Rs.'000' | Current Rs.'000' | Non-current Rs.'000' | Carrying amount Rs.'000' |
| Insurance contract liabilities - Life | 48,348 | 2,136,122 | 2,184,470 | 50,784.00 | 1,898,155 | 1,948,939 |
| Insurance contract liabilities - Non-life | 2,956,779 | - | 2,956,779 | 2,735,577 | - | 2,735,577 |
| Reinsurance payables | 223,759 | - | 223,759 | 324,196 | - | 324,196 |
| Other financial liabilities | 942,742 | - | 942,742 | 599,441 | 396,212 | 995,653 |
| Bank overdrafts | 60,467 | - | 60,467 | 32,784 | - | 32,784 |
| Total undiscounted liabilities | 4,232,096 | 2,136,122 | 6,368,217 | 3,742,783 | 2,294,367 | 6,037,149 |

| Company | As at 31st December 2020 | | | As at 31st December 2019 | | |
|---|--------------------------|-------------------------|-----------------------------|--------------------------|-------------------------|-----------------------------|
| | Current Rs.'000' | Non-current Rs.'000' | Carrying amount Rs.'000' | Current Rs.'000' | Non-current Rs.'000' | Carrying amount Rs.'000' |
| Insurance contract liabilities - Non-life | 2,956,779 | - | 2,956,779 | 2,735,577 | - | 2,735,577 |
| Reinsurance payables | 212,725 | - | 212,725 | 309,664 | - | 309,664 |
| Other financial liabilities | 858,075 | 399,707 | 1,257,782 | 539,162 | 396,212 | 935,374 |
| Bank overdrafts | 60,467 | - | 60,467 | 32,784 | - | 32,784 |
| Total undiscounted liabilities | 4,088,046 | 399,707 | 4,487,753 | 3,617,188 | 396,212 | 4,013,399 |

Financial assets pledged as collateral

There were no financial assets pledged as collateral during the year ended 31st December 2020.

NOTE 38.02.04 - MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks:

Note 38.02.04.01 - Equity price risk

Note 38.02.04.02 - Foreign exchange risk

Note 38.02.04.03 - Interest rate risk

The following policies and procedures are in place to mitigate the Group's exposure to market risk.

- Macro-economic indicators and their impact on the Group's investment portfolio are monitored closely by the management.
- Impact from the market movement is monitored and warnings are sent to Managing Director and the Board of Directors on high volatilities in the market
- Total exposure to equity investments is made strictly within the agreed target asset allocation and sectorial equity limits.
- Equity investments are made in fundamentally sound stocks, which are identified after an in-depth research and evaluation process.

NOTE 38.02.04.01 - EQUITY PRICE RISK

Listed equity securities are susceptible to market price risk arising from uncertainties of future values of the investment securities. The Group manages the equity price risk through diversification and placing limits on individual and total equity portfolio investments. The Group's equity risk management policies are;

- Equity investment decisions are based on fundamentals rather than on speculation.
- Decisions are based on in depth macroeconomic and industry analysis as well as research reports on Group performance.

The risk exposure to listed equity securities as at 31st December 2020 with the comparatives are as follows;

| | Life | | Non-Life | |
|--------------------------|-------------|-------------|-------------|-------------|
| | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| Listed equity investment | 1,224 | 576 | 8,172 | 11,264 |

Notes to the Financial Statements

Following table shows the sector diversity of quoted equity investments of the Group.

| Sector | Group | | | | Company | | | |
|----------------------------|-------|------|--------|-----|---------|------|--------|------|
| | 2020 | | 2019 | | 2020 | | 2019 | |
| | Rs. | % | Rs. | % | Rs. | % | Rs. | % |
| Construction & engineering | | 0% | 121 | 1% | - | - | - | - |
| Manufacturing | | 0% | - | - | - | - | - | - |
| Capital goods | 441 | 36% | 77 | 1% | - | - | - | - |
| Retail | 110 | 9% | 69 | 1% | - | - | - | - |
| Beverage food & tobacco | | 0% | - | 0% | - | - | - | - |
| Banks finance & insurance | 483 | 39% | 11,411 | 96% | 8,172 | 100% | 11,264 | 100% |
| Hotels & travels | 190 | 16% | 163 | 1% | - | - | - | - |
| Total | 1,224 | 100% | 10,687 | 98% | 8,172 | 100% | 9,956 | 100% |

The table below shows the estimated impact from a 10 percent decline in the stock market, on the net assets of the Company.

| 10% decline in stock market | Group | | Company | |
|-----------------------------|--------------------------|----------|----------|----------|
| | Net impact on net assets | | | |
| | 2020 | 2019 | 2020 | 2019 |
| | Rs.'000' | Rs.'000' | Rs.'000' | Rs.'000' |
| Investments | 9,395 | 10,687 | 8,172 | 11,264 |
| Net impact on net assets | (904) | (1,063) | (780) | (1,126) |

NOTE 38.02.04.02 - FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk of loss resulting from changes in exchange rates. The Group's principal operation is based in Sri Lanka and therefore is not exposed to the financial impact arising from changes in the exchange rates of various currencies.

(A) Foreign currency exposures other than in respect of foreign operations

| | Group | | | | Company | | | |
|---------------------------|---|---------------------------------------|---|---------------------------------------|---|---------------------------------------|---|---------------------------------------|
| | 2020 | | 2019 | | 2020 | | 2019 | |
| | Amount in foreign currency USD | Amount in local currency Rs. |
| Foreign currency deposits | 8,717 | 1,623,011 | 8,636 | 1,565,027 | 8,717 | 1,623,011 | 8,636 | 1,565,027 |

(B) Sensitivity analysis

The table below shows the estimated impact to the profitability when the foreign currency rate movements against the domestic currency.

| | Group | | Company | |
|---------------------------|---------------|-------------|-------------|-------------|
| | Impact to PBT | | | |
| | 2020 Rs. | 2019 Rs. | 2020 Rs. | 2019 Rs. |
| 5% Strengthening of Rupee | (81,151) | (60,904) | (81,151) | (60,904) |
| 5% Weakening of Rupee | 81,151 | 97,425 | 81,151 | 97,425 |
| +/- Impact on profit | 0.020% | 0.024% | 0.02% | 0.024% |

NOTE 38.02.04.03 - INTEREST RATE RISK

Interest rate risk is the risk of fluctuation of the value or cash flows of an instrument due to changes in market interest rates.

The Group has adopted the following policies to manage interest rate risk

- The investment committee members keep a regular track of macroeconomic scenarios and their likely impact on interest rates
- Initial recognition of investments is closely monitored

Floating rate instruments expose the Group to cash flow fluctuations, whereas fixed interest rate instruments expose the Group to changes in fair values.

As at 31st December 2020 there were no cash flow interest rate exposures, as the Group did not have any floating rate investments. However, the Group is exposed to fair value fluctuations on fixed rate investments, which are measured at fair value. The following table presents the financial assets and financial liabilities, which are subjective to the interest rate risk by the Group and the Company.

(A) Exposure to interest rate risk

| Financial assets- Group | 2020 | | | | 2019 | | | |
|---|---------------------------------------|------------------------------------|--|---------------------------------------|------------------------------------|--|------------------|---------------|
| | Variable interest rate Rs.'000' | Fixed interest rate Rs.'000' | Non- interest bearing Total Rs.'000' | Variable interest rate Rs.'000' | Fixed interest rate Rs.'000' | Non- interest bearing Total Rs.'000' | | |
| | | | | | | | | |
| Financial instruments - loans & receivables | - 3,289,594 | | - 3,289,594 | | - 3,020,753 | | - 3,020,753 | |
| Financial instruments - available for sale | - 1,296,870 | 13,125 | 1,309,995 | | - 925,507 | 17,149 | 942,656 | |
| Financial instruments - FCTP | - | - | 1,224 | 1,224 | - | - | 576 | 576 |
| Loans to life policy holders | - 28,552 | | - 28,552 | | - 24,937 | | - | 24,937 |
| Staff & other loans | - 23,991 | | - 23,991 | | - 20,852 | | - | 20,852 |
| Cash & cash equivalents | - 200,047 | 7,138 | 207,185 | | - 150,412 | 7,709 | 158,121 | |
| Total assets - Group | - 4,839,054 | 21,486 | 4,860,540 | | - 4,142,462 | 25,434 | 4,167,896 | |
| Commission payable | - 62,345 | | - 62,345 | | - 54,064 | | - | 54,064 |
| Bank overdrafts | - 60,467 | | - 60,467 | | - 32,784 | | - | 32,784 |
| Total liabilities - Group | - 122,811 | | - 122,811 | | - 86,848 | | - | 86,848 |

Notes to the Financial Statements

| Financial assets- Company | 2020 | | | 2019 | | | | |
|---|------------------------|---------------------|----------------------|------------------|------------------------|---------------------|----------------------|------------------|
| | Variable interest rate | Fixed interest rate | Non-interest bearing | Total | Variable interest rate | Fixed interest rate | Non-interest bearing | |
| | Rs.'000' | Rs.'000' | Rs.'000' | Rs.'000' | Rs.'000' | Rs.'000' | Rs.'000' | Rs.'000' |
| Financial instruments - loans & receivables | - | 2,001,789 | | 2,001,789 | - | 1,871,700 | | - 1,871,700 |
| Financial instruments - available for sale | - | | 13,125 | 13,125 | - | - | 17,149 | 17,149 |
| Staff & other loans | 11,187 | | | 11,187 | - | 14,246 | - | 14,246 |
| Cash & cash equivalents | - | 174,869 | 2,959 | 177,829 | - | 112,284 | 6,885 | 119,169 |
| Total assets - Company | 11,187 | 2,176,658 | 16,084 | 2,203,930 | - | 1,998,230 | 24,034 | 2,022,264 |
| Commission payable | - | 61,381 | | 61,381 | - | 53,031 | - | 53,031 |
| Bank overdrafts | - | 60,467 | | 60,467 | - | 32,784 | - | 32,784 |
| Total liabilities - Company | - | 121,848 | - | 121,848 | - | 85,816 | - | 85,816 |

(B) Sensitivity analysis

The table below shows the estimated impact on profitability and equity due to fluctuations of interest rates on the fixed rate available for sale financial assets.

Sensitivity of profit before tax and equity to changes in interest rates.

| Group | 2020 | | | | 2019 | | | |
|----------------------|-----------------------------|--------------------------------------|-----------|--------------|-----------------------------|--------------------------------------|----------------|-----------|
| | Impact on profit before tax | Impact on equity change in variables | | | Impact on profit before tax | Impact on equity change in variables | | |
| | | Up to one year | 1-5 years | Over 5 years | | Total | Up to one year | 1-5 years |
| (+) 100 basis points | 546 | 89,814 | 28,906 | 119,266 | - | | 263 | 14,080 |
| (-) 100 basis points | 546 | 88,390 | 18,883 | 107,819 | - | | 263 | 14,094 |
| | | | | | | | 220 | 14,577 |

There is no impact of changing interest rates, since the Company has reclassified investments in 2017 and now all the investments are on fixed rates.

NOTE 38.02.04.04 - OPERATING RISK

This is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

Operational failures could result in dire consequences such as producing misleading financial information, loss of return, financial penalties from regulators or damage to the reputation of the Group. Operational risks arise from all operations of the Group.

While it is acknowledged that the Group cannot eliminate all operational risks, it is in a position to manage such risks by initiating a rigorous control framework and by monitoring and responding to potential risks.

Group's risk management team assesses all foreseeable risk involved in its operation and they develop and implement action plans to control those identified operational risks. These action plans recommended by the team is to manage the operational risks in the following areas:

- requirements for having appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- training and professional development
- risk mitigation, including insurance where this is cost effective.

SEGMENTAL REVIEW STATEMENT OF FINANCIAL POSITION - 2020

| | Company (Non-Life) | Subsidiary (Cooplife) | Subsidiary (CITA) | Consolidation adjustments | Total |
|---------------------------------------|-----------------------|--------------------------|----------------------|------------------------------|-----------------------|
| Assets | | | | | |
| Property, plant and equipment | 924,285,766 | 267,880,631 | - | - | 1,192,166,397 |
| Right of use assets | 276,751,236 | 77,732,253 | - | - | 354,483,489 |
| Intangible assets | 16,229,209 | 1,593,468 | - | - | 17,822,678 |
| Deferred tax asset | - | 88,842,469 | - | - | 88,842,469 |
| Financial investments | 4,411,648,309 | 2,952,789,219 | 1,193,452 | - | 7,365,630,980 |
| Investments in subsidiaries | 574,260,050 | - | - | (574,260,050) | - |
| Loans to life policyholders | - | 28,551,631 | - | - | 28,551,631 |
| Reinsurance receivables | 364,005,542 | 11,441,682 | - | - | 375,447,224 |
| Premium receivables | 1,096,720,671 | 7,532,452 | - | - | 1,104,253,123 |
| Related party receivables | 15,650,469 | - | - | (25,650,469) | (10,000,000) |
| Other assets | 78,457,475 | 46,249,539 | 398,934 | (653,874) | 124,452,094 |
| Cash & cash equivalents | 177,828,759 | 27,813,664 | 1,542,582 | - | 207,185,004 |
| Total assets | 7,935,837,486 | 3,510,427,008 | 3,134,968 | (600,564,393) | 10,848,835,080 |
| Equity & liabilities | | | | | |
| Equity | | | | | |
| Stated capital | 1,515,756,670 | 544,260,040 | 10 | (544,260,050) | 1,515,756,670 |
| Revaluation reserve | 515,270,012 | 108,773,863 | - | (18,228,940) | 605,814,936 |
| Available for sale reserves | (33,538,944) | 162,536,445 | - | (31,137,488) | 97,860,015 |
| Retained earnings | 1,401,972,797 | 262,170,369 | 723,560 | 49,366,428 | 1,714,233,161 |
| Non controlling interest | - | - | - | - | - |
| Total equity | 3,399,460,535 | 1,077,740,717 | 723,570 | (544,260,050) | 3,933,664,782 |
| Liabilities | | | | | |
| Preference shares | 50,500,000 | 30,000,000 | - | (30,000,000) | 50,500,000 |
| Retirement benefit obligations | 53,222,055 | 13,112,707 | - | - | 66,334,762 |
| Lease liability under SLFRS 16 | 295,985,027 | 85,509,154 | - | - | 381,494,181 |
| Insurance liabilities | 2,956,779,172 | 2,184,470,110 | - | - | 5,141,249,282 |
| Reinsurance creditors | 212,724,701 | 11,034,737 | - | - | 223,759,438 |
| Related party payables | - | 24,042,851 | 2,261,492 | (26,304,343) | - |
| Deferred tax liability | 48,624,012 | - | - | - | 48,624,012 |
| Other liabilities | 858,075,370 | 84,516,732 | 149,906 | - | 942,742,009 |
| Bank overdrafts | 60,466,614 | - | - | - | 60,466,614 |
| Total liabilities | 4,536,376,951 | 2,432,686,291 | 2,411,398 | (56,304,343) | 6,915,170,298 |
| Total equity & liabilities | 7,935,837,486 | 3,510,427,008 | 3,134,968 | (600,564,393) | 10,848,835,080 |

SEGMENTAL REVIEW STATEMENT OF FINANCIAL POSITION - 2019

| | Company (Non-Life) | Subsidiary (Cooplife) | Subsidiary (CITA) | Consolidation adjustments | Total |
|---------------------------------------|-----------------------|--------------------------|----------------------|------------------------------|----------------------|
| Assets | | | | | |
| Property, plant and equipment | 915,227,525 | 279,727,072 | - | - | 1,194,954,597 |
| Intangible assets | 9,260,615 | 3,874,534 | - | - | 13,135,150 |
| Right of use assets | 284,133,939 | 91,447,457 | | | 375,581,396 |
| Financial investments | 3,498,089,564 | 2,442,852,636 | 1,072,337 | - | 5,942,014,536 |
| Investments in subsidiaries | 455,260,050 | - | - | (455,260,050) | - |
| Loans to life policyholders | - | 24,937,390 | - | - | 24,937,390 |
| Deferred tax asset | - | 109,799,484 | - | | 109,799,486 |
| Reinsurance receivables | 394,409,744 | 15,999,068 | - | - | 410,408,812 |
| Premium receivables | 923,241,077 | 8,422,831 | - | - | 931,663,908 |
| Related party receivables | 16,676,075 | - | - | (16,676,075) | - |
| Other assets | 53,763,400 | 50,360,285 | 729,958 | - | 104,853,653 |
| Cash & cash equivalents | 119,168,796 | 37,722,563 | 727,163 | 502,545 | 158,121,067 |
| Total assets | 6,669,230,785 | 3,065,143,320 | 2,529,458 | (471,433,580) | 9,265,469,995 |
| Equity & liabilities | | | | | |
| Equity | | | | | |
| Stated capital | 1,515,756,670 | 544,260,040 | 10 | (544,260,050) | 1,515,756,670 |
| Revaluation reserve | 421,742,144 | 99,887,755 | - | (15,820,979) | 505,808,920 |
| Available for sale reserves | (39,439,817) | 57,578,691 | - | (13,974,294) | 4,164,581 |
| Retained earnings | 748,360,117 | 203,210,787 | 594,254 | (29,184,380) | 922,980,778 |
| Non controlling interest | - | - | - | 147,979,663 | 147,979,663 |
| Total equity | 2,646,419,114 | 904,937,274 | 594,264 | (455,260,040) | 3,096,690,612 |
| Liabilities | | | | | |
| Preference shares | - | - | - | - | - |
| Interest bearing borrowings | - | - | - | - | - |
| Insurance liabilities | 2,735,576,692 | 1,948,940,502 | - | - | 4,684,517,194 |
| Retirement benefit obligations | 53,695,603 | 15,041,495 | - | - | 68,737,098 |
| Lease liability under SLFRS 16 | 290,817,618 | 91,985,350 | | | 382,802,969 |
| Reinsurance creditors | 309,664,298 | 15,770,375 | - | - | 325,434,673 |
| Related party payables | - | 14,532,531 | 1,641,001 | (16,173,540) | - |
| Other liabilities | 539,162,386 | 73,935,794 | 294,193 | - | 613,392,375 |
| Deferred tax liability | 61,110,824 | - | - | | 61,110,824 |
| Bank overdrafts | 32,784,250 | - | - | - | 32,784,250 |
| Total liabilities | 4,022,811,671 | 2,160,206,047 | 1,935,194 | (16,173,540) | 6,168,779,383 |
| Total equity & liabilities | 6,669,230,785 | 3,065,143,320 | 2,529,458 | (471,433,580) | 9,265,469,995 |

SEGMENTAL REVIEW

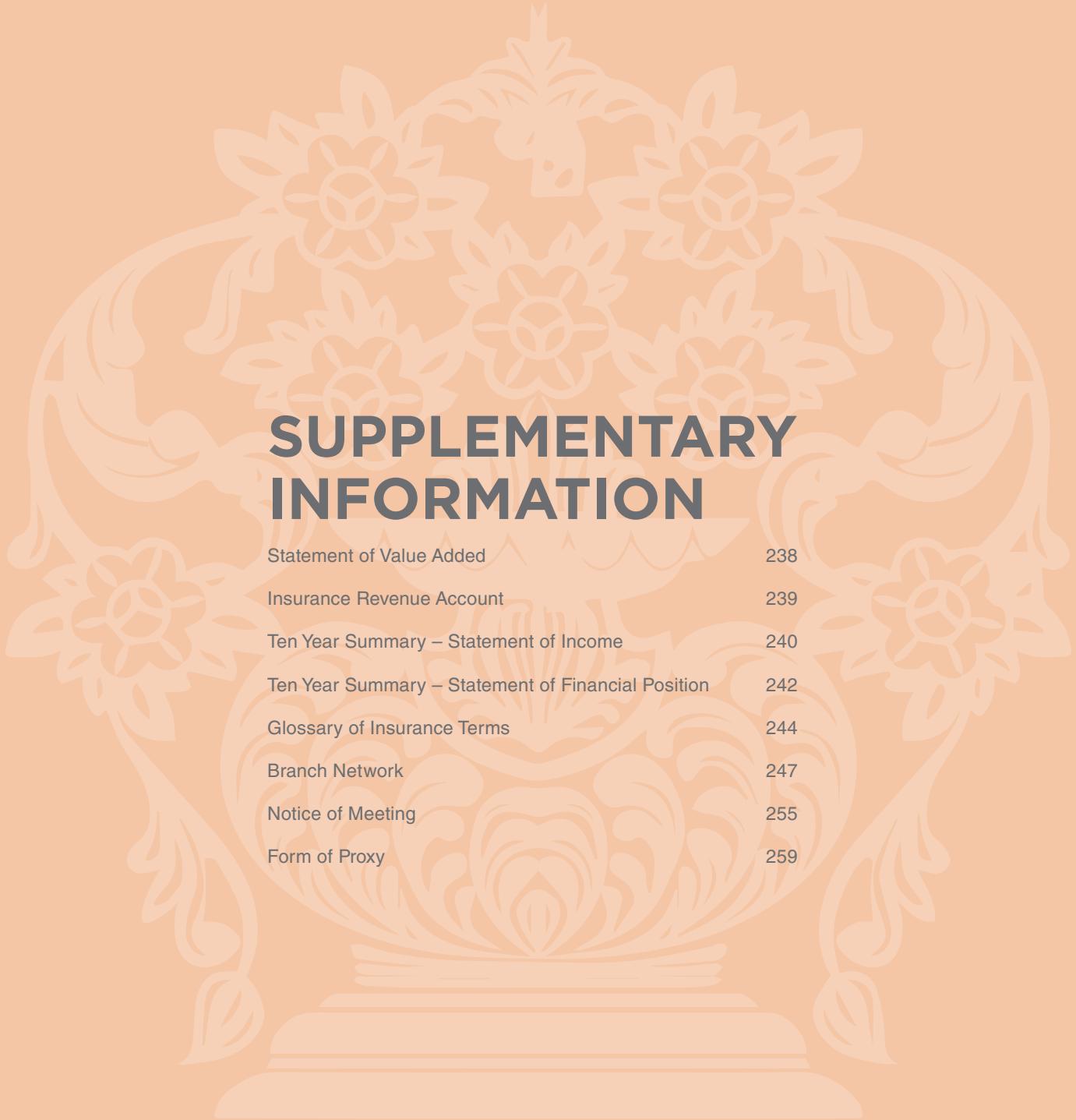
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - 2020

| FOR THE YEAR ENDED 31ST DECEMBER 2020 | Company (Non Life) | Subsidiary (Cooplife) | Subsidiary (CITA) | Consolidation adjustments | Total |
|---|-----------------------|--------------------------|----------------------|------------------------------|----------------------|
| Gross written premium | 4,400,098,871 | 775,410,100 | - | (3,686,455) | 5,171,822,516 |
| Less: premium ceded to reinsurers | (670,436,393) | (46,984,457) | - | - | (717,420,850) |
| Net written premium | 3,729,662,478 | 728,425,643 | - | (3,686,455) | 4,454,401,666 |
| Net change in reserves for unearned premium | (95,883,791) | - | - | - | (95,883,791) |
| Net earned premium | 3,633,778,687 | 728,425,643 | - | (3,686,455) | 4,358,517,875 |
| Other income | | | | | |
| Net finance income | 449,930,085 | 284,474,357 | 132,400 | (1,000,000) | 733,536,843 |
| Unrealised changes in losses of financial instruments | - | 238,053 | - | - | 238,053 |
| Net realised gain in financial investments | - | - | - | - | - |
| Policy administration fees | 257,312,090 | - | - | - | 257,312,090 |
| Other income | 21,474,321 | 5,591,332 | 698,442 | (3,282,682) | 24,481,413 |
| | 728,716,496 | 290,303,742 | 830,842 | (35,010,453) | 1,015,568,399 |
| Total net revenue | 4,362,495,183 | 1,018,729,385 | 830,842 | (38,696,908) | 5,374,086,274 |
| Net benefits & claims | | | | | |
| Gross benefits & claims incurred | 2,336,581,296 | 340,965,803 | - | - | 2,677,547,099 |
| Claims ceded to reinsurers | (353,840,884) | (9,746,610) | - | - | (363,587,494) |
| Change in life contract liabilities | - | 237,966,209 | - | - | 237,966,209 |
| | 1,982,740,412 | 569,185,402 | - | - | 2,551,925,814 |
| | 2,379,754,771 | 449,543,983 | 830,842 | (38,696,908) | 2,822,160,461 |
| Other expenses | | | | | |
| Underwriting & policy acquisition cost | 244,837,049 | 97,645,436 | - | - | 342,482,485 |
| Other operating & administrative expenses | 1,224,555,515 | 270,641,579 | 665,091 | (6,969,137) | 1,488,893,049 |
| Finance cost | 40,284,067 | 11,451,295 | | (1,000,000) | 50,735,361 |
| | 1,509,676,631 | 379,738,310 | 665,091 | (7,969,137) | 1,882,110,895 |
| Profit before income tax | 870,078,140 | 69,805,673 | 165,751 | - | 940,049,565 |
| Income tax expenses | (225,099,061) | (19,430,788) | (36,445) | - | (244,566,294) |
| Profit for the year | 644,979,079 | 50,374,886 | 129,306 | - | 695,483,271 |
| Other comprehensive income | | | | | |
| Items that will not be reclassified subsequently to profit or loss; | | | | | |
| Revaluation of property, plant and equipment | 114,259,875 | 16,251,584 | - | - | 130,511,459 |
| Actuarial gains/(losses) on defined benefit plan | 10,229,690 | 2,745,446 | - | - | 12,975,136 |
| Items that may be reclassified subsequently to profit or loss; | | | | | |
| Net change in fair value of available for sale of financial assets | 5,859,534 | 104,957,754 | - | - | 110,817,288 |
| Tax on other comprehensive income | (22,286,757) | (1,526,228) | - | - | (23,812,984) |
| Total comprehensive income for the year | 753,041,420 | 172,803,443 | 129,306 | - | 925,974,170 |

SEGMENTAL REVIEW

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - 2019

| FOR THE YEAR ENDED 31ST DECEMBER 2019 | Company (Non-Life) | Subsidiary (Cooplif) | Subsidiary (CITA) | Consolidation adjustments | Total |
|--|-----------------------|-------------------------|----------------------|------------------------------|----------------------|
| Gross written premium | 4,305,789,306 | 772,782,378 | - | (3,524,689) | 5,075,046,995 |
| Less: premium ceded to reinsurers | (684,620,967) | (51,976,424) | - | - | (736,597,391) |
| Net written premium | 3,621,168,339 | 720,805,954 | - | (3,524,689) | 4,338,449,604 |
| Net change in reserves for unearned premium | (194,571,009) | - | - | - | (194,571,009) |
| Net earned premium | 3,426,597,330 | 720,805,954 | - | (3,524,689) | 4,143,878,595 |
| Other income | | | | | |
| Net finance income | 370,026,369 | 230,678,502 | 72,337 | (29,626,914) | 571,150,294 |
| Unrealised changes in losses of financial instruments | - | 86,685 | - | - | 86,685 |
| Net realised gain in financial investments | - | 131,781 | - | - | 131,781 |
| Policy administration fees | 231,719,804 | - | - | - | 231,719,804 |
| Other income | 15,354,297 | 5,496,553 | 1,247,913 | (5,383,539) | 16,715,224 |
| | 617,100,470 | 236,393,520 | 1,320,250 | (35,010,453) | 819,803,788 |
| Total revenue | 4,043,697,800 | 957,199,474 | 1,320,250 | (38,535,142) | 4,963,682,383 |
| Net benefits & claims | | | | | |
| Gross benefits & claims incurred | 2,810,318,997 | 224,408,146 | - | - | 3,034,727,143 |
| Claims ceded to reinsurers | (428,325,941) | (14,397,903) | - | - | (442,723,844) |
| Change in life contract liabilities | - | 328,131,183 | - | - | 328,131,183 |
| | 2,381,993,056 | 538,141,426 | - | - | 2,920,134,482 |
| | 1,661,704,744 | 419,058,048 | 1,320,250 | (38,535,142) | 2,043,547,901 |
| Other expenses | | | | | |
| Underwriting & policy acquisition cost | 214,255,963 | 80,783,712 | - | - | 295,039,683 |
| Other operating & administrative expenses | 1,050,194,569 | 279,167,251 | 1,124,061 | (8,908,239) | 1,321,577,643 |
| | 1,264,450,532 | 359,950,964 | 1,124,061 | (8,908,239) | 1,616,617,326 |
| Profit before tax | 397,254,212 | 59,107,084 | 196,189 | (29,626,903) | 426,930,575 |
| Income tax expenses | (131,590,732) | (18,146,684) | (96,693) | (4,517,586) | (154,351,696) |
| Profit for the year | 265,663,480 | 40,960,400 | 99,495 | (34,144,489) | 272,578,879 |
| Other comprehensive income | | | | | |
| Items that will not be reclassified subsequently to profit or loss; | | | | | |
| Revaluation of land and buildings | 106,524,696 | 29,547,520 | - | - | 136,072,216 |
| De-recognition of revaluation reserve | - | - | - | - | - |
| Actuarial gains/(losses) on defined benefit plan | (4,908,095) | (917,563) | - | - | (5,825,658) |
| Items that may be reclassified subsequently to profit or loss; | | | | | |
| Net change in fair value of available for sale of financial assets | 15,193,797 | 93,324,349 | - | - | 108,518,143 |
| Tax on other comprehensive income | (10,081,143) | (2,370,495) | - | - | (12,451,637) |
| Total comprehensive income for the year | 372,392,734 | 160,544,212 | 99,495 | (34,144,489) | 498,891,942 |

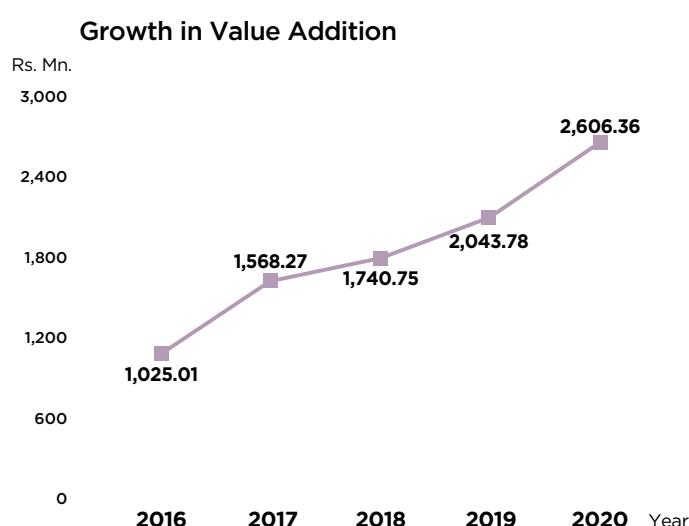
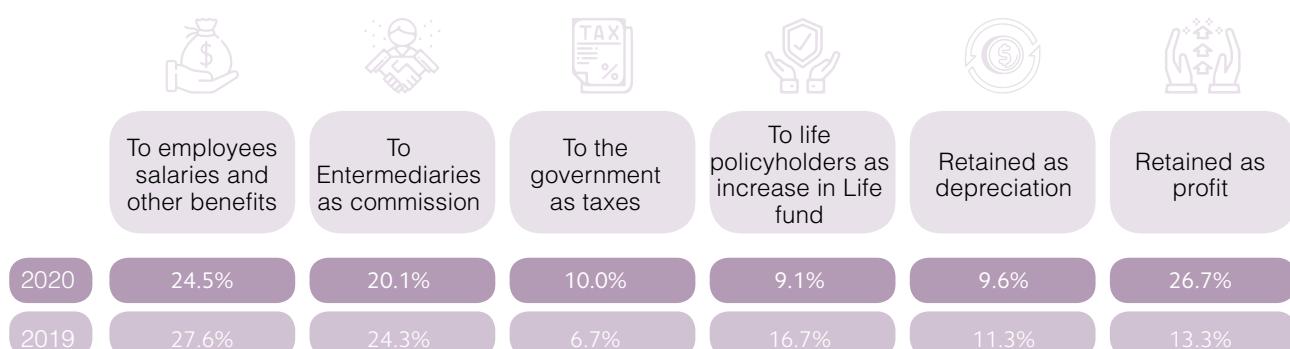


SUPPLEMENTARY INFORMATION

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Statement of Value Added

| | 2020 | % | 2019 | % |
|--|----------------------|-------|----------------------|-------|
| Net earned premium | 4,358,517,875 | | 4,143,878,595 | |
| Investment income and other income | 1,015,568,399 | | 819,803,788 | |
| | 5,374,086,274 | | 4,963,682,383 | |
| Net claims and benefits | (2,313,959,605) | | (2,592,003,299) | |
| Cost of external services | (453,769,479) | | (327,900,424) | |
| Value added | 2,606,357,190 | | 2,043,778,661 | |
| To employees as salaries and other benefits | 638,430,072 | 24.5% | 564,498,599 | 27.6% |
| To Intermediaries as commission | 523,647,500 | 20.1% | 497,644,433 | 24.3% |
| To the government as taxes | 259,909,073 | 10.0% | 136,873,628 | 6.7% |
| To life policyholders as increase in life fund | 237,966,209 | 9.1% | 340,839,055 | 16.7% |
| Retained within the business | 250,921,065 | 9.6% | 231,344,066 | 11.3% |
| - As Depreciation | 695,483,271 | 26.7% | 272,578,879 | 13.3% |
| - As Profit | 2,606,357,190 | 100% | 2,043,778,661 | 100% |



Insurance Revenue Account

| | 2020 | 2019 |
|--|----------------------|----------------------|
| Insurance business - Non-Life | | |
| Gross written premium | 4,400,077,338 | 4,305,789,306 |
| Less premium ceded to reinsurers | (670,436,393) | (684,620,967) |
| Net written premium | 3,729,640,945 | 3,621,168,339 |
| Net change in reserves for unearned premium | (95,883,791) | (194,571,009) |
| Net earned premium | 3,633,757,154 | 3,426,597,330 |
| Finance Income | 448,930,085 | 409,283,774 |
| Policy administration fee | 257,312,090 | 231,719,804 |
| Other operating revenue | 21,474,321 | 15,354,297 |
| Total other income | 727,716,496 | 656,357,875 |
| Total Revenue | 4,361,473,650 | 4,082,955,205 |
| Gross benefits and claims incurred | 2,336,581,296 | 2,810,318,997 |
| Claims ceded to reinsurers | (353,840,884) | (428,325,941) |
| Underwriting and policy acquisition cost | 244,837,049 | 214,255,963 |
| Other operating and administration expense | 1,217,607,911 | 1,050,194,569 |
| Total Expenses | 3,445,185,372 | 3,646,443,588 |
| Operating Profit from non-life business (before interest) | 916,288,279 | 436,511,617 |
| Insurance business - Life | | |
| Gross written premium | 771,745,178 | 772,782,378 |
| Less premium ceded to reinsurers | (46,984,457) | (51,976,424) |
| Net written premium | 724,760,721 | 720,805,954 |
| Finance Income | 284,474,357 | 242,899,469 |
| Net realised gains/(losses) | 238,053 | 131,781 |
| Net fair value gains/(losses) | - | 86,685 |
| Other operating revenue | 2,308,650 | 5,496,553 |
| Total other income | 287,021,061 | 248,614,487 |
| Total Revenue | 1,011,781,781 | 969,420,441 |
| Gross benefits and claims incurred | 340,965,803 | 224,408,146 |
| Claims ceded to reinsurers | (9,746,610) | (14,397,903) |
| Change in contract liabilities - Life | 237,966,209 | 328,131,183 |
| Underwriting and policy acquisition cost | 97,645,436 | 80,783,712 |
| Other operating and administration expense | 270,620,047 | 279,167,251 |
| Total other expenses | 937,450,885 | 898,092,389 |
| Operating Profit from life business (before interest) | 74,330,897 | 71,328,051 |
| Reconciliation of statement of insurance revenue account | | |
| Operating Profit from non-life business | 916,288,279 | 436,511,617 |
| Surplus from life insurance business | 74,330,897 | 71,328,051 |
| Profit from operations | 990,619,175 | 507,839,669 |
| Interest expenses | (50,735,361) | (51,478,372) |
| Profit before tax | 939,883,814 | 456,361,296 |
| Income tax | (244,529,849) | (149,737,416) |
| Net profit for the year | 695,353,965 | 306,623,880 |

Ten Year Summary – Statement of Income

| Rs. | 2020 | 2019 | 2018 | 2017 |
|--|--------------------|--------------------|--------------------|--------------------|
| Non-life insurance (Company) | | | | |
| Gross written premium | 4,400,098,871 | 4,305,789,306 | 3,750,838,457 | 3,055,835,664 |
| Net earned premium | 3,633,778,687 | 3,426,597,330 | 2,844,440,066 | 2,351,320,143 |
| Insurance claims and benefits (net) | (1,982,740,412) | (2,381,993,056) | (1,926,867,312) | (1,528,846,896) |
| Underwriting and policy acquisition cost | (244,837,049) | (214,255,963) | (140,612,881) | (93,500,473) |
| Income from investments and other income | 728,716,496 | 656,357,875 | 531,260,412 | 403,773,308 |
| Expenses | (1,264,839,582) | (1,089,451,974) | (902,443,863) | (733,634,684) |
| Profit/Losses before tax | 870,078,140 | 397,254,212 | 405,776,422 | 399,111,399 |
| Life insurance | | | | |
| Gross written premium | 775,410,100 | 772,782,378 | 619,881,069 | 626,972,292 |
| Net earned premium | 728,425,643 | 720,805,954 | 574,047,900 | 587,044,481 |
| Insurance claims and benefits (net) | (331,219,193) | (210,010,243) | (426,009,102) | (607,497,095) |
| Underwriting and policy acquisition cost (Including reinsurers) | (97,645,436) | (80,783,712) | (98,338,985) | (77,109,647) |
| Income from investments and other income | 290,303,742 | 236,393,521 | 206,035,541 | 193,151,817 |
| Other operating and administration expenses | (282,092,874) | (291,388,217) | (322,735,364) | (289,965,945) |
| Change in contract liabilities - Life fund | (237,966,209) | 328,131,183 | 110,736,893 | 249,255,888 |
| Profit before tax | 69,805,673 | 59,107,085 | 43,736,883 | 54,879,499 |
| Group | | | | |
| Gross written premium | 5,171,822,516 | 5,075,046,995 | 4,368,316,886 | 3,677,800,345 |
| Net earned premium | 4,358,517,875 | 4,143,878,595 | 3,416,085,326 | 2,933,357,013 |
| Insurance claims and benefits (net) | (2,313,959,605) | (2,592,003,299) | (2,352,876,414) | (2,136,343,991) |
| Underwriting and policy acquisition cost (Including reinsurers) | (342,482,485) | (295,039,683) | (238,951,866) | (170,610,120) |
| Income from investments and other income | 1,015,568,399 | 819,803,788 | 697,665,431 | 591,083,237 |
| Other operating and administration expenses | 1,539,628,410 | (1,373,056,014) | (1,217,911,302) | (1,012,751,129) |
| Change in contract liabilities - Life fund | (237,966,209) | 328,131,183 | 110,736,893 | 249,255,888 |
| Profit before tax | 940,049,565 | 426,930,575 | 414,748,068 | 453,990,898 |

| 2016 | 2015 | 2014 | 2013 Restated | 2012 | 2011 | 2010 |
|--------------------|--------------------|-------------------|--------------------|--------------------|--------------------|-------------------|
| 2,475,543,314 | 1,724,542,837 | 1,386,207,634 | 1,304,357,157 | 1,156,912,067 | 938,114,747 | 616,921,216 |
| 1,936,570,424 | 1,441,556,142 | 1,258,325,523 | 1,157,134,366 | 1,001,383,259 | 728,592,642 | 499,696,066 |
| (1,283,478,692) | (870,577,602) | (927,929,186) | (753,425,724) | (640,657,920) | (359,400,965) | (274,961,291) |
| (153,697,752) | (121,603,219) | (107,574,794) | (96,359,265) | (26,400,880) | 2,718,778 | 5,422,508 |
| 294,491,336 | 219,150,061 | 218,285,742 | 219,162,764 | 116,561,008 | 76,259,129 | 89,134,117 |
| (604,743,561) | (493,080,780) | (373,169,602) | (311,863,266) | (292,464,702) | (259,767,929) | (223,099,947) |
| 189,141,754 | 175,444,602 | 67,937,682 | 214,648,875 | 158,420,765 | 188,401,654 | 61,191,453 |
| 466,997,348 | 494,597,627 | 402,046,246 | 337,622,877 | 312,055,984 | 269,578,716 | 233,539,664 |
| 425,981,838 | 462,585,041 | 371,098,731 | 308,055,849 | 284,238,046 | 238,215,200 | 220,158,212 |
| (70,642,166) | (91,124,011) | (63,432,117) | (64,465,564) | (32,166,230) | (17,207,850) | (19,168,033) |
| (66,576,558) | (68,039,104) | (59,091,627) | (61,310,973) | (49,191,064) | (50,151,466) | (49,060,185) |
| 84,774,207 | 117,523,804 | 117,595,252 | 123,819,329 | 86,100,062 | 70,332,513 | 72,396,486 |
| (229,270,775) | (186,559,272) | (227,482,891) | (180,519,714) | (153,474,078) | (134,159,449) | (108,868,190) |
| 151,532,183 | 206,761,950 | 121,882,712 | 113,593,744 | 120,976,096 | 83,275,882 | 134,372,485 |
| (7,265,638) | 27,624,508 | 16,804,638 | 11,985,184 | 14,530,641 | 23,753,066 | 16,085,805 |
| 2,940,072,597 | 2,216,521,622 | 1,788,253,880 | 1,641,980,034 | 1,468,968,051 | 1,207,693,463 | 850,460,880 |
| 2,360,084,198 | 1,901,522,341 | 1,629,424,254 | 1,465,190,215 | 1,285,621,305 | 966,807,842 | 719,854,278 |
| (1,354,120,858) | (961,701,613) | (991,361,303) | (817,891,288) | (672,824,150) | (376,608,815) | (294,129,324) |
| 220,274,311 | (189,642,323) | (166,666,421) | (157,670,238) | (75,591,944) | (47,432,688) | (43,637,677) |
| 356,752,583 | 334,934,585 | 335,880,995 | 342,982,094 | 202,661,071 | 146,591,642 | 161,530,603 |
| (829,033,312) | (675,281,930) | (600,652,493) | (492,382,980) | (445,938,780) | (393,927,378) | (331,968,137) |
| 151,532,183 | 206,761,950 | 121,882,712 | 113,593,744 | 120,976,096 | 83,275,882 | 134,372,485 |
| 161,876,118 | 203,069,110 | 84,742,320 | 226,634,059 | 172,951,407 | 212,154,720 | 77,277,258 |

Ten Year Summary - Statement of Financial Position

| Rs. | 2020 | 2019 | 2018 | 2017 | 2016 |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Assets | | | | | |
| Property, plant and equipment | 924,285,766 | 915,227,525 | 856,627,241 | 827,891,117 | 782,372,876 |
| Right of Use Assets | 276,751,236 | 284,133,939 | - | - | - |
| Intangible Assets | 16,229,209 | 9,260,615 | 2,861,955 | 2,136,027 | 3,073,679 |
| Financial Investments | 4,411,648,309 | 3,498,089,564 | 2,887,575,982 | 2,365,950,814 | 1,903,630,823 |
| Investment in subsidiary | 574,260,050 | 455,260,050 | 445,260,050 | 410,000,040 | 400,000,040 |
| Deferred tax asset | - | - | - | 30,250,575 | 39,207,757 |
| Loans to life policyholders | - | - | - | - | - |
| Reinsurance receivables | 364,005,542 | 394,409,744 | 331,971,907 | 245,140,054 | 82,931,657 |
| Premium receivables | 1,096,720,671 | 923,241,077 | 750,717,081 | 593,207,932 | 418,971,726 |
| Related party receivables | 15,650,469 | 16,676,075 | 11,535,904 | 7,956,943 | 11,998,559 |
| Other assets | 78,457,475 | 53,763,400 | 85,488,497 | 70,086,779 | 69,296,033 |
| Cash and cash equivalents | 177,828,759 | 119,168,796 | 120,708,829 | 114,938,091 | 75,831,464 |
| Total Assets | 7,935,837,486 | 6,669,230,785 | 5,492,747,446 | 4,667,558,372 | 3,787,314,614 |
| Equity and Liabilities | | | | | |
| Equity | | | | | |
| Stated capital | 1,515,756,670 | 1,515,756,670 | 1,430,194,585 | 1,260,251,770 | 1,115,367,950 |
| Revaluation reserve | 515,270,012 | 421,742,144 | 322,407,068 | 333,597,638 | 268,847,038 |
| Available for sale reserves | (33,538,944) | (39,439,817) | (48,607,352) | (67,029,162) | (87,476,248) |
| Revenue reserves - | | | | | |
| Retained earnings | 1,401,972,797 | 748,360,117 | 656,163,366 | 553,311,055 | 398,604,509 |
| Total Equity | 3,399,460,535 | 2,646,419,114 | 2,360,157,667 | 2,080,131,301 | 1,695,343,249 |
| Liabilities | | | | | |
| Interest bearing borrowings | 50,500,000 | - | 1,763,819 | 8,414,249 | 17,625,419 |
| Insurance provision - Life | - | - | - | - | - |
| Lease liability under - SLFRS 16 | 295,985,027 | 290,817,618 | | | |
| Insurance provision - Non-Life | 2,956,779,172 | 2,735,576,692 | 2,229,943,843 | 1,900,064,983 | 1,653,884,388 |
| Retirement benefit obligations | 53,222,055 | 53,695,603 | 40,738,427 | 37,993,692 | 32,130,390 |
| Reinsurance Creditors | 212,724,701 | 309,664,298 | 291,709,148 | 196,593,172 | 100,183,584 |
| Deferred tax liability | 48,624,012 | 61,110,824 | 51,698,297 | | |
| Other liabilities | 858,075,370 | 539,162,386 | 422,227,958 | 374,392,781 | 247,075,734 |
| Bank Overdraft | 60,466,614 | 32,784,250 | 94,508,287 | 69,968,193 | 41,071,850 |
| TOTAL LIABILITIES | 4,536,376,951 | 4,022,811,671 | 3,132,589,779 | 2,587,427,071 | 2,091,971,365 |
| TOTAL EQUITY AND LIABILITIES | 7,935,837,486 | 6,669,230,785 | 5,492,747,446 | 4,667,558,372 | 3,787,314,614 |

| 2015 | 2014 | 2013 Restated | 2012 | 2011 |
|---------------|---------------|------------------|---------------|---------------|
| 792,220,399 | 660,185,284 | 444,322,711 | 102,320,167 | 99,663,534 |
| - | - | - | - | - |
| 4,847,582 | 5,683,179 | 5,597,265 | 749,871 | 2,242,838 |
| 1,337,622,691 | 2,317,275,108 | 2,221,102,783 | 1,942,323,482 | 1,668,086,694 |
| 500,000,040 | 100,000,040 | | | |
| 6,915,144 | | | | |
| - | 11,213,065 | 7,965,408 | 4,636,426 | 3,604,755 |
| 21,272,032 | 43,879,481 | 30,974,432 | 26,095,467 | 30,296,637 |
| 293,536,246 | 231,625,872 | 204,373,070 | 166,597,080 | 96,931,839 |
| 5,277,178 | | | | |
| 78,289,728 | 133,054,792 | 54,545,009 | 53,203,089 | 40,039,878 |
| 36,865,532 | 327,560,284 | 18,275,185 | 24,019,881 | 26,583,671 |
| 3,076,846,572 | 3,830,477,105 | 2,987,155,863 | 2,319,945,464 | 1,967,449,846 |
| | | | | |
| 1,004,909,610 | 1,004,909,610 | 632,019,940 | 554,889,880 | 540,734,090 |
| 233,220,060 | 113,274,337 | 3,355,004 | 3,036,000 | 3,036,000 |
| (39,017,836) | 19,510,661 | | 4,311,033 | 695,844 |
| 349,965,668 | 326,438,579 | 341,105,307 | 191,642,148 | 136,682,752 |
| 1,549,077,502 | 1,464,133,188 | 976,480,251 | 753,879,061 | 681,148,686 |
| | | | | |
| 28,027,997 | 132,304,326 | 164,340,086 | | |
| - | 869,227,132 | 743,890,039 | 627,907,097 | 501,703,839 |
| | | | | |
| 1,277,037,794 | 1,105,611,903 | 828,315,269 | 666,019,270 | 509,185,388 |
| 22,679,048 | 31,403,673 | 23,825,396 | 20,654,064 | 15,825,224 |
| 8,007,050 | | | | |
| | | | | |
| 134,855,172 | 220,225,276 | 218,018,416 | 227,179,858 | 233,295,850 |
| 57,162,009 | 7,571,607 | 32,286,406 | 24,306,114 | 26,290,858 |
| 1,527,769,070 | 2,366,343,918 | 2,010,675,612 | 1,566,066,403 | 1,286,301,159 |
| 3,076,846,572 | 3,830,477,105 | 2,987,155,863 | 2,319,945,464 | 1,967,449,846 |

Glossary of Insurance Terms

Actuary

An expert concerned with the application of probability and statistical theory to problems of insurance, investment, financial management and demography.

Actuarial Valuation

A determination by an actuary at a specific date of the value of a life insurance company's assets and its liabilities.

The purpose of a valuation is to determine if the Company holds adequate assets to fund the Company's liabilities.

Admissible Assets

Value of assets that are included in determining an insurer's statutory solvency margin specified under the rules made by the Insurance Board of Sri Lanka under Regulation of Insurance Industry Act No. 43 of 2000.

Annuity

A contract that provides an income for a specific period.

Approved Assets

Assets that represent the technical reserve and the long-term insurance fund as per the determination made under Regulation of Insurance Industry Act No. 43 of 2000.

Beneficiary

A person or financial institution named by the policyholder as the recipient of the sum insured and other benefits due in the event of the policyholder's death.

Bonus

Bonus is a method of distribution of surplus amongst the participating policyholders of a life insurance company.

A bonus is an enhancement to the basic sum assured under a contract, and is declared as a percentage of the sum assured.

Broker

A sales and service representative who handles insurance for clients, generally selling insurance of various kinds and for several companies.

Claims

The amount payable under a contract of insurance arising from the occurrence of an insured event such as destruction or damage of property and related death or injuries, the insuring of hospital or medical bills, death or disability of the insured and gratuity claims.

Claims Incurred

The aggregate of all claims paid during the accounting period together with attributable claims handling expenses, where appropriate adjusted by the gross claims reserve at the beginning and end of the accounting period.

Claim Incurred But Not Reported (IBNR)

A reserve to cover the expect cost of losses that have occurred by the Balance Sheet date but have not yet been reported to the insurer.

Claims Incurred But Not Enough Reported (IBNER)

A reserve made in respect of to cover expected cost of losses that have occurred, but no comprehensive information is available to make adequate provision as at the Balance Sheet date.

Claims Outstanding - Life Insurance

The amounts provided to cover estimated ultimate cost of settling claims arising out of events, which have been notified by the Balance Sheet date, being sums due to beneficiaries together with claims handling expenses, less amounts already paid in respect of those claims.

Claims Outstanding - Non-Life Insurance

The amount provided to cover the estimated ultimate cost of settling claims arising out of events, which have occurred by the Balance Sheet date, including IBNR and IBNER claims and claims handling expenses.

Commission

Remuneration to an intermediary for services such as selling and servicing an insurer's products. This is one component of acquisition expenses.

Deferred Acquisition Expense Reserve

Expenses which vary with and primarily related to the acquisition of new insurance contracts and renewal of existing contracts, which are deferred as they related to a period of risk subsequent to the Balance Sheet date.

Deposit Premium

A premium paid on the inception of a contract of insurance or reinsurance, which is subject to adjustment at a latter date. A deposit premium may represent the minimum amount payable.

Earned Premium

Written premium adjusted by the unearned premium reserve at the beginning and end of the accounting period.

Endowment

Life Insurance payable to the policyholder if living on the maturity date in the policy or to a beneficiary if the insured dies before that date.

Events Occurring after the Balance Sheet Date

Those events both favourable and unfavourable, that occurs between the Balance Sheet date and the date when the Financial Statements are authorised for issue.

Ex-gratia Payments

A payment by an insurer to an insured for which there is no liability under the contract. In some cases an insurer may feel there has been a mistake or a misunderstanding and he may pay a claim, even though he does not appear to be liable.

Facultative Reinsurance

Oldest form of reinsurance. This is the reinsurance of an individual risk on terms and conditions agreed with the reinsurer specially for that risk. Particulars of each risk are submitted by the ceding company to the reinsurer who may accept or decline at will. This is useful when dealing with risks outside the ceding company's treaty arrangements.

Gross Claims Reserve - Non-Life

The amount provided, including claims incurred but not reported and claims handling expenses, to cover the estimated cost, arising out of events occurred by the end of the accounting period, less amounts already paid in respect of those claims.

Gross Written Premium - Life

Premium to which the insurer is contractually entitled and received in the accounting period.

Gross Written Premium - Non-Life

Premium which an insurer is contractually entitled to receive from the insured in relation to contracts of insurance.

Insurance

Insurance is a contract whereby one party the insurer, in return for a consideration, i.e., the premium, undertakes to pay to the other party the insured, a sum of money or its equivalent in kind, upon the happening of a specified event that is contrary to the interest of the insured.

Insurance Provision - Non-Life

This comprises of the gross claims reserve, unearned premium reserve net of reinsurance and the deferred acquisition expenses.

Insurance Provision - Long-Term

The fund or funds to be maintained by an insurer in respect of its long-term insurance business in accordance with Act No. 43 of 2000.

Interim Payments

Periodic payments to the policyholders on a specific type of policy.

Life Surplus

The excess of the assets cover the liabilities as determined by the actuary (taking into account the solvency requirements) and after distribution of Bonus to policyholders.

Long-Term Insurance

Commonly referred to as life insurance contracts, as opposed to annual non-life Insurance policies.

Maturity

The time at which payment of the sum insured under a life insurance policy falls due at the end of its term.

Net Assets

Total assets less total liabilities. Also equal to the shareholders' equity.

Net Combined Ratio - Non-Life

This ratio indicates the profitability of the insurer's operations by combining the net loss ratio with net expense ratio. The combined ratio does not take account of investment income.

Glossary of Insurance Terms

Net Earned Premium

Gross written premium adjusted for the reinsurance incurred and for the increase or decrease in unearned premium.

Formula:

$$\frac{(\text{Net claims incurred} + \text{Expenses}) \times 100}{\text{Net earned premium}}$$

Net Expense Ratio - Non-Life

A formula used by insurance companies to relate income to acquisition and administrative expenses (e.g. commissions, taxes, staff, operating expenses).

Formula:

$$\frac{\text{Net Expenses} \times 100}{\text{Net earned premium}}$$

Net Claims Ratio - Non-Life

A formula used by insurers to relate net claims incurred to net earned premium (i.e., after deducting relevant reinsurances).

Formula:

$$\frac{\text{Net claims incurred} \times 100}{\text{Net earned premium}}$$

Net Written Premium

Gross written premium less reinsurance premium payable. Net Claims Incurred Claims incurred less reinsurance recoveries.

Policy Loans

A loan given to the policyholder on the security of the surrender value of a Life Insurance policy. The loan is limited to a percentage of the current surrender value of the policy and interest is charged on such loan.

Premium

The consideration payable by the insured for an insurance contract.

Profit Commission

Commission received from the reinsurer based on the net profit of the reinsurer as defined in the accounting period.

Reinsurance

Transfer of all or part of the risk assumed by an insurer under one or more insurance to another insurer, called the reinsurer.

Reinsurance Commission

Commission received or receivable in respect of premium paid or payable to a reinsurer.

Reinsurance Premium

The premium payable to the reinsurer.

Revenue Account

An account which shows a financial summary of the insurance related revenue transactions for the accounting period.

Segment

Constituent business units grouped in terms of nature and similarity of operation.

Surrender

Termination of an insurance policy by the insured before the expiry of its term (more common in life insurance).

Surrender Value

The sum payable by an insurance company upon the surrender of a life insurance policy before it has run its full course.

Technical Reserve

This comprises of the claims reserve net of reinsurance, unearned premium reserve net of reinsurance and the deferred acquisition costs.

Title Insurance

Insurance which indemnifies the owner of real estate in the event that his clear ownership of property is challenged by the discovery of fault in the title that was passed to him.

Underwriting Result

This is the profit generated purely from the non-life insurance business without taking into account the investment income and expenses.

Unearned Premium

It represents the portion of premium already entered in the account as due, but which relates to a period of risk subsequent to the Balance Sheet date.

Unearned Premium Reserve

A fund kept by the general insurer to provide for claims that may arise in the future under insurance that are still in course.

Branch Network

GENERAL INSURANCE OFFICE

Co-operative Insurance Company

- | | | | |
|----|--|----|---|
| 1 | Akuressa D.C. Wanigasekara Mawatha, New Bangam Road, Akuressa 041-2284973, 041-2285574 041-2284974 | 12 | Bandarawela Shopping Complex, Thanthiriya, Bandarawela 057-2221657 057-2221701 |
| 2 | Akkaraipattu Main Street, Akkaraipattu (Near the Education Office) 067-2055122 067-2055123 | 13 | Battaramulla No.153, Pannipitiya Road, Battaramulla 011-2872791 011-2872792 |
| 3 | Ambalangoda 26B ½, Galle Road, Ambalangoda 091-2256500 091-2255581 | 14 | Baddegama 1st Floor, DFCC Building, Udukumbura, Baddegama 091-2294411 |
| 4 | Ambalantota 59, Main Street, Ambalantota 047-2225045, 047-2226047 047-2225511 | 15 | Bibila Wagolla Waththa, Bibila 055-2265036 |
| 5 | Aluthgama 3/160, Galle Road, Aluthgama 034-2296166 034-2296167 | 16 | Chilaw No. 05, Bauddaloka Mawatha, Chilaw 032-2224745 032-2220360 |
| 6 | Ampara 16, D S Senanayake Mw, Ampara 063-2223122 063-2223586 | 17 | City No. 455, Co-op House, Galle Road, Colombo 03 011-2372384, 011-2372370 011-2556578 |
| 7 | Anuradhapura 08, Maithreepala Senanayake Mw, Anuradhapura 025-2226777-8, 025-2227533 025-2225457 | 18 | Metro No. 455, Co-op House, Galle Road, Colombo 03 011-2556574 |
| 8 | Avissawella No.35, Gem Land, Kudagama Road, Avissawella 036-2233881 036-2233704 | 19 | Colombo Metro No. 455, Co-op House, Galle Road, Colombo 03 011-2372763, 011-2372764 |
| 9 | Badulla 81, 2nd Floor, Bank Road, Badulla 055-2222620 055-2225512 | 20 | Chunnakam Rajah Building, K K S Road, Chunnakam |
| 10 | Balangoda 133A 1/1, Brans Rathwaththa Mw, Balangoda 045-2287494 045-2288438 | 21 | Dambulla No. 719 (717), Anuradhapura Road, Dambulla 066-2285624 066-2285625 |
| 11 | Batticaloa Dist. Co-op Council Bldg, Pioneer Rd, Batticaloa 065-2227984 065-2228844 | 22 | Dankotuwa Pannala Road, Dankotuwa 031-2265685 031-2265418 |
| | | 23 | Deniyaya No. 98/02, Near the Bridge, Main Street, Deniyaya 041-2273353 041-2273519 |
| | | 24 | Dehiwala No. 11, Galle Road, Mount Lavinia 011-2725265 011-2725261 |

Branch Network

- | | | | |
|----|---|----|--|
| 25 | Elpitiya No. 05, Main Street, Elpitiya 091-2297019 091-2297095 | 37 | Jaffna No. 570, Hospital Road, Jaffna 021-2224561 021-2217495 |
| 26 | Embilipitiya 66 1/1, Pallegama Road, Embilipitiya 047-2230177 047-2261394 | 38 | Kadawatha 645/G/2, Bandarawaththa, Kandy Road, Kadawatha 011-2927501 011-2927502 |
| 27 | Galle 36, Sri Dewamiththa Mw., China Garden, Galle 091-2227688, 091-2232258 091-2227687 | 39 | Kalawana 1st Floor, No. 76, Mathugama Road, Kalawana 045-2256033 045-2256088 |
| 28 | Galewela No. 45, Kalawewa Road, Galewela 066-2287282 066-2287283 | 40 | Kaduwela No. 51, Avissawella Road, Kaduwela 011-2548544 011-2548666 |
| 29 | Gampaha No. 114/1/1, Bauddaloka Mawatha, Gampaha 033-2248600, 033-2231618 033-2231122 | 41 | Kaluthara 219/3, Galle Road, Kaluthara 034-2238131-2 034-2223450 |
| 30 | Gampola Gampola MPCS Building, 1/78, Kandy Road, Gampola 081-2077121 081-2077122 | 42 | Kandy 100/2/1, Vindana Learner's Building, Yatinuwara Veediya, Kandy 081-2205661-3 081-2202055 |
| 31 | Galenbindunuwewa In front of Nenasala, Kannimaduwa Road, Galenbindunuwewa 252-2121022 252-2121023 | 43 | Katugastota 206, Katugastota Road, Kandy 081-2226687 081-2226688 |
| 32 | Giriulla No. 105/B, 1st Floor, Negombo Road, Giriulla 037-2288710 037-2288711 | 44 | Kalmunai No. 170, Batticaloa Road, Kalmunai 067-2059996 067-2059997 |
| 33 | Hatton Co-op Building, Co-op Square, Hatton 051-2225146 051-2225175 | 45 | Kalpitiya No.146D, Main Street, Periyakudirippu 032-2260607 |
| 34 | Homagama 77, High Level Road, Homagama 011-2895270-1, 011-2748307, 011-2098740 011-2855392 | 46 | Kamburupitiya No. 17, Aluth Walauwa, Akuressa Road, Kamburupitiya 041-2294495 |
| 35 | Ja-Ela No. 68, Negombo Road, Kandana 011-2234817 011-2234816 | 47 | Karapitiya No. 185/A, Giripura Road, Karapitiya, Galle 091-2228586 091-2228711 |
| 36 | Horana No. 257, Rathnapura Road, Horana 034-2260310 034-2260444 | 48 | Kegalle No. 261/1, Kandy Road, Kegalle 035-2221461 035-2231911 |

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|----|---|----|--|
| 49 | Kekirawa 12, Dambulla Road, Kekirawa 025-2265333 025-2265332 | 61 | Mathugama No. 203, Agalawaththa Road, Mathugama 034-2240972 034-2240973 |
| 50 | Kelaniya 369, Kandy Road, Peliyagoda 011-2918312 011-2918311 | 62 | Mannar No. 45, Hospital Road, Mannar 023-2250833 023-2251682 |
| 51 | Kolonnawa No. 166, Kolonnawa Road, Kolonnawa 011-2533372 011-2533373 | 63 | Mawanella Hemmathagama MPCS Building, Mawanella 035-2246231 |
| 52 | Kiribathgoda 67 D/3, Kandy Road, Kiribathgoda 011-2907858 011-2907859 | 64 | Matale No. 577, Trincomalee Street, Matale 066-2224498 066-2232222 |
| 53 | Kilinochchi C/O Pillaiyar Arul Vanachcholai, A9 Road, Kilinochchi 021-2285790 021-2285791 | 65 | Melsripura Near the Fuel Station, Dambulla Road, Melsripura 037-2250183 037-2250648 |
| 54 | Kuliyapitiya No. 285, Madampe Road, Kuliyapitiya 037-2282249 037-2282248 | 66 | Medawachchiya Opposite the Hospital, A9 Road, Medawachchiya 025-2121013 025-2121014 |
| 55 | Kirindiwela 27/16/1, Nugahena Waththa, Kirindiwela 033-2253100 033-2253101 | 67 | Matara 45A/2, Anagarika Dharmapala Mw, Matara 041-2234701-2 041-2230649 |
| 56 | Kurunegala 13 1/1, Rajapihilla Road, Kurunegala 037-2233601-2 037-2221749 | 68 | Minuwangoda No. 39 1/1, Airport Road, Minuwangoda 011-2299151 011-2288044 |
| 57 | Kurunegala North 250/252, Negombo Road, Kurunegala 037-2050000 037-2050064 | 69 | Monaragala 210, Wellawaya Road, Monaragala 055-2277534, 055-2277401 055-2276113 |
| 58 | Maharagama 218A 1/1, High Level Road, Maharagama 011-2845144, 011-2089007 011-2843422 | 70 | Moratuwa 177 2/1, New Galle Road, Moratuwa 011-2644891, 011-2649054 011-2644893 |
| 59 | Mahiyanganaya No. 102/4, Padiyathalawa Road, Mahiyanganaya 055-2257451 | 71 | Mullaitive Manalkudijyuupu, Mullaitivu 212-061053 |
| 60 | Malabe 411, Athurugiriya Road, Malabe 011-2156045, 011-2742501 011-2742058 | 72 | Negombo No. 160/A, Thaladuwa Road, Negombo 031-2222426 031-2228270 |
| | | 73 | Nelliady No. 82, Point Pedro Road, Nelliady, Karaveddy 021-2265737 |

Branch Network

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|----|--|----|--|
| 74 | Neluwa Manuka Building, Dellawa Road, Neluwa 091-2285410 091-2285411 | 85 | Polonnaruwa No. 292/1, Batticaloa Road, Polonnaruwa 027-2226880 027-2227310 |
| 75 | Nikaweratiya No. 81, Maho Road, Nikaweratiya 037-2260996, 037-2260945 037-2260923 | 86 | Pottuvil Main Street, Pottuvil 063-2248858 063-2248859 |
| 76 | Nittambuwa No. 48/4, Kandy Road, Nittambuwa 033-2246294 033-2287748 | 87 | Puttalam No. 114/1, Kurunegala Road, Puttalam 032-2267211 032-2267336 |
| 77 | Nugegoda No. 36, Nawala Road, Nugegoda 011-2890851 011-2890850 | 88 | Rikillagaskada 72/2, Kandy Road, Rikillagaskada 081-2071622 081-2071330 |
| 78 | Nuwara Eliya 72, Park Road, Nuwara Eliya 052-2235570 052-2222811 | 89 | Rathnapura Coop House, Bandaranayake Mw., Rathnapura 045-2222983-4, 045-2221042 045-2225335 |
| 79 | Nugegoda South 272/B, High level Road, Jambugasmulla 011-2814234 011-2814254 | 90 | Trincomalee No. 316, Inner Harbor Road, Trincomalee 026-2226751 026-2221126 |
| 80 | Padiyathalawa Main Street, Padiyathalawa 063-2246057 | 91 | Siyambalanduwa No. 38, Main Road, Siyambalanduwa 055-2279123 |
| 81 | Pilimathalawa No. 206, Colombo Road, Pilimathalawa 081-2560007 | 92 | Thalawathugoda No. 1136, Pannipitiya Road, Thalawathugoda 011-2774261 011-2774262 |
| 82 | Pelmadulla No. 40/01/04, Chandara Building, Rakwana Road, Pelmadulla 045-2276216 045-2274732 | 93 | Thambuttegama No. 141, Kurunegala Road, Business Town, Thambuttegama 025-2275689 025-2275688 |
| 83 | Panadura No. 36A, Cyril Janz Mawatha, Panadura 038-2234133 038-2234933 | 94 | Thissamaharama Medaweediya, New Town, Thissa 047-2239820, 047-3221115, 047-3221116 047-4545559 |
| 84 | Piliyandala No. 165, Moratuwa Road, Piliyandala 011-2615702 011-2615701 | 95 | Vavuniya 2nd Floor, Sathya Building, 1st Cross Street, Vavuniya 024-2225536-7 024-2224122 |

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| 96 | Wariyapola 92/A, Puttalam Road, Wariyapola 037-2268206 037-2268205 | 109 Corporate Branch 70, Grandpass, Colombo 14 011-2337449 011-2337427 |
| 97 | Walasmulla No. 60, Beliatta Road, Walasmulla 047-2254490 047-2254491 | 110 Metro Branch 327, Ceyesta Building, Galle Road, Colombo 03 011-2372763 011-2372764 |
| 98 | Wellawaya No. 167, Tissa Road, Wellawaya 055-2274214 | |
| 99 | Welimada 115/1, Badulla Road, Welimada 057-2245627 057-2245628 | |
| 100 | Weligama Weligama MPCS Building, Anagarika Dharmapala Mw., Weligama 041-2254935 | |
| 101 | Wennappuwa Wenco Super Market, Chilaw Road, Wennappuwa 031-2253541, 031-2245000 031-2253363 | |
| 102 | Warakapola Sub Warakapola MPCS Building, Warakapola 035-2269575 | |
| 103 | Anamaduwa 1/4, Puttalam Road, Anamaduwa 322-0504177 | |
| 104 | Nochchiyagama 19V, Puttalam Road, Pilimathalawa | |
| 105 | Divulapitiya 100, Kurunegala Road, Divulapitiya | |
| 106 | Broker Division 70, Grandpass, Colombo 14 011-2337449 011-2337427 | |
| 107 | Corporate Division 70, Grandpass, Colombo 14 011-2337449 011-2337427 | |
| 108 | Postal Division 70, Grandpass, Colombo 14 011-2337449 011-2337427 | |

REGIONAL OFFICES

REGIONAL OFFICE FOR GENERAL INSURANCE

- 1 Colombo (North)
114 1/1, Bauddaloka Mawatha, Gampaha
033-2248602
071-0862300
- 2 Colombo (East)
77, High Level Road, Homagama
011-2098740, 071-7546381
- 3 North Central
08, Maithreepala Senanayake Mw.,
Anuradhapura
025-2227429
071-4562992
- 4 Southern
45A/2, Anagarika Dharmapala Mw., Matara
041-2234703
071-7546294
- 5 North West
13 1/1, Rajapihilla Road, Kurunegala
037-2226370
071-7546287
- 6 Central
No. 100/2/1, Vindana Learners Building,
Yatinuwara Veediya, Kandy
081-2202065
- 7 Colombo (North and West)
Grandpass, Colombo 14
011-2336145
071-6840982

Branch Network

COOPLIFE BRANCH NETWORK

- 1 Ampara
16, D.S. Senanayaka Mawatha, Ampara
063-2222887
063-2222877
- 2 Akuressa
80, New Bangama Road, Akuressa
041-2284878/041-2285564
041-2284878
- 3 Ambalangoda
26B,2/1, Galle Road, Ambalangoda
091-2255875
- 4 Ambalanthota
59, Main Street, Ambalanthota
047-2225346
- 5 Anuradhapura
7 Lain, New Town, Anuradhapura
025-2227637
- 6 Avissawella
35, Honiton Place, Kudagama Road, Avissawella
036 -2234862
036-2233704
- 7 Badulla
81, Second Floor, Bank Road, Badulla
055-2231692/3
055-2231694
- 8 Balangoda
133A 1/1, Brans Rathwatta Mawatha, Balangoda
045-2289522
- 9 Batticaloa
District Coop Council Building,
Pioneer Road, Batticaloa
065-2229896
065-2229875
- 10 Chilaw
05, Bauddhaloka Road, Chilaw
032-2224252
032-2224263
- 11 Chunnakam
81, Raja Complex K.K.S. Chunnakam
021-2240530
021-2240550
- 12 City
Coop House, 455, Galle Road, Colombo 03
011-2554358
011-2504301
- 13 Dambulla
719, 3rd Floor, Anuradhapura Road, Dambulla
066-2285377
066-2285477
- 14 Embilipitiya
66 1/1, Pallegama Road, Embilipitiya
047-2262162
047-2262163
- 15 Galgamuwa
81, Maho Road, Nikaweratiya
037-2260996/037-2260945
037-2260923
- 16 Galle
36, Sri Dewamiththa Mawatha,
China Garden, Galle
091-2223155
091-2223295
- 17 Gampaha
114/2/1, Bauddhaloka Mawatha, Gampaha
033-2248601/ 033-2231617
- 18 Homagama
79/1, High Level Road, Homagama
011-2895424
011-2893916
- 19 Horana
257/2, Rathnapura Road, Horana
034-2265984
034-2265985
- 20 Jaffna
570, 2nd Floor, Hospital Road, Jaffna
021-2228071
021-2217496
- 21 Kalawana
1st Floor, No.76, Mathugama Road, Kalawana
045-2256033
045-2256088
- 22 Kaluthara
358/A, Galle Road, Kaluthara North, Kaluthara
034-2238252
- 23 Kandy
45/1/3, Katugasthota Road, Kandy
081-2223440
081-2205662
- 24 Kegalle
Main Street, Kegalle
035-2222215/ 035-2231912
- 25 Kekirawa
12, 3rd Floor, Dambulla Road, Kekirawa
025-2264995
025-2264969
- 26 Kilinochchi
Pillaiyar Vanar Solai, A9 Road, Kilinochchi
021-2285792

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|----|--|----|--|
| 27 | Kiribathgoda 67/D/3, Kandy Road, Kiribathgoda 011-2907920 011-2987332 | 40 | Nelliady Point Pedro Road, Malu Junction, Nelliady 021-2264945 021-2261351 |
| 28 | Kuliyapitiya Madampe Road, Kuliyapitiya 037-2281633 037-2281630 | 41 | Nikaweratiya North 81, Maho Road, Nikaweratiya 037-2260996/037-2260945 037-2260923 |
| 29 | Kurunegala 11/1/1, Rajapihilla Road, Kurunegala 037-2225463 037-2221915 | 42 | Nikaweratiya South 81, Maho Road, Nikaweratiya 037-2260996/037-2260945 037-2260923 |
| 30 | Maharagama 218 A, 1/2, High Level Road, Maharagama 011-2088744 011-2089508 | 43 | Nugegoda 218 A1/2, High Level Road, Maharagama 011-2848799 |
| 31 | Mahiyanganaya 102/4, Padiyathalawa Road, Mahiyanganaya 055-2258491 | 44 | Nuwara Eliya Tharanga Building, No. 72, Park Road, Nuwara Eliya 052-2235590 052-2235594 |
| 32 | Malabe 894/4A, Athurugiriya Road, Malabe 011-2077454 011-2185841 | 45 | Polonnaruwa 1/292, Madakalapuwa Road, Kaduruwela, Polonnaruwa 027-2227311 |
| 33 | Mannar 45, Hospital Road, Mannar 023-2251336 023-2251681 | 46 | Puttalam 114/2, Kurunegala Road, Puttalam 032-2265292 032-2267366 |
| 34 | Matale 577, Trinco Road, Matale 066-2057222 066-2224499 | 47 | Rathnapura 22, Kiriella Building, Panadura Road, Moragahayata, Rathnapura. 045-2233237 045-2233238 |
| 35 | Matara 45 A/2, Anagarika Dharmapala Mawatha, Matara 041-2237765 | 48 | Thambuththegama 141, Kurunegala Road, Business Town, Thambuththegama 025-2275729 |
| 36 | Monaragala 72, Wallawaya Road, Monaragala 055-2276155 055-2277533 | 49 | Trincomalee 316, Inner Harbour Road, Trincomalee 026-2062121 026-2062122 |
| 37 | Moratuwa 177 2/1, New Galle Road, Moratuwa 011-2644841 | 50 | Vauniya Sathya Building, 2nd Floor, 1st Cross Street, Vauniya 024-2227961 024-2228143 |
| 38 | Morawaka 80, New Bangama Road, Akuressa 041-2284878/041-2285564 041-2284878 | 51 | Wennappuwa Wenco Super Market, Chilaw Road, Wennappuwa 031-2255910 031-2255910 |
| 39 | Negombo 163 A, Thaladuwa Road, Negombo 031-2228446 031-2230320 | | |

Branch Network

AGM OFFICE

AGM Zone - 1
KURUNEGALA
11/1, Rajapihilla Road, Kurunegala
037-2233603

REGIONAL OFFICE FOR LIFE INSURANCE

- 1 RM-Colombo Region
Gampaha - RM office
114/2/1, Bauddhaloka Mawatha, Gampaha
033-2248601/ 033-2231617
- 2 RM-Southern Region
Galle - RM office
36, Sri Dewamiththa Mawatha, China Garden, Galle
091-2223155
- 3 RM-Homagama Region
Maharagama - RM office
218 A,1/2, High Level Road, Maharagama
011-2088744
- 4 RM-Anuradhapura Region
Kekirawa - RM office
12, 3rd Floor, Dambulla Road, Kekirawa
025-2264996/025-2265945
- 5 RM-North Region
Vavuniya - RM office
Sathya Building, 2nd Floor, 1st Cross Street, Vavuniya
024-2227961
- 6 RM-East Region
Badulla - RM Office
81, 2nd Floor, Bank Street, Badulla
055-2331694
- 7 RM-Nikaweratiya Region
81, Maha Road Nikaweratiya
037-2260321
- 8 RM-Badulla Region
81, 2nd Floor, Bank Street, Badulla
055-2231694

Notice of Meeting

Notice is hereby given that the 23rd Annual General Meeting of Co-operative Insurance Company Limited is convened on June 30, 2021 at 74/5, Grandpass Road, Colombo 14 as a virtual meeting at 10.30 a.m. when the following ordinary business will be transacted.

1. To receive and adopt the Report of the Directors and the Statement of Accounts for the year ended 31st December 2020 with the Report of the Auditor's thereon.
2. To declare a dividend of Rs. 0.75 per share as the final dividend for the financial year 2020.
3. To re-appoint Jayasinghe and Company., Chartered Accountants, as auditors of the company for the financial year ending December 31, 2021 and to authorise the Board of Directors to determine their remuneration.
4. To appoint new Directors to fill four vacancies created as a result of
 - (a). the rotation of Mr. W.L.A. Peiris and Mr. J.M.V.P. Jayasooriya in terms of the Article 95,95 and 97 of the Articles of Association of the company.
 - (a). the rotation of Mr. K.J. Sesiri in terms of the Article 95,95 and 97 of the Articles of Association of the company and rules and regulations of Insurance Regulatory Commission of Sri Lanka.
 - (b). retiring Mr. R. Sooriyarachchi in terms of the rules and regulations of Insurance Regulatory Commission of Sri Lanka.

By Order of the Board,



Business Management Services Ltd.

Secretaries to the Company

June 08, 2021

Notes

1. A member is entitled to appoint a proxy to attend and vote on behalf of him/her. One ordinary share carries one voting right. If a member is a corporate body, its representative must be appointed by a proxy.
2. A proxy need not be a member of the company.
3. A proxy form is enclosed for this purpose.
4. The completed proxy form should be sent via agm@coopinsu.com or fax 0112339182 or WhatsApp 0701636415 not less than 48 hours before holding of the meeting.

Notes



Notes

Form of Proxy

I/We
of

being member / members of CO-OPERATIVE INSURANCE COMPANY LIMITED, hereby appoint

..... NIC No. of

..... as my/our proxy to represent me / us and vote on my / our behalf at the
23rd Annual General Meeting of the company to be held as a virtual meeting at 74/5, Grandpass Road, Colombo 14
on June 30, 2021 at 10.30 a.m. and at any adjournment thereof, and every poll which may be taken in consequence
thereof. Please send the logging information to email ID.

Signed this day of two thousand twenty one.

.....
Signature of shareholder

.....
Signature of participant

Form of Proxy

Instructions as to Completion

Notes

1. A member is entitled to appoint a proxy to attend and vote on behalf of him/her. One ordinary share carries one voting right. If a member is a corporate body, its representative must be appointed by a proxy.
2. A proxy need not be a member of the company.
3. A proxy form is enclosed for this purpose.
4. The completed proxy form should be sent via agm@coopinsu.com or fax 0112339182 or WhatsApp 0701636415 not less than 48 hours before holding of the meeting.

Corporate Information

Name of the Company

Co-operative Insurance Company Limited (CICL).

Legal Form

A Public Limited Liability Company Incorporated in Sri Lanka on August 11, 1997 under Companies Act No. 17 of 1982. The Company was re-registered on December 31, 2008 under Companies Act No. 07 of 2007. Co-operative Insurance Company Limited has become a General Insurance Company licensed by the Insurance Regulatory Commission of Sri Lanka (IRCSL) with effect from 1st January 2015.

Company Registration Number

PB 834

Tax Payer Identification Number

TIN - 134007168

VAT Registration Number

134007168 - 7000

Balance Sheet Date

December 31st

Principal Activities

With effect from 1st January 2015, principal activities of the Company are carrying on General Insurance Business and providing services to its subsidiary Cooplife Insurance Limited which is carrying on Life Insurance Business.

Registered Office

"Co-operative Insurance House"
No. 74/5, Grandpass Road, Colombo 14.
Telephone : +94 (0)112 55 73 00 - 8
Facsimile : +94 (0)112 55 73 09
E-mail : info@coopinsu.com
Web : www.ci.lk

Rating

Insurer Financial Strength BBB+ (Ika) (Fitch Ratings)

Subsidiary

Cooplife Insurance Limited

No. 455, Co-op House, Galle Road, Colombo 03.
Telephone : +94 (0)112 57 48 01

Coopinsu Training Academy (Pvt) Ltd.

No. 70/3, Grandpass Road, Colombo 14.
Telephone : +94 (0)112 55 73 00

Auditors

Jayasinghe & Company – Chartered Accountants
No. 94/12, Kirulapone Avenue, 2nd Lane, Colombo 05.

Directorate

Dr. W. Lalith A. Peiris - Chairman
Mr. K.R.W. Ranasinghe - Managing Director
Mr. K.J. Sesiri - Vice Chairman
Mr. R. Sooriyaarachchi - Director
Mr. J.M.V.P. Jayasooriya - Director
Mr. P.B. Jayarathna - Director
Mr. S.S. Weerasekara - Director
Mr. A.D.T.S. Palitha - Director
Mr. C.P. Jayasinghe - Director
Mr. D. Thilakawardhana - Director
Mr. A.B. Senadeera - Director
Mr. D.L. Samarawickrama - Director

Secretaries

Business Management Services Ltd.
No. 94 ½, York Street,, Colombo 01.

Corporate Management

Mr. K.R.W. Ranasinghe - Managing Director
Mr. M.G.U.P. Kumara - General Manager (Technical)
Mr. Laksiri N. Bandara - Chief Financial Officer
Mr. L.A.N.C. Weerasinghe - Head of Marketing
Ms. N.D. Baduraliya - Asst. General Manager (GI)
Mr. K.M. Jayasundara - Asst. General Manager
Mr. Amila D. Kumara - Manager - Investment and Financial Planning
Mr. A. Sumith - Manager - Human Resources
Ms. Preethimalee Wijerama - Manager - Legal
Mr. Danushka De Silva - Manager - Administration
Mr. Shaminda Silva - Manager - Internal Audit
Ms. D.D.S. Gamage - Manager - Finance and Operations
Ms. T.S. Rasanjalee - Manager - Reinsurance
Ms. J.M.H. Jayasinghe - Senior Manager - Motor
Mr. W.H. Somathilake - Consultant (Technical)
Mr. A.M.J. Abeysinghe - Consultant (Motor Engineer)
Ms. S. Weerasinghe - Consultant (Technical)
Mr. Jayantha De Silva - Consultant - Marine

Bankers

People's Bank
Commercial Bank
Sampath Bank
RDB Bank
Seylan Bank

Consultant Actuaries

General Insurance

NMG Financial Services Consulting Pte Ltd.
No. 30, Hill Street, #03-02A,
Singapore 179360

Life Insurance Fund

Actsure Lab (Pvt) Limited
No. 11/2, 1st Lane, Pagoda Road, Nugegoda

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