



# Derisking The Future

**CEYLINCO LIFE INSURANCE LIMITED**  
Integrated Annual Report 2019



# Derisking The Future

*We recognise our policyholders as dynamic and unique individuals with their own distinctive aspirations and ambitions. Our business is centred on the future of our policyholders enabling them to reach the 'next' level of growth. Building on a relationship for life, we have derisked the future of our policyholders through personalised solutions moulded to suit individual needs.*

As a truly customer-led insurer, we have harnessed the power of people, technology and service excellence to deliver value through exceptional insurance solutions. Maintaining market leadership for the last 16 years we have created sustainable value for our stakeholders. Leading the way, we continue to define the future of insurance sector by being customer-centric, competitive, agile and digital.



**CEYLINCO  
LIFE®**

A Relationship For Life™



"Enhancing this concept of protection, the Pension Saver product now not only offers sufficient funds for retirement, but in the case of the demise of the policyholder, pays for the child's education."

**Chairman's Message | Page 12**



"Over the last few years we have increasingly focussed on transforming our business by leveraging IT. These initiatives enhance customer experiences whilst enabling our staff to deliver an excellent customer service."

**Managing Director / CEO's Message | Page 16**

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## VISION

“To take the message of Life Insurance and Retirement Planning to every Sri Lankan and provide protection to every family.”

## MISSION

To become the most trusted, acclaimed and progressive life insurance company in Sri Lanka, by providing need based life insurance solutions to our customers, recognising and rewarding our employees, creating successful partnerships with stakeholders and ensuring sustainable business practices for sustainable, responsible and profitable growth, while leaving a smaller carbon footprint on the planet.

## OUR VALUES

### PROFESSIONALISM

In delivering life insurance and retirement planning solutions to meet the individual needs of our customers.

### INTEGRITY

In everything we do, individually and collectively.

### EXCELLENCE

In customer service, product development, innovation and fulfilling our social responsibility.



PRIDE

### REWARDING

Customers, sales force, staff for their dedication and loyalty.

### DEDICATION

In communicating the importance of Life Insurance and Retirement Planning to every Sri Lankan.

## Milestones

<b>1939</b>	Ceylon Insurance Company Limited the forerunner of Ceylinco Insurance PLC becomes the first Sri Lankan public company to be registered in the British - ruled Ceylon (now Sri Lanka). Ceylinco Insurance Company Limited later changed its name to Ceylinco Limited.		
<b>1962</b>	Ceylinco Limited is recognised as the leading insurer in Sri Lanka prior to the nationalization of the insurance industry.		
<b>1980 - 1990</b>	<b>1987</b> Ceylinco Limited becomes the leading principal Agent of the National Insurance Company when the insurance sector was liberalized.	<b>1988</b> Ceylinco Insurance Limited is established on 14th January 1988 and listed on 21st April 1988, thus becoming Ceylinco Insurance PLC. Life Division is set up as a separate business segment within Ceylinco Insurance PLC.	<b>1989</b> Life Division sells 8,799 policies, earning a premium income of Rs 23.7 Mn.
<b>1990 - 2000</b>	<b>1991</b> The first critical illness insurance product is launched in Sri Lanka branded as 'Ceylinco Life Digasiri'.	<b>1992</b> Life Division emerges as the leader of the life insurance segment among the private sector insurance companies in the country.	<b>1993</b> Life Division sets up its own Actuarial Division with international consultancy assistance and forms its own strategic planning process.
<b>2000 - 2010</b>	<b>2001</b> 'Pranama' scholarships are launched  <b>2003</b> 'Waidya Hamuwa' the nationwide community health programme is launched.	<b>2004</b> Ceylinco Life is recognised as the 'No 1 Service Brand in Sri Lanka' by the SLIM Brand Excellence Awards and it is a feat repeated for 2005 and 2008 as well.  Life Division becomes the market leader in the country's life insurance industry, a position which is retained ever since.	<b>2005</b> First ever CSR Award for an insurance company in the Asia Pacific Region won by the Life Division at the 9th Asian Insurance Industry Awards in Singapore.
<b>2010 - 2020</b>	<b>2011</b> Ceylinco Life recognised as the Best in Asia for CSR at the CMO Asia Awards in India.	<b>2014</b> Recognised as the Best Life Insurance Company in Sri Lanka by the World Finance Global Insurance Awards 2014.  Ceylinco Life Insurance Limited is incorporated on 22 April 2014 following the segregation of the long - term (life) insurance business and general (non-life) insurance business of Ceylinco Insurance PLC by setting up a separate legal entity.	<b>2015</b> Ceylinco Life Insurance Limited commences business on 1 June 2015 having seamlessly taken over the business of the Life Division of Ceylinco Insurance PLC.



**1996** Ceylinco Insurance PLC is ranked 20th among Sri Lanka's Top 50 Companies by Lanka Monthly Digest (LMD) magazine.

Ceylinco Life produces 1st MDRT (Million Dollar Round Table) winner in Sri Lanka.

**1998** Life Division's annual premium income crosses Rs. 1 Bn milestone as Ceylinco Insurance PLC celebrates its 10th Anniversary.

**1999** Ceylinco Cancer Detection Centre (the present Ceylinco Healthcare Centre) is set up in partnership with Washington Cancer Centre.

Ceylinco Life becomes the first private sector insurer to introduce pension plans.

**2007** The country's first private radiation treatment unit is established.

**2009** Dedicated residential training centre is established.

**2010** Ceylinco Life moves to its new corporate head office in Havelock Road, Colombo 05.

Ceylinco Life is awarded the Social Marketing Award by the World Brand Congress.

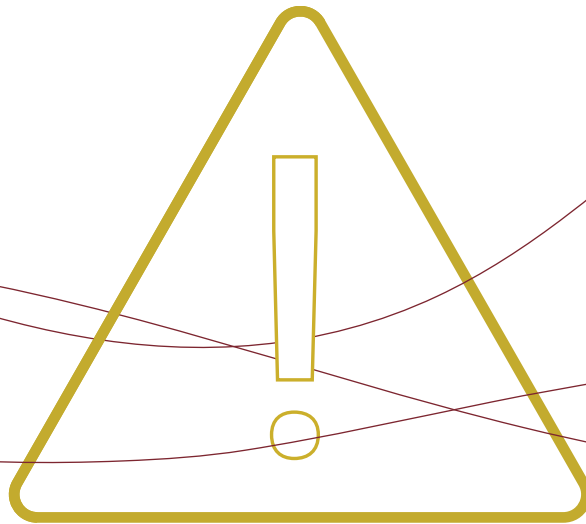
**2016** Ceylinco Life unveils its new brand identity of father and son reflecting progress, confidence and trust with the new tagline 'Relationship for Life'. The new brand positioning reflects the Company's confidence and progression to capitalize new sources of growth and move into new markets whilst keeping its promise to its customers.

**2017** Ceylinco Life wins 'Best Life Insurer in Sri Lanka' by world Finance for the 4th consecutive year. 'People's Life Insurance Brand of the year for the 11th consecutive year.

**2018** Ceylinco Life celebrate 30th Anniversary. 'People's Life Insurance Brand of the year for the 12th consecutive year.

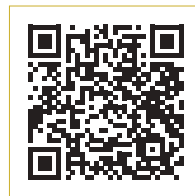
**2019** Ceylinco Life was ranked as the only insurer amongst the 'Top 10 Most Admired Companies' in Sri Lanka.

Ceylinco Life wins 'People's Life Insurance Brand of the year for the 13th consecutive year.



# Fifth Integrated Annual Report of Ceylinco Life

In our journey of integrated reporting, we have strived to demonstrate our commitment and dedication to create value for our stakeholders by providing a concise, transparent assessment of our ability to deliver sustainable value whilst creating a significant impact on the community and the environment at large.



Scan the QR code to view annual report in a video format.



## Key concepts

### Scope and Boundary

This Integrated Report covers the operations of Ceylinco Life Insurance Limited from 1st January 2019 to 31st December 2019 in line with our annual reporting cycle. The most recent report of the Company for the year ended 31st December 2018 is available on our website on <http://www.ceylincolife.com>. Material events post this reporting period, up to the sign off date by the Board of Directors on 27th February 2020, have been included in this Report, ensuring a more relevant and up to date Report. This Report provides a detailed account of our financial performance, value creation process vis-à-vis our business model and strategic framework. Our comprehensive risk and governance frameworks have been pivotal to our sustained market leadership position and this report explains in a succinct manner the measures we take in these areas.

in this year's Annual Report, we are reporting more from a strategic point of view – highlighting key strategies that have helped the company deliver above-industry performance.

During the year under review, no significant changes in the organisation type, structure, ownership, supply chain or topic boundaries took place. No changes in reporting or restatements were made of previously reported financial, social or environmental information.

The Report considers the financial performance of our two subsidiaries – Serene Resorts Limited and Ceylinco Healthcare Services Limited and associate company Citizens Development Business Finance PLC which are unrelated business

entities referred to as the 'Group' in this Annual Report. While the key financial aspects are discussed in the context of the Company as well as the Group, the non – financial aspects are mainly discussed in the perspective of the Company.

The seven guiding principles in Integrated Reporting; strategic focus and future orientation, connectivity of information, stakeholder relationships, materiality, conciseness, reliability and completeness, consistency and comparability; have been given due consideration when preparing and presenting this report.










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**OUR STAKEHOLDERS**

						
Customers	Employees	Suppliers	Shareholders	Society & Community	Regulators	Sales Agents

**Integrated Thinking**

We have adopted an integrated approach towards our strategic planning process wherein we strive to connect performance with purpose. As a strong purpose driven organization, we identify and assess business decisions based on long term value creation. The six capitals as referred by the Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework depict strategy and the internal materiality process. Our strategy and resource allocation section (page 23 to page 27) provides a detailed report.

**Materiality**

Our Materiality Matters depicted in this year's Report has been amended to reflect the evolving operations of the Company and the environment. The process used to determine our most material matters align with the approach to materiality recommended in the Global Reporting Initiative (GRI) Sustainability Reporting Standards. Consideration is also given to the guidance provided in the International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework.

**Preparation of Financial Statements**

The Financial Statements presented on pages 194 to 316 of this Report have been

prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS), and the requirements of the Companies Act No.7 of 2007. The note on Corporate Governance complies with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

**Reporting Frameworks**

**Financial Reporting**

- The Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).
- The Regulation of Insurance Industry Act No 43 of 2000 and amendments thereto.
- Guidelines established by the Companies Act No. 7 of 2007.

**Integrated Reporting**

- International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework.

**Governance Reporting**

- The Code of Best Practice for Corporate Governance, issued by the Institute of Chartered Accountants of Sri Lanka.
- Guidelines established by the Companies Act No. 7 of 2007.
- Rules and regulations issued by the Insurance Regulatory Commission of Sri Lanka (IRC SL)
- IRC SL Direction No 17: Corporate Governance Framework for Insurers

**Sustainability Reporting**

- This Report has been prepared in accordance with the GRI standards; Core option.
- The United Nations Sustainable Development Goals (SDGs).



## ABOUT THE REPORT

### Forward Looking Statements

This report contains forward looking statements in respect of the Company's future direction. However, it is important to be mindful that several risks, uncertainties and other important variables in the external environment may cause the actual results to be materially different from the expectations. The Company undertakes no obligation to update publicly nor release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of anticipated events.

### Precautionary Principle

The precautionary principle is applied to social and environmental sustainability. We have taken steps to mitigate the risks caused to society and environment. Such impacts are considered in new product development. These are dealt with in the section Social and Relationship Capital in pages 72 to 91.

### Navigating the Report

The Capitals Reports from page 64 to 119 lay out vividly the Capitals inputs we focus on to create value for shareholders and stakeholders. Led by the aim to create value for all stakeholders, we enhance the investment and value in each Capital represented in the Report to show transparently how we are implementing our vision into action to expand the life insurance market, grow new business and consolidate the knowledge base of employees while remaining one of the most customer-centric companies in Sri Lanka.

**Financial Capital** – Our shareholder's equity and funding from investors that are used to support our business and operational activities.

**Intellectual Capital** – Enhancing competitiveness by leveraging on the brand strength, IT capabilities, expertise of our people and endorsed by the accolades received.

**Human Capital** – Offering an unparalleled employee value proposition underpinned by training and knowledge to build industry-best talent.

**Manufactured Capital** – How we expand our physical presence to reach more potential customers.

**Social & Relationship Capital** – Leveraging our 'Relationship for life' ethos through close engagement with customers and the community.

**Natural Capital** – How we use our resources to make a positive impact on the environment.



### Sustainable Development Goals (SDGs)

This report presents the main SDGs impacted by our business and the way they are related to our priority strategies. We have highlighted the relevant SDGs icon for easy reference.

### External Assurance

A combined assurance approach has been adopted to verify the accuracy and completeness of the contents of this integrated report. The content herein has been firstly approved by the respective business heads with all financial information reviewed by the Finance Team prior to submission to the Board of Directors for approval. Moreover, Messers. Ernst and Young, Chartered Accountants have provided independent assurance for the Consolidated Financial Statements. (page 198) as well as the non-financial sustainability indicators as per the Global Reporting Initiative (GRI) Standards (page123).

### Improvements to this Report

Every year we strive to raise the bar and introduce several improvements to our Annual Report. This year we have embedded a strategic dimension of our business which provides our stakeholders with the futuristic direction of the Company.

- Adoption of the revised Code of Best Practices on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka.

- Adoption of the Corporate Governance Framework for insurers issued under section 96A of the Regulation of Insurance Industry Act, No. 43 of 2000 by the Insurance Regulatory Commission of Sri Lanka (IRCSL).
- Capital reports were modified to reflect the trade-off between capitals.
- Explained how the initiatives of the Company impact on achieving the Sustainable Development Goals (SDGs).
- In our second edition of the Annual Report video we have presented the contents of the Annual Report into a summarized video version to capture the Company's value creation narrative.
- Improved the structure of the report to enhance readability and clarity.

### Board Approval

The Directors on the Board of Ceylinco Life acknowledge that this report has been prepared in accordance with IIRC <IR> framework and assures of the integrity of the reporting process. This report was approved by the Board on 27th February 2020.

Signed on behalf of the Board

**Feedback** Your valued feedback will help us in our quest in improving the standards of reporting. You may forward your suggestions and recommendations to:

**Company Secretary**  
**Ceylinco Life Insurance Limited,**  
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 Colombo 5, Sri Lanka.  
 Telephone: +94 11 246 1117  
 E-mail: kushanw@ceyliflife.lk  
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[www.ceylincolife.com](http://www.ceylincolife.com)

## ABOUT US

### Ownership

Ceylinco Life Insurance Limited is a fully-owned subsidiary of Ceylinco Insurance PLC (CIP). It entered the life insurance business in 1988 initially as the life insurance division of CIP. With the mandatory segregation of life and general insurance businesses under Section 53 of the Regulation of Insurance Industry (Amendment) Act No 03 of 2011, Ceylinco Life Insurance Limited was incorporated on 22 April 2014 and commenced operations on 1 June 2015.

As the oldest life insurance company in Sri Lanka, the Company enjoys a rich history. Ceylon Insurance Company was founded by Hugh Weerasekera and Cyril E. S. Perera as the first Ceylonese Company to be registered under the Companies Ordinance of 1938. Ceylon Insurance Company was the origin of Ceylinco Insurance PLC.

With an established presence of 31 years we have been the market leader in Sri Lanka's life insurance industry for 16 years. Ceylinco Life is the most trusted life insurance brand in the country. Adjudged Sri Lanka's 'Most Valuable Life Insurance Brand' by Brand Finance in 2019 and named the 'Best Life Insurer' in 2019 for the 6th consecutive year by World Finance, Ceylinco Life has been declared the most popular life insurance company in the country for 13 consecutive years by SLIM-Nielsen.

Strength, stability and leadership are key qualities associated with the longest serving life insurance brand in the country. The Company nurtures over one million lives by way of its unique life insurance policies and benchmarks innovation, product research and development, customer service, professional development and corporate social responsibility in the industry. Ceylinco Life has successfully leveraged on brand building, IT infrastructure, product development and technical competence to deliver greater value creation.

The Company has sustained market leadership by leveraging its excellent team. The company's Senior Management comprises of a team of highly qualified and experienced industry professionals.

Our professional team of employees are forging strongly ahead to fulfill the corporate vision which are underscored by our adherence to the 17 UN Sustainable Development Goals (SDGs).

## What differentiates us?

A Sri Lankan insurer guided by a strong customer-centric corporate culture guided by our motto of developing a 'relationship for life'.

We have nurtured enduring relationships with over 1 million policyholders through many customer engagement activities. This is a key differentiator where we develop strong bonds of affinity not only with the main policyholder but encompassing the entire family by introducing family -centric activities.

We have embraced Information Technology as a key enabler to transform our business to be relevant, agile and innovative.

Prudent management of our costs which makes Ceylinco Life the only insurer in Sri Lanka with the lowest cost to income ratio in the industry.

Driven by sustainability principles we are the first to introduce eco-friendly branches and possess the largest green branch network. With expansive geographical footprint covering 141 branches we are powered by the largest professional sales team of 3,467 sales agents.

Comprehensive risk management strategies with a strong commitment towards corporate governance, transparency and corporate reporting consolidate our firm stand in the business.

Another key differentiator of Ceylinco Life is our drive towards sustainability and community related services in the spheres of education and healthcare. Giving back to our communities we have touched the lives of 145,000 people through medical camps, healthcare facilities and enhanced infrastructure for schools.

Over our 31-year history we have transformed the life insurance landscape of Sri Lanka with trail blazing innovations such as:

- Sri Lanka's first Online Life Insurance Plan launched in 2012
- First life insurer to introduce Tele-Underwriting to Sri Lanka
- First life insurance company to surpass the One Billion annual premium income mark in 1998
- First Million Dollar Round Table (MDRT) qualifier in Sri Lanka produced from Ceylinco Life in 1993

### Financial Score Card

- Strong balance sheet of Rs. 133 Bn and the fastest growing life fund.
- Life fund of Rs 96.2 Bn
- Policyholder bonus declaration of Rs. 5 Bn in 2019.

## ABOUT US

### Group Structure

Our group structure includes two subsidiaries and one associate company.

### Subsidiaries

Two of the Company's subsidiaries complement the main business as follows:

#### Ceylinco Healthcare Services Limited

Ceylinco Healthcare Services Limited (CHSL) delivers one of the most advanced and trusted cancer care in the country. Besides two radiation treatment units - the Ceylinco Radiation Treatment Centre and the Ceylinco Tomo - Therapy Centre, Ceylinco Healthcare Services Limited owns and operates the Ceylinco Diabetic Centre, offering comprehensive screening, diagnostic services and medical care for diabetic patients..

#### Serene Resorts Limited

The nation's first retirement resort at Uswetakeiyawa, 'La Serena' caters to both active retirees and those who need assistance. It is a medium-sized resort built on beach front land at Uswetakeiyawa, just 14 km north of Colombo. The resort comprises of 28 single bedroom chalets and 16 two-bedroom chalets, built around common facilities including a swimming pool, mini gym, restaurant, library and reading room, entertainment lounge and beach terrace. It is built with the initiative to support senior individuals who require an elegant space to relax but under the care of qualified caregivers.

### Value for Our Stakeholders

As a premier life insurance company we are a significant part of the socioeconomic ecosystem of Sri Lanka. We are committed to developing strong relationships with our stakeholders to deliver mutual benefits.

### Why are We in Business?

The Company is driven by the vision to take the message of life insurance and retirement planning to every Sri Lankan. This is particularly relevant in the context of the current demographical trends experienced by the country. Sri Lanka is recognized as a country with one of the most rapidly ageing populations in the South Asian region with the proportion of those over 60 years of age expected to increase to 24.1% by 2040.

According to a 2012 World Bank Report on demographical transition, for every 100 working Sri Lankans there were 41 child dependents and 14 elderly dependents. The number of child dependents will decrease to 25 by 2036 and the elderly dependents will increase to 36 by 2036. This shows that the number of people to look after the elderly will decrease dramatically creating a strong need for retirement planning and insurance solutions.

### How we do business

By providing life insurance products and services based on a truly customer – centric paradigm we will continue to be in the leadership position and drive ethical management practices. We will introduce

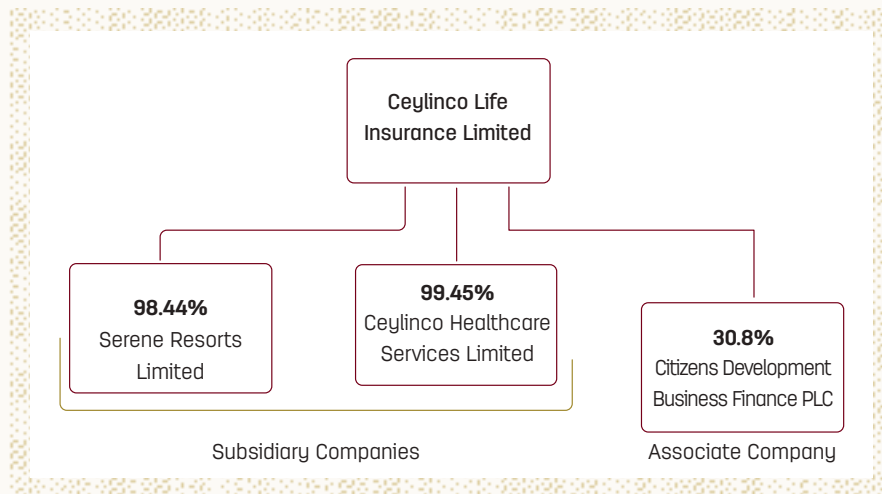
distribution channel platforms and improve the professional competencies of our agents to respond to customer demands and market trends leading to market expansion. We will be infusing convenience through our digitally empowered sales force which will improve customer service and delivery in an authentic manner.

The Company's overarching aim is to build relationships for life – with customers, employees and all other stakeholders. This guiding principle has become the Company's moral compass and guides its entire value-creation process, as a result of which the Company considers the impact of its every action on its relationship with its stakeholders before implementing the same.

### What we do

We offer insurance solutions that help our policyholders navigate the different cycles of life with the right protection and security. The Company offers Retirement and Life Insurance products that align policyholders on a path of financial security and the support to fulfill their children's educational aspirations. The Company's offerings ensure policyholders can hold a valuable relationship for their entire life-cycle with Ceylinco Life. All our products are designed and marketed responsibly in line with all regulatory guidelines.

Ceylinco Life is focused on creating wealth for customers with policies that truly fulfill their needs and an enviable track record of claims payments and responsible selling. With employees, the Company is a preferred employer - developing the best technical staff in the insurance industry and with stakeholders, the Company demonstrates utmost respect and ethics, while ensuring transparency, compliance with industry governance standards and a sustainable approach to managing relationships with the community in which it operates.



# Derisking The Future

We help you discover, develop and navigate your goals in life and ensure your mind is free to pursue your aspirations by derisking your future.





# Chairman's Message

R Renganathan

*"Excellence is not a skill.  
It is an attitude"*

Ralph Marston

Dear Stakeholders,

The theme for this year's Annual Report 'Derisking the Future' reflects the strength of our life insurance products which enable our policyholders to achieve their potential and aspirations as Ceylinco Life safeguards them as they progress in life. In our corporate journey of over three decades we have been successfully derisking the lives of over one million policyholders, building relationships for life.

This is our 5th Integrated Annual Report which has been prepared in accordance with International Integrated Reporting Council (IIRC) Intergrated Reporting <IR> Framework. This report demonstrates the value we create by generating sustainable financial returns while playing a pivotal role in society through corporate citizenship and sustainability initiatives.

## Performance

Ceylinco Life's status as the market leader in the Life Insurance segment for the last 16 years reflects the stability of the business model coupled with the unrelenting focus on enhancing the value of the business year after year in order to maintain our dominant position, while delivering returns to our shareholder commensurate with their investments. The Company maintained a steady course amidst the economic and political turbulences witnessed in 2019, further exacerbated by the horrific Easter Sunday attacks. Notwithstanding the negative impact on business activity and the drop in business confidence in the economy in 2019, we recorded a premium growth of 5.1% for the year under review. The Company recorded a profit before tax of Rs. 8.2 Bn and a profit after tax of Rs. 6.7 Bn in 2019, a growth of 14.7% and 15.1% respectively over 2018.

The year under review was also one in which Ceylinco Life was bestowed with multiple accolades as one of the 'Top 10 Most Admired Companies in Sri Lanka' by the International Chamber of Commerce Sri Lanka (ICCSL) in collaboration with the Chartered Institute of Management

Accountants (CIMA); 'Sri Lanka's Most Valuable Life Insurance Brand' by Brand Finance; and 'Best Life Insurer in 2019' for the sixth consecutive year by World Finance; 'People's Life Insurance Service Provider of the Year' for the 13th consecutive year by SLIM-Nielsen, to name but a few. Winning plaudits from independent bodies reiterates the impeccable credentials of the Company.

## Compliance

Our key endeavour during the period under consideration was to align our product portfolio to comply with the requirements of IFRS 17 Insurance Contracts which comes into effect from 2021. IFRS 17 dictates that each of our products provides a minimum life cover in order for the company to recognize the premium as insurance revenue. In response to this impending change the Company focused on streamlining and optimizing its product portfolio. The strategic changes brought about in the product portfolio will ensure better performance during 2020.

While our key objective remains protection, in response to the growing demand for medical insurance, Ceylinco Life launched

"In our corporate journey of over three decades we have been successfully derisking the lives of over one million policyholders, building relationships for life."

Rs.

8.2Bn

Profit Before Tax

the Medical Reimbursement Rider in 2019 which can be added on to the basic life policy. Enhancing this concept of protection, the Pension Saver product, which was launched in the year under review, offers sufficient funds for retirement and plenty of other benefits.

Your Company is well-poised to overcome any challenges arising from the transition to IFRS 17. We have deployed a team of actuaries and auditors to conduct a gap analysis which is currently in progress. We are well on our way and have acquired the actuarial software, "Prophet", which will be useful for valuations in the future as it can be easily upgraded to suit evolving IFRS requirements. In fact, IT systems too are being strengthened to meet compliance standards supported by a team of professionals comprising of accountants, actuaries and auditors to ensure seamless implementation of IFRS 17.

I would like to inform you that the annual board performance evaluation was completed. Both the Remuneration and Related Party Transaction Review Committees were restructured to be in line with the revised Code of Best Practices in Corporate Governance 2017.

During the year under review, Ceylinco Life appointed a Senior Independent Director who held meetings with the Executive Directors and Non-Executive Directors as required by the Code. Continuing on our path of compliance, we appointed a new Chief Risk Officer along with the implementation of policies on anti-corruption, bribery, data

protection and whistle-blowing. We further revised our policy on prevention of money laundering and terrorist financing.

Needless to say, these proactive measures have furthered the Company's reputation for risk management and compliance. It is our way of 'Derisking the Future', an apt theme for this annual report. The life insurance industry faces many regulatory challenges and your Company wants to ensure it remains equal to the task by putting in place people, processes and systems that ensure an agile response at all times. Ceylinco Life's preparedness and above-industry performance is reflected in both the non-financial and financial aspects of its performance.

#### Promoting Sustainable Development Goals

The Company takes pride in responding to social and environmental issues in the country by aligning its actions and responses to the 17 United Nations Sustainable Development Goals which guide all our CSR initiatives. Healthcare remains a key pillar which is implemented through 'Waidya Hamuwa', which is aimed at improving health and wellness of rural Sri Lankans. The health camps under this initiative benefit rural villagers with health screening tests and medical treatments. During the year under review, Ceylinco Life's healthcare initiatives touched 3,042 lives with hope.

Donation of High Dependency Units (HDUs) to State Hospitals continued, with one HDU being donated to the Kandy Teaching Hospital while maintaining previously donated HDUs. Going a step further, Ceylinco Healthcare

Centre has signed up with the Apollo Proton Centre in Chennai, India, for policyholders who can afford the treatment to fly to India and avail of the latest cancer treatment, Proton Therapy, at special rates. We plan to extend this to Immunotherapy and bone marrow transplants in the near future. The Company maintains a special cancer fund where policyholders can obtain discounts of up to 50% on radiotherapy at our own treatment centres.

Education is the other pillar that has proved to be a critical building block for the nation. We continue to enhance infrastructure of rural schools which lack basic facilities, by constructing classrooms. During the year 7 classrooms were constructed with the involvement of staff.

Moreover, the 'Pranama' scholarships scheme was sustained with Rs. 11.7 Mn in scholarships granted in the year under review.

Environmental sustainability is also close to our heart and the Company recently signed up with the University of Kelaniya to plant trees on 124 acres in a forest reserve located in the Puttalam district. Committed to enhance employee involvement, a Green Club was set up for employees to make recommendations to green the company's footprint through the practice of eco-friendly habits at office and at home.

## Chairman's Message

**"Life insurance has a vast untapped market and we need to accelerate penetration of the market and attract more professionals to join this profession."**

### Benefits to Policyholders

Subsequent to the annual valuation, a sum of Rs.5.0 Bn was utilized to declare bonuses to policyholders.

The Pragma Scholarships commenced 19 years ago and to date we have granted 2,571 scholarships valued for Rs. 143 Mn.

The 'Family Savari' initiative for policyholders and their families successfully completed its 12th edition in the year reviewed.

### People-Oriented Company

Over the years, the Company has indefatigably focused on creating a culture of knowledge sharing and continuous learning and development to build a professional team that has taken the entity to the apex of the life insurance industry and earned the respect of the wider corporate sector.

Training and development initiatives were sustained throughout 2019. The syllabus of the training curriculum was revised to reflect emerging realities in the market. Ceylinco Life conducts a pre-contract examination post IASL Examination which is conducted online. This trend of online learning was given further weight during the year under review with online learning tools. All Ceylinco Life branches are equipped as training centres for greater outreach to employees.

In the pursuit of well-articulated succession planning, the Company brought down a reputed foreign trainer to conduct a leadership course amongst senior management. We have also conducted a

similar leadership course for the second and third tier managers. This initiative has facilitated a succession plan for all layers of employees with professionally qualified heads for each department.

I take great pride in stressing that our high gender ratio of 52% female in the sale force, reflects that Ceylinco Life truly lives and breathes its pledge to offer equal opportunities for men and women.

### Shareholder Returns

Your Company's net assets value per share stood at Rs. 629.84 as at 31st December 2019, from Rs. 528.50 as at previous year end, reflecting an improvement of 19.2%. Earnings per share for the period under review totalled Rs. 133.43 while return on equity was 21.2%. The Board of Directors has approved a dividend of Rs. 13.40 per share based on the earnings for the year 2019.

### Performance by Subsidiaries

Our fully-owned subsidiary Ceylinco Healthcare Services Limited (CHSL) continued to make steady progress in the year under review.

The retirement resort, La Serena, is generating interest in local and overseas markets and during the year under consideration, we have extended its scope to include assisted care, both low level and high level. We have also planned the opening of an elderly care centre at Park Street.

### Future Outlook

Although Ceylinco Life has displayed exceptional resilience and tenacity, the Company and the wider insurance industry remains sensitive to events unfolding on the national and international stage. Ultimately, any policies that impact disposable incomes will affect the insurance industry. Looking ahead, we are closely watching the developments on several fronts on the global arena, namely, the US-China trade war, the effects of Brexit and any curb on oil imports from Iran.

In the local operating context, we are expectantly waiting for a period of stability post the parliamentary elections when the tax regime will hopefully be streamlined further. The basis of taxation of life insurance companies has changed from I-E formula to the taxing of surpluses, bonuses to policyholders and shareholder profits.

As an industry we are disappointed at the decision to tax bonuses to policyholders which results in double taxation which is a disincentive to the life insurance industry. Meanwhile, the Inland Revenue Department has arbitrarily redefined allowable expenses for tax computation, as a result of which the Insurance Association of Sri Lanka has been reluctantly compelled to take the legal route to seek redress.

The competitive environment has shifted substantially and only organizations that remain focused on digital innovation, competitive use of data and excellence in customer service would be able to lead the way.

Poaching of sales agents in the industry remains a key concern and the Regulator needs to intervene and lay down some guidelines on prevention of poaching which should be implemented strictly.



Life insurance has a vast untapped market and we need to accelerate penetration of the market and attract more professionals to join this profession. Attracting people to venture into a career in insurance is proving to be a challenge despite the fact that a large number of insurance agents enjoy a high standard of living.

Bancassurance, which is a formidable channel of distribution in developed countries, is not given priority in Sri Lanka's banking industry despite its ability to generate substantial fee income. This may be due to the fact that banks enjoy wide interest spreads on their portfolios. We hope this trend will be reversed and Bancassurance will be seen as a lucrative revenue stream for the banks. Overall, your Company is well-poised to sustain its market leadership while setting new benchmarks for the industry to follow.

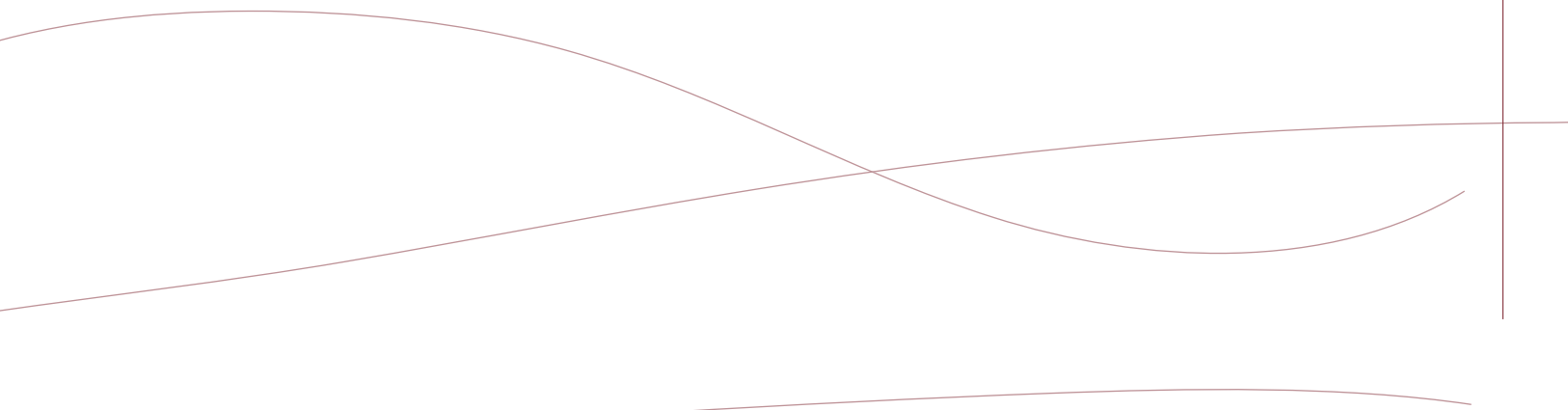
### Appreciation

I take this opportunity to thank my fellow Directors on the Board for their continuous support. I wish to express my appreciation to the CEO / Managing Director and the Ceylinco Life team for their continued dedication and commitment in achieving the Company's objectives. I wish to extend my sincere gratitude to the policyholders, shareholders and regulators for their cooperation in concluding the year successfully.



**R Renganathan**  
Executive Chairman

27th February 2020





## Managing Director/ CEO's Review

Thushara Ranasinghe

*"Ability may get you to the top, but it takes character to keep you there."*

John Wooden

Dear Stakeholders,

I am pleased to present to you the 5th Integrated Annual Report and Audited Financial Statements for the financial year ended 31st December 2019. Your Company achieved excellent results across a multitude of dimensions and retained the market leadership position for the 16th consecutive year in 2019.

### Resilient Performance

Ceylinco Life completed a year of steady achievements by recording a GWP of Rs. 18.7 Bn which marks an increase of 5.1% over the previous year. The Company generated an investment income of Rs. 13.5 Bn during the year, which highlights an increase of 17.5% over the previous year. Consistently improving our profitability levels over the years, we achieved a net profit of Rs. 6.7 Bn which represents a growth of 15.1%

over 2018. The higher profitability levels are mainly attributed to the prudent investment and cost management strategies adopted by the Company. Ceylinco Life maintains the lowest expense ratio in the industry. The total value of our assets as at 31st December 2019 stood at Rs. 133.2 Bn.

It is noteworthy that the Company's performance over the last year has been steadfast and exemplary considering the challenging business environment marked by numerous headwinds. The devastating Easter Sunday attacks created a negative impact on the overall business environment during the second and third quarters of 2019. Tourism, a main driver of the economy accounting for approximately 5% of the GDP, was significantly affected as travellers cancelled trips to Sri Lanka. This had a ripple effect on the consumer and retail sectors. The elections held during the latter part of the year contributed to an uncertain economic environment prompting investors to adopt a 'wait and see' approach. However, the road ahead looks optimistic for Sri Lanka as it projects a GDP growth of 4% in 2020 as it recoups from these externalities.

I am pleased to announce that the life fund of the Company reached Rs. 96.2 Bn. Shareholders' funds increased to Rs. 31.5

Bn, which signifies an increase of 19.2% compared to the preceding year. The Return on Equity (ROE) of Ceylinco Life stood at 21.2% in 2019. The Capital Adequacy Ratio (CAR) of the Company, computed according to the Risk Based Capital (RBC) Regulations imposed by the Insurance Regulatory Commission of Sri Lanka, stood at 345% as at end 2019.

During the year we honoured claims and benefits to the value of Rs. 10.6 Bn. We have improved our claim settlement lead time through continuous business process reengineering. In the year under review a bonus declaration to the value of Rs. 5 Bn was made to our policyholders.

### Our Strategic Path

Keeping true to our brand promise - 'A Relationship for Life', we continue to make significant progress in our quest to achieve excellence as a trusted life insurer in a dynamic business environment. We always strive to make our business more customer-centric, competitive, agile and digital.

We focus on six strategic pillars; namely maintaining market leadership, customer-centricity, environmental sustainability,

"Over the last few years we have increasingly focussed on transforming our business by leveraging IT. These initiatives enhance customer experiences whilst enabling our staff to deliver excellent customer service."

digital drive, investing in human capital and smart, prudent investments. I wish to share our progress in 2019 under these six strategic imperatives.

### Maintaining Market Leadership

Generating market penetration in a low penetration market such as Sri Lanka requires geographical presence and an all-pervasive product portfolio.

Presence in key cities is a main driver to penetrate the insurance market. Ceylinco Life possesses the largest network of branches in the insurance industry. All of our branches are founded on sustainable practices embedding eco-friendly construction and operational aspects. The highlight of the year was the opening of our largest branch – the Jaffna branch comprising of 18,000 sq.ft. This will be the nucleus of the Northern region along with five other locations.

In expanding our portfolio of products, we recognise saving for the future, drawing a secure pension income and protection against unforeseen events as key areas which enhance our policyholder's wellbeing and financial security. In our quest to bridge a market gap in retirement products given the present demographic trends, we have launched the "Ceylinco Life Pension Saver", a novel addition to our already innovative product range. We are happy to note that Ceylinco Life Pension Saver has been well accepted by our customers as it has become a leading product in our portfolio within just two months of its launch.

We have also introduced a health reimbursement rider cover to our insurance products which includes foreign medical reimbursement aimed at fulfilling the health reimbursement need of our clients.

Group insurance, retirement accounts, pension plans and protection oriented products propelled our new business growth. Growth in the balance product portfolio including Bancassurance was moderate. Takaful business showed a negative growth.

Most companies in the industry compete by highlighting health insurance and illustrating high returns at maturity. Ceylinco Life strategically focused on long term life insurance protection, which is the core business of a life insurance company. The strategic shift in the portfolio will however result in steady long term growth and steady profits.

### Customer-Centricity

The concluded year was dedicated to Customer Service Excellence where we initiated several programmes to enhance customer service at all levels. It is noteworthy that these initiatives were conducted with the support and active engagement of all staff members and was not limited to front-line staff.

In the latter part of 2019, we made a policy decision to extend the cancer fund benefit (discounted rate for radiation treatment), usually offered to our policyholders, to their immediate family members. This value addition to our policyholders is possible due to the synergies that we derive from our subsidiary, Ceylinco Healthcare services Ltd (CHSL), which manages the Ceylinco Cancer Treatment Centre.

Rs.  
**18.7Bn**  
Gross Written Premium

It is our firm belief that these measures along with the personalized service offered by our full-time, professionally-trained sales force will continually strengthen the life-long relationship with our policyholders.

Customer engagement has always been an integral part of Ceylinco Life's value proposition. We have conducted our signature Family Savari campaign with foreign tours being conducted to Singapore, China, and Australia and a full-day Leisure World event accommodating a crowd of 2,260 participants from 565 families.

We awarded Pragma scholarships to the sons and daughters of our policyholders, who excel in academics and extra-curricular activities for the 18th consecutive year in 2019. To date, we have awarded Rs 143 Million in scholarships uplifting and encouraging 2,571 students. This initiative is promoted with the objective of empowering and encouraging the students to become role models for a better tomorrow .

### Digital Transformation Agenda

Over the last few years we have increasingly focussed on transforming our business by leveraging IT. These initiatives enhance customer experiences whilst enabling our staff to deliver an excellent customer service. The SAP system implemented many process improvements. We are the first in the life insurance industry in Sri Lanka, to successfully implement SAP in S/4HANA environment and integrate our asset management module with our custodian Standard Chartered bank.

## Managing Director/ CEO's Review

### "Recognising the need to understand our policyholders' unique needs and requirements to create exceptional customer experiences we are focussed on digital innovation, competitive use of data and excellence in customer service."

In our continuous pursuit of digitalization, we witnessed an adoption rate of 70% amongst our sales team, which enabled us to fast-track the implementation of the e-submission of proposal forms which benefits potential clients with convenience and speed. We are now about to launch the complete sales process in all three languages, to increase usage throughout the island. This initiative has also helped in significantly reducing the service lead times in generating the policy document. Our vision for 2020 is to create a sales force which is digitally equipped and upskilled to meet the demands of a digital world.

We have also created the infrastructure to digitize and store all forms of customer Interactions including voice, e-mail and other media.

In 2019 we introduced 'Ceylena', our friendly virtual assistant which will revolutionise the way millennials interact with our brand, 365 days of the year. The Chatbot( Artificial Conversational Entity) sits at the bottom right corner of the home page of www.ceylincolife.com, and upon clicking, engages in text chatting with customers to find answers to frequently asked questions (FAQs) or other customer queries. Visitors can currently engage with 'Ceylena' in English, but we hope to make this service available in Sinhala and Tamil as well. The chatbot will be constantly accessible with faster response times superseding even the best manned live chat service. 'Ceylena' can engage in an infinite number of multiple chats simultaneously.

With increased digitalization comes greater responsibility to protect our customer data. Your company invested in an additional perimeter fire wall against possible cyber

attacks. We have also installed data classification and data leakage prevention software to deter data theft and fraud.

#### Reaching Out to Communities & Sustainability

Principles of environmental sustainability are firmly entrenched within the business model of Ceylinco Life. The Company's 'Go Green' initiatives are embedded in every aspect of its business activities from responsible business expansion driven by eco – friendly buildings to daily operations which are founded on environmentally-friendly practices.

With our strong commitment to uplift the education standards of our children and medical facilities, we have created a significant impact in the communities that we serve. Our flagship Class Room Project reached 81 classrooms during 2019. Our endeavour is to reach the 90th milestone in 2020.

#### Passionate Ceylinco Life Team

Our organisation is driven by a culture of strong values to do the right thing. We will continue to demonstrate this at every point of contact through our dedicated team.

We at Ceylinco Life value our key stakeholders - customers and our staff and continuously seek ways and means to truly create a 'Relationship for Life'. We believe that by taking care of our employees and sales force, that they in turn will take good care of our policyholders and their dependants. This we believe would infuse tangible value to our tagline, a relationship for life.

During the year we implemented a new performance-based KPI system, for the

permanent employment cadre of Ceylinco Life, which is linked to our overall corporate objectives.

#### Prudent Investments

As a responsible life insurer, we place significant emphasis on investing prudently. We have over the years focussed on building a solid portfolio, which generates sustainable returns to safeguard the interests of all stakeholders.

Our investment portfolio grew by a robust 12.7% over the year to Rs. 116.9 Bn as at 31st December 2019. At the end of the year under review, the Ceylinco Life investment portfolio comprised of Government Securities (38%); Fixed Deposits (26%); Real Estate (8%); Corporate Debt (26%) and others (2%). These investments are made in conformity with the investment guidelines stipulated under the Regulation of the Insurance Industry Act No 43 of 2000 and are subject to regular monitoring by the Insurance Regulatory Commission of Sri Lanka (IRCSL).

#### Recognition & Awards

The year reviewed saw Ceylinco Life being honoured with many accolades across many fields. We were recognised as one of the 'Top 10 Most Admired Companies in Sri Lanka' by the International Chamber of Commerce, Sri Lanka (ICCSL) in collaboration with the Chartered Institute of Management Accountants (CIMA). We were also the only insurance company to be among the top 10. This ranking is a great endorsement of our continuing efforts to build relationships for life with policyholders, their families and the community as we contribute to the growth of the national economy.

Ceylinco Life was adjudged 'Sri Lanka's Most Valuable Life Insurance Brand' by Brand Finance in 2019 and named the 'Best Life Insurer' in 2019 for the 6th consecutive year by World Finance. The Company was also declared the 'People's Life Insurance Service Provider of the Year' in the country for 13th consecutive year by SLIM-Nielsen People's Awards.

Continuing our industry leadership position, the Ceylinco Life brand reigns supreme amongst the 50 most valued brands in Sri Lanka ranked by Brand Finance Lanka in 2019 and is recognised as the highest ranked life insurance brand in Sri Lanka with a brand value of Rs. 3.8 Bn.

### Our Way Forward

Recognising the need to understand our policyholders' unique needs and requirements to create exceptional customer experiences, we are focussed on digital innovation, competitive use of data and excellence in customer service. Digitalisation is a key agenda which we have recognised as a crucial input in fulfilling customer experiences which opens significant opportunities for operating efficiencies.

We strive to leverage the power of data analytics and information technology to enable differentiation enabling us to respond more effectively to change and improve our ability to execute our strategies effectively. This will be a key enabler in our aspiration to be a digitally driven insurer. We hope to upskill our sales staff in line with international best practices so that they adopt to the demands of a digital era.

As an organisation whose business strategy is closely aligned with the impact it creates on the environment, we have decided to take a proactive stance by measuring our carbon footprint. We believe that this would augment our 'Go Green' initiatives by taking steps to reduce our environmental impact within the next 5 – 10 years by significantly reducing our carbon footprint.

We are cognisant of the need to be ready for the adoption of the IFRS – 17 Accounting standards on 1st January 2021. We have set up a cross-functional team of accountants, actuaries and auditors along with an independent consultant who possesses the required expertise to guide us through the

smooth transition by identifying gaps in our products and software systems relating to actuarial and finance aspects. We have also upgraded our actuarial software to help to navigate this change smoothly.

During the year ahead we hope to expand our footprint to key cities of Malabe, Piliyandala and Nelliady through our own buildings which are being constructed with eco – friendly design elements.

### Appreciations

We are well positioned to seize new market opportunities and meet the evolving needs of our policyholders and society. I express my heartfelt gratitude to our policyholders without whose confidence these achievements would not have been possible. I wish to extend a thank you for the dedicated team of employees who personify the strength of the Ceylinco Life Brand.

I also take this opportunity to extend my appreciation to our chairman Mr. R Renganathan for the exemplary leadership provided to us in guiding the company forward and the Board Members for their wise counsel in providing the strategic direction to retain market leadership in the sphere of life insurance in Sri Lanka and the industry regulator for the guidance provided in conducting our operations.



**Thushara Ranasinghe**  
Managing Director / CEO

27th February 2020

## PERFORMANCE HIGHLIGHTS

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# Financial Highlights

Year Ended 31 December	Company		Change
	2019 / Rs.'000	2018 / Rs.'000	
<b>Results for the Year</b>			
Gross Written Premium	18,718,553	17,812,774	5.08
Net Claims / Net Benefits	10,604,066	9,803,550	8.17
Increase in Long Term Insurance Fund	7,189,811	6,457,292	11.34
Investments and Other Income	13,392,554	11,394,234	17.54
Transfer to Retained Earnings (Annual Shareholder Transfer)	3,900,000	4,875,000	(20.00)
Profit Before Taxation	8,211,938	7,157,388	14.73
Profit After Taxation	6,671,669	5,794,289	15.14
<b>Position at the Year End</b>			
Shareholder's Equity	31,492,076	26,425,583	19.17
Long Term Insurance Fund	96,204,089	88,049,202	9.26
Investments	116,918,811	103,744,945	12.70
Total Assets	133,211,402	118,059,392	12.83
<b>Per Ordinary Share</b>			
Earnings (Basic) (Rs.)	133.43	115.89	15.14
Dividends (Rs.)	13.40	11.90	12.61
Net Asset Per Share (Rs.)	629.84	528.51	19.17
<b>Ratios</b>			
Return on Total Assets (%)	5.00	4.91	1.86
Return on Equity (%)	21.19	21.93	(3.38)
Dividend Cover (Times)	9.96	9.74	2.25
Dividend Payout Ratio (%)	10.04	10.27	(2.20)
<b>Capital Adequacy Ratio</b>			
Total Available Capital (TAC) (Rs. Mln)	61,718	53,860	12.35
Risk Based Capital Requirement (RCR) (Rs. Mln)	17,865	14,813	18.46
Risk-based Capital Adequacy Ratio (CAR %)	345%	364%	(5.16)

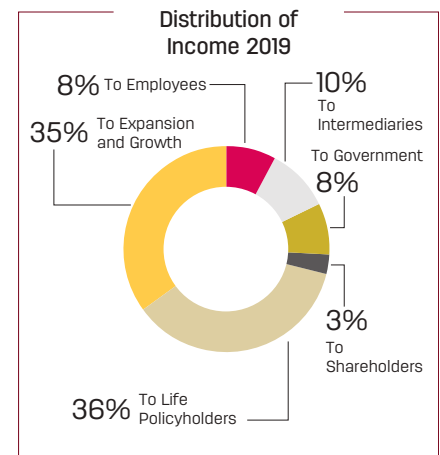
## Non - Financial Highlights

Indicator	GRI Relevance	Unit of Measure	2019	2018
<b>Financial Capital</b>				
Direct economic value added	201-1	Rs. Mn	3,428	3,242
<b>Manufactured Capital</b>				
Total number of branches		Count	141	141
Investment in new properties		Rs. Mn	87	191
<b>Natural Capital</b>				
Electricity consumption	302-1	Mwh	1,841	2,206
Fuel consumption	302-1	Litres	275,505	287,459
Water withdrawal	303-1	Litres	26,000	30,064
Direct Green House Gas (GHG) emissions (Scope 1)	305-1	tCO2e	711.27	731.35
Energy indirect GHG emissions (Scope 2)	305-2	tCO2e	776.33	904.66
Other indirect GHG emissions (Scope 3)	305-3	tCO2e	19.34	69.82
Total GHG emissions	305-5	tCO2e	1,506.94	1,705.83
Weight of waste paper recycled through 3rd party contractors	306-2	Kg	17,086	12,047
Significant environmental fines	307-1	Rs. Mn	Nil	Nil
<b>Human Capital</b>				
Estimated value of defined benefit plans	201-3	Rs. Mn	1,706	1,844
New employee hires	401-1	Count	37	65
Employee turnover	401-1	Count	56	92
Total employees	401-1	Count	844	863
No of incidents of work related injuries and fatalities	403-2	Count	Nil	Nil
Workers with high incidence or high risk of diseases related to their occupation	403-3	Count	Nil	Nil
Incidents of child labour	408-1	Count	Nil	Nil
Average hours of training per year per employee	404-1	No of hours	18.5	18.61
Percentage of employees receiving regular performance and career development reviews	404-3	%	100	100
Incidents of discrimination	406-1	Count	Nil	Nil
<b>Social &amp; Relationship Capital</b>				
Customer complaints as a percentage of active policies		%	0.16	0.25
Number of Pragma Scholarship recipients		Count	162	168
Value of Pragma Scholarships granted		Rs. Mn	11.7	11
Sustained complaints on breach of customer privacy and loss of customer data	418-1	Count	Nil	Nil
Non-compliance with social and economic laws and regulations	419-1	Count	Nil	Nil
Incidents of non-compliance related to products	417-2	Count	Nil	Nil
Incidents of non-compliance related to marketing communications	417-3	Count	Nil	Nil
Number of sales agents		Count	3,467	3,625
Female representation in agency force		%	52	51
Number of MDRT qualifiers		Count	55	74
Premium ceded to reinsurers		Rs. Mn	550	457
Number of 'Waidya Hamuwa' programs conducted	203-1	Count	12	24
Number of class rooms developed	203-1	Count	7	5
<b>Intellectual Capital</b>				
Incidents of violation of corporate code of conduct and ethics	205-3	Count	Nil	Nil
Number of key IT systems introduced		Count	2	1

# Economic Value Added Statement

For the Year Ended 31 December	2019	2018	2017	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Invested Equity</b>					
Shareholders' funds	28,035,892	22,969,401	17,190,714	11,911,829	9,446,370
<b>Earnings</b>					
Profit after tax	6,671,669	5,794,289	6,011,241	3,079,041	2,060,046
Cost of equity (Based on 12 months weighted average T-bill rate plus 2% for risk premium)	11.57%	11.11%	12.05%	11.92%	8.60%
Cost of average equity	3,243,753	2,551,900	2,071,481	1,419,890	812,388
<b>Economic value added</b>	<b>3,427,916</b>	<b>3,242,389</b>	<b>3,939,760</b>	<b>1,659,151</b>	<b>1,247,658</b>

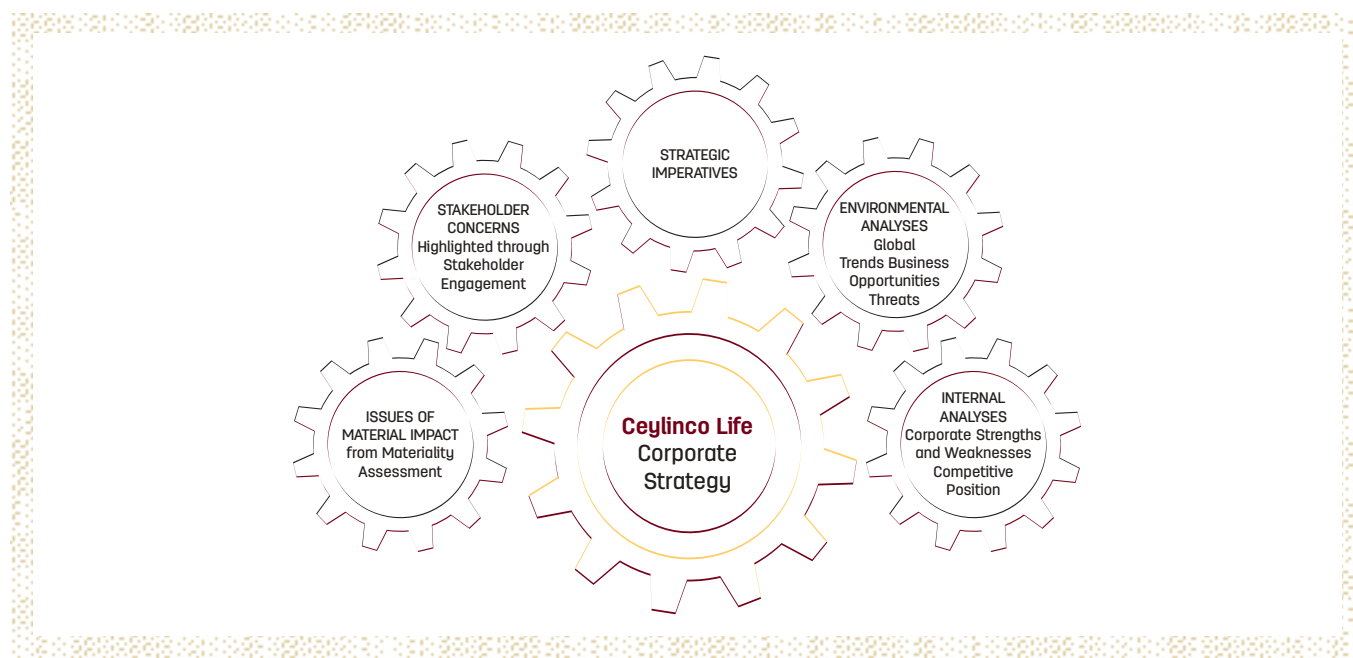
For the Year Ended 31 December	2019	2018	
	Rs.'000	Rs.'000	
<b>Source of Income</b>			
Net Earned Premium	18,168,431	17,355,265	
Investment & Other income	13,392,554	11,394,234	
	31,560,986	28,749,499	
Net Claim incurred	(10,604,066)	(9,803,550)	
Cost of external services	(1,218,887)	(1,207,880)	
Total Economic Value Added	19,738,033	17,738,069	
<b>Economic Value Distributed</b>		Change %	
To Employees as Remuneration	1,539,117	(1.87)	1,568,514
To Intermediaries as Commission	1,962,792	1.89	1,926,454
To the government as Tax	1,496,163	26.63	1,181,511
To the Share Holders as Dividend	670,001	9.30	613,001
Increase in Life Fund	7,189,811	11.34	6,457,292
Retained as Depreciation	208,480	5.82	197,009
Retained as Reserves	6,671,669	15.14	5,794,289
Total Economic Value Distributed	19,738,033	11.27	17,738,069





# Strategy & Resource Allocation

Ceylinco Life stands strategically well positioned and committed to pursuing a multi-pronged growth strategy, delivering upon the promise of a “Relationship for Life” to our policyholders and delivering sustainable value to all of our stakeholders across the time horizons of short, medium and long term.



Ceylinco Life operates within a framework of six strategic imperatives of market leadership, strengthening relationships, environmental sustainability, technology development, investing in human resources and smart, prudent investing.

## Strategic Planning Committee

Maintaining Ceylinco Life’s strategic direction is the responsibility of the dedicated Strategic Planning Committee. The Committee comprises a team of Executive Directors including the CEO, General Managers and Senior and Deputy General Managers and is headed by the Executive Chairman.

The agenda of the Strategic Planning Committee, which meets monthly, addresses both strategy formulation and implementation.

The Committee discusses and deliberates on appropriate strategies to respond effectively to significant and material changes in the business environment. These include unfolding global trends that impact the insurance business and local developments

including demographic, technological, regulatory and competitive factors that influence our ability to sustainably create value for our stakeholders. A process of robust analyses is a prerequisite at Committee level for making any changes in the strategic direction or thrust.

On a regular basis, the Committee exercises its strategic oversight by reviewing the outcomes of executed strategies and operational tactics with a view to taking corrective action where necessary and reshaping action to address deviations. When it is time to change the strategic direction or adapt the strategic imperatives, we would not hesitate to do so, if that is necessary to ensure that we remain capable of delivering continuing and sustainable value to our stakeholders.

The strategic priorities and direction of Ceylinco Life have been developed through a robust and rational analysis of organisational strengths and weaknesses with a thorough analysis and consideration of business opportunities and threats

stemming from the business environment in which we operate.

Annually, we undertake a Materiality Assessment, which addresses factors that can and may impact or impede our ability to deliver value to our stakeholders and which are of importance to our stakeholders. The materiality assessment also takes into consideration the material opportunities and threats that influence corporate sustainability that are highlighted by our Strategic Planning Committee responsible for guiding Ceylinco Life’s strategic direction.

The results of the materiality assessment are set out in Pages 45 to 51.

Stakeholder analyses, management and engagement are an integral part of our strategy formulation and implementation process. Key concerns of stakeholders that are captured in our interactions are reviewed and incorporated into the materiality assessment.

Pages 36 to 44 documents how we balance and manage our stakeholder concerns

## Strategy & Resource Allocation

and our relationships with the various stakeholders.

In determining strategic priorities over the years, and going forward, Ceylinco Life ensures that concerns of our stakeholders and issues that have a significant impact on our ability to create sustainable value for our stakeholders are duly addressed. As such, our strategic imperatives have delivered and continue to deliver positive returns to our stakeholders, overall.

While we hold these strategic imperatives as inviolate in all our endeavours, our work on the ground and our operational tactics and methodologies shift, with market realities and the ever changing business environment including the shifting and changing customer expectations, as they must do, to help keep Ceylinco Life remains a dynamic, flexible, adaptable and relevant.

### On a Growth Trajectory

The market opportunities of low insurance penetration, ability to leverage technology in a fast-paced technological environment helps us forge a path to growth. Our desire to venture beyond traditional insurance models, products and services to digitalization and offering a wider range of products and services to serve latent market needs speed us along our growth trajectory.

### The Opportunity in Low Insurance Penetration

The biggest growth opportunity for insurers in Sri Lanka is the country's low level of insurance penetration, both in life insurance and general insurance. Sri Lanka is vastly under penetrated in insurance compared to our closest peer nations. Life insurance penetration stood at 0.56% in 2018, a marginal increase over the 0.53% recorded in 2017.

In such a scenario, success lies in finding innovative solutions to the biggest obstacle to growth—the lack of awareness among the Sri Lankan general public about long-term insurance and its benefits. Ceylinco Life is committed to pursuing growth through expansion and deploying our agency network more effectively, and productively.

On an industry level, pursuing deeper insurance penetration can be more effectively achieved by working together with other industry players and professional and industry associations. We are working with the Insurance Association of Sri Lanka to promote awareness among Sri Lankans.

### Market Share Growth

With our deep understanding of market needs, and our commitment to understanding our customers on a more granular level than ever before by leveraging technology, Ceylinco Life is able to protect our current market leader status—which we have maintained over the past 16 consecutive years.

As our past performance shows, we have never been a Company that rests upon our laurels. We are committed to pursuing a higher market share without compromising on profitability.

A high level of brand equity—proven over and over again with many awards and accolades (as described in the Intellectual Capital Section—together with our customer-centric approach and our commitment to offering innovative solutions to serve latent market needs enables us reach our strategic goals.

### Expanding Payment Network

We will continue to expand our payment network in parallel as we pursue deeper market penetration strategies. From 2018 our rural customers have been able to make premium payments through post offices. Now they are able to pay their premiums through the network of over 400 Cargills Food City outlets around the country.

### Leveraging Technology for Growth

At Ceylinco Life, we operate with the strategic imperatives of strengthening relationships and leveraging technology.

Though customer adoption of technology may take time, at Ceylinco Life, we are ready and able to reap the benefits of our technology investments that enhance customer service quality and speed as never before.

Our new Customer Relationship Management (CRM) module helps our customer servicing officers and sales agents see all the information they need on a single screen. Our Call Center, together with Ceylina, the artificial intelligence enabled chatbot on our website, helps further improve customer service excellence. Although there are challenges of perception in the Sri Lankan market in accepting chatbots, we see increasing prospects for adoption and higher levels of acceptance as more millennial customers and potential customers, who are more comfortable with technology, come on board.

We are also committed to investing in technologies that enable us make smarter decisions in operations, improving productivity and enhancing profitability of our business.

We will continue to invest in technology that helps make us understand our customers better, strengthen our relationships and offer more innovative solutions to their problems. Beyond moving our network of agents to a digital operational model, we are continuing to invest in developing their skills to empower them optimize the benefits of technology for mutual benefit.

Digital transformation of operational activities makes it possible for agents to complete a transaction without coming to office to hand over requisite documents. This improves agent productivity, service quality and speed and thereby customer satisfaction. At the same time, the Ceylinco Life workforce is also empowered with access to modern technology and the training they need to enhance productivity and job satisfaction.

### Enhancing Our Product Portfolio

Beyond seeking deeper market penetration for our current products, we are constantly seeking to enhance our product portfolio and their cross-selling potential.

In recent times, in order to cater to an unfulfilled need in the area of medical insurance, we have launched a medical reimbursement rider, which can be added to our basic life policies.

We began catering to the void in the retirement planning niche in Sri Lanka by launching Pension Saver during 2019. Pension Saver ensures that policyholders have sufficient funds for retirement while contributing towards the education of their children in case of an early demise of the parent.

### Embracing Ecosystem Services

Ecosystem services—offering non-insurance related services—are a way to promote growth through enhancing loyalty of existing customers and attracting new prospects. Globally, and in the Asia Pacific region, more and more insurers are embracing ecosystem services as they offer much prospects for growth.

We embarked on offering ecosystem services when we opened the Ceylinco Healthcare Services offering cancer treatments. We are committed to extending the range of services to include Proton Therapy, an expensive modern treatment method for cancer. We have signed up with Apollo Center in Chennai and negotiated special rates for Sri Lankans.

Access to digital PET scans is another area with potential. In the future, we plan to extend our services to immunotherapy and bone marrow transplants. The Ceylinco Life special cancer fund helps our own policyholders get up to 50% off on radio therapy.

In recognizing the demographic movements and the needs of the ageing population of Sri Lanka, we ventured into another ecosystem service, by setting up Serene Resorts in Uswetakeiyawa, a facility dedicated to serving independent retirees. Currently, we are extending the services to low and high level assisted care as well.

In the near future, we plan to launch an elderly care centre in Park Street, further expanding our ecosystem services. All of these offer us opportunities to gain trust with prospective policyholders.

## STRATEGY IN ACTION

In the following tables we have outlined how we implement our strategies for growth, measuring our performance against the key performance indicators (KPIs) we have set for ourselves.

### Maintaining Market Leadership

We have established a number of KPIs to ensure that our operations are laser focused on delivering leading performance levels.

KPI	Target for 2019	Achievement	Status	Target for 2020
Gross Written Premium	Rs. 19 Bn	Rs. 18.7 Bn	●	Rs. 20.5 Bn
Capital Adequacy Ratio (CAR) Internal - 200% Regulatory - 120%	Continue to meet the minimum CAR	CAR 345% as at end 2019	●	Continue to meet the minimum CAR
Growth in Life Fund	Grow Life Fund by 10%	9.3%	●	Grow Life Fund by 10%
Profit after tax	Rs. 7 Bn	Rs. 6.7 Bn	●	Rs. 8 Bn

### Strengthening Relationships with Policyholders

Maintaining market leadership also means offering a superior level of customer service and taking measures to strengthen our bonds with our current policyholders. Retaining customers over the long term is another effective way of protecting our market leadership position.

KPI	Target for 2019	Achievement	Status	Target for 2020
Average length of relationships with policyholders	Maintain length of customer relationship at an average of 10-15 years	Maintained at 10-15 years	●	Maintain length of customer relationship at an average of 10-15 years
Customer complaints as a percentage of active policies	Maintain below 2%	0.16%	●	Maintain below 2%
Net benefits and claims paid	Pay Rs. 10 Bn worth of net benefits and claims	Rs. 10.6 Bn worth of net benefits and claims paid	●	Rs. 11.6 Bn

## Strategy & Resource Allocation

### Investing in People

Our team holds the key to sales and marketing success. Finding new customers and retaining existing customers year after year is a challenging proposition in the highly competitive life insurance sector in Sri Lanka. We are committed to invest in our people. How we do so is explained under the Human Capital section of this report.

KPI	Target for 2019	Achievement	Status	Target for 2020
Employee training budget	Rs. 10 Mn for local training Rs. 10 Mn for foreign training	Rs. 76 Mn spent Rs. 176 spent	●	Rs. 12 Mn Rs. 6 Mn
Sales staff training budget	Rs. 30 Mn for sales staff training	Rs. 32 Mn spent	●	Rs. 70 Mn
Employee turnover ratio	Maintain employee turnover below 12%	6.5%	●	Maintain employee turnover below 12%
Employee service period	Maintain average service period at 12 years	13 years and 8 months	●	Maintain average service period at 12 years

### Championing Environmental Sustainability and Relationships

Modern consumers are increasingly conscious about the behavior of the businesses they work with. In recognizing this reality, Ceylinco Life chooses and works on environmentally and socially sustainable corporate social responsibility projects. We are also committed to filling a vacuum where we see the need for services that we can deliver to communities across the nation. In so doing, we are well aware that our brand equity and business reputation grows, making us a more desirable company for new and prospective customers.

Green initiatives also make commercial sense, enabling us become more financially sustainable.

KPI	Target for 2019	Achievement	Status	Target for 2020
Reduction in fuel consumption	Reduce fuel consumption by 5%	Fuel consumption decreased by 4.2%	●	Reduce fuel consumption by 5%
'Waidya Hamuwa' programs	Conduct 12 programs	12 'Waidya Hamuwa' Programs were conducted	●	Conduct 12 programs
Class room development projects	Conduct 5 projects	7 projects were conducted	●	Conduct 5 projects

### Leveraging Technology for Growth

As we are committed to leveraging technology for growth, we have invested in new IT systems. This drives efficiency and productivity of operations. We also ensure continued reliability of IT systems through proactive maintenance and upgrades. Since we have a wealth of customer information, ensuring data security and privacy takes immense importance and we invest in data security measures as well.

KPI	Target for 2019	Achievement	Status	Target for 2020
New IT systems initiated	Implementation of a comprehensive document management system	System requirements have been evaluated and currently Implementation in progress	●	<ul style="list-style-type: none"> <li>Develop new Group Life System</li> <li>Develop a new Policy schedule printing system</li> </ul>
Percentage of sales officers equipped with IT	Equip 80% of sales officers with IT technology	80% of sales officers equipped with IT technology	●	Equip 85% of sales officers with IT technology

### Ensuring Economic Sustainability

A critical success factor for an insurance company is its ability to remain financially stable over a long period. At Ceylanco Life we are committed to reaping the benefits of smart and prudent investments to ensure we are able to invest in growth initiatives, including providing access to the latest in technology for our staff and sales agents. We are also committed to offering best-in-class services to our policyholders, leveraging technology to do so.

KPI	Target for 2019	Achievement	Status	Target for 2020
Investment and other Income	Achieve Rs. 10.5 Bn investment and other income	Rs. 13.4 Bn investment and other income	●	Rs. 10.9 Bn
Investment portfolio growth	Maintain investment portfolio growth at 10%	Investment portfolio grew by 12.7%	●	Growth at 10%

- Achieved
- Partially achieved
- Not Achieved

# Business Model and Value Creation

## Overview

Ceylinco Life strategically uses six capital inputs which are transformed through its business activities and interactions to produce outputs and outcomes for stakeholders. This determines the ultimate success of the organisation. The Company recognises that in certain instances the processes could generate negative outcomes and therefore acts in a manner so that such negative impacts are minimised.

Ceylinco Life's success over three decades highlighted by its market leadership position for over 15 years demonstrates the robust nature of its business model and the competitive strengths that the Company possess.

## The Inputs

Ceylinco Life draws inputs from six capitals which are the resources that are externally and internally generated. The internal inputs are financial capital, intellectual and manufactured capital whilst the externally drawn inputs are social and relationship capital, natural capital and human capital.

The Company has built a sustainable competitive edge which helps in sourcing capital inputs for the business operations.

The customers are an integral part of the value creation process and the Company engages with its customers and other stakeholders with diverse mechanisms. The Company takes a very proactive approach towards its environment when expanding its business guided by principles of responsibility.

## The Processes

As a life insurance provider, the Company's principal business activity is providing financial security and protection for Sri Lankans through insurance solutions. The primary business activity of the Company is supported by several support services such as underwriting, risk management, actuarial and finance functions. In this process the Company provides and assures its policyholders with protection and stability over a long-term time horizon by covering the policyholders with a range of living and maturity benefits which will accrue over the policy period which typically extends beyond 10 years. Hence sustainability and stability of the business model plays a very important part.

Several other support functions support to the main business function which ensures that regulatory support is extended. The Company's risk management and corporate governance functions helps the organisation to carry out business within the framework of regulations and the compliance framework.

## The Outputs Generated

The value delivered is translated into outputs and outcomes whereby stakeholders can reap economic benefits in the form of profits and other benefits. Ceylinco Life has been able to record remarkable growth leading to outputs in terms of increased income levels, profitability, dividends, employee emoluments etc. These translate further into outcomes such as employee development, mutually rewarding interactions, enhanced relationships with business partners, contribution to community and environment.

## The Impact

The Company is driven by a strong sense of purpose which goes beyond profits and economic benefits to contribute to the environment and the community in which it operates in a significant and tangible manner. Based on a strong ethos of 'building a relationship for life' across all dimensions – policyholders, employees, community and the environment the Company takes a long-term perspective. Hence the Company focusses on building perpetual value for its stakeholders and does not compromise long-term value for the sake of short-term gains.



### Financial Capital

Comprises of the investment by the shareholder, reserves and retained earnings.

[Page 64 to 71]



### Social & Relationship Capital

The relationships we have nurtured with our policyholders, agents, community and business partners which help us to excel in our business.

[Page 72 to 91]



### Human Capital

Our talented pool of people who serve our customers and other stakeholders with a customer - centric manner guided by ethics and values of the Company.

[Page 92 to 103]



### Manufactured Capital

Comprises of the fixed asset infrastructure, IT platforms and other physical infrastructure which has a direct impact delivering value.

[Page 104 to 109]



### Natural Capital

The renewable and non - renewable resources that directly and indirectly impact the business operations.

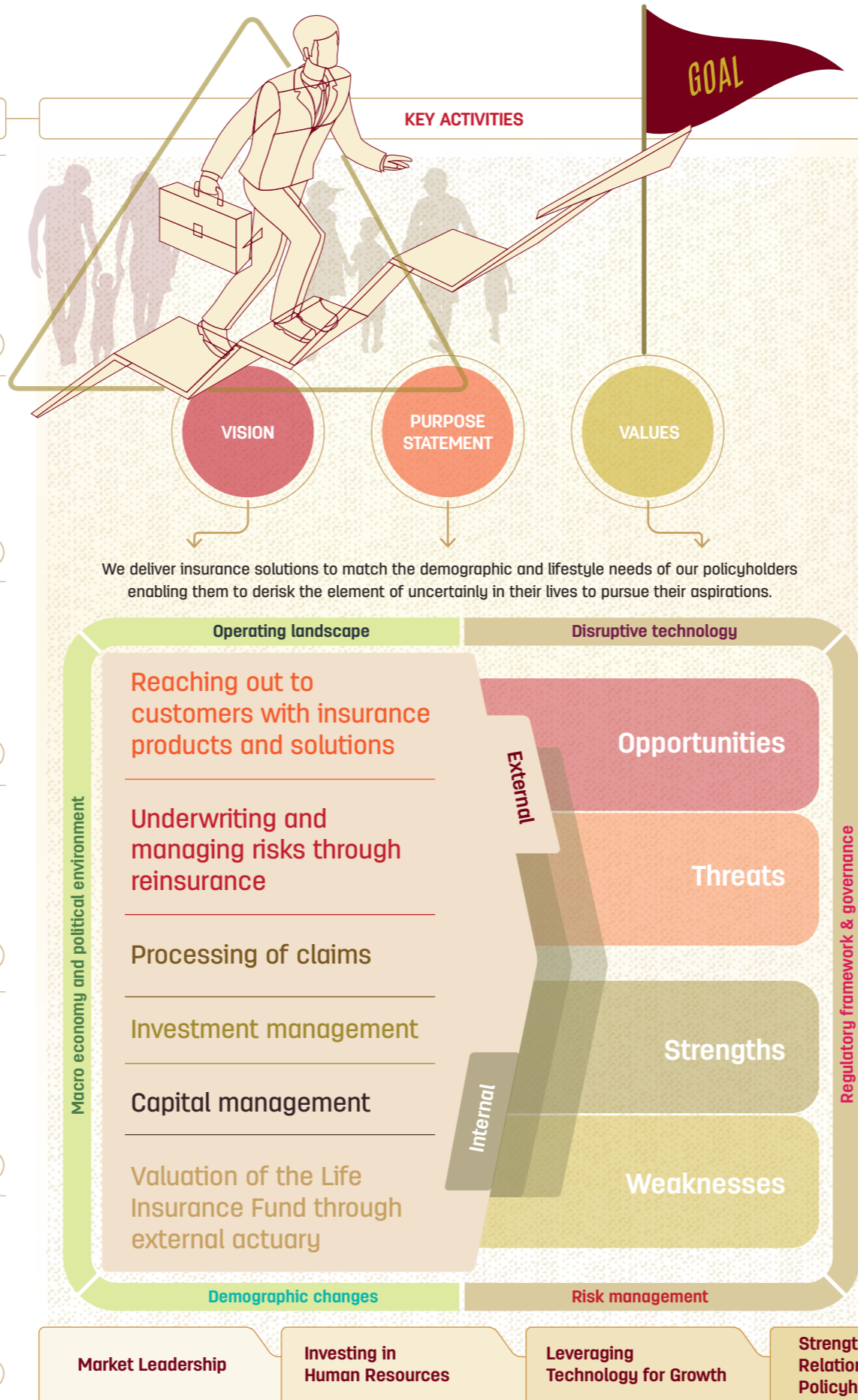
[Page 110 to 113]



### Intellectual Capital

Represents the brand value, institutionalised knowledge, IT systems, awards, accolades and ratings that help the Company gain a competitive advantage.

[Page 114 to 119]



## OUTPUT

Number and value of policies

- Number of policyholders
- Premium value

Settlement of claims  
Investment Income  
Growth in life fund  
Investment in training and development  
Investment in government securities

Strengthening digital infrastructure and process efficiencies

Supporting the nation in medical and educational infrastructure

## IMPACT

**Financial Impact**

Profit after Tax - **6,672 Mn**  
Earnings Per Share - **133.43**  
Shareholders Equity - **31,492 Mn**

**Value Distributed**

To employees - **1,539 Mn**  
To policyholders - **7,190 Mn**  
To Government - **1,496 Mn**

**Sustainability Impact**

Total number of new policies - **138,660**  
No of lives touched through medical camps - **3,042**  
No of children benefited through classrooms - **2,660**  
No of policyholders through family Savari programs - **2,260**  
Employment generated - **844**

## SCORE CARD of SIX CAPITALS

Value Indicator	Value derived as at 01st January 2019	Value derived as at 31st December 2019	
<b>Financial Capital</b>	Gross Written Premium	Rs. 178 Bn	Rs. 18.7 Bn
	Profit After Tax	Rs. 5.8 Bn	Rs. 6.7 Bn
	Dividends per share	Rs. 11.9	Rs. 13.4
	Capital Adequacy Ratio	364%	345%
	<b>Activities undertaken to create Financial Capital</b>	Enhanced top line performance through market penetration strategies thereby maintaining market leadership position.	
<b>Social &amp; Relationship Capital</b>	New policies	123,273	138,660
	New insurance solutions	2	2
	No of sales agents	3,467	3,625
	Ladies represented in agency force	51%	52%
	No of 'Waidya Hamuwa' Programmes	12	24
<b>Activities undertaken to create Social &amp; Relationship Capital</b>	Developed deeper relationships through customer engagement mechanisms. Upskilled and reskilled the sales agents with knowledge enhancements and equipped them with smart devices. Supported the community through CSR initiatives in health care and education.		
<b>Human Capital</b>	Remuneration and benefits paid	Rs. 2.6 Mn	Rs. 2.6 Mn
	New recruits	65	37
	Retention rate	92%	93.5%
	<b>Activities undertaken to create Human Capital</b>	Introduced a performance appraisal system to enhance the morale and motivation of staff. Enhanced skills in a holistic manner to build staff members competencies across many	
<b>Manufactured Capital</b>	New branch	02	01
	Branch network	141	141
	Invested in IT infrastructure	Rs. 20 Mn	Rs. 373 Mn
	Invested in upgrading branches with IT & other infrastructure	Rs. 36 Mn	Rs. 87 Mn
<b>Activities undertaken to create Manufactured Capital</b>	Strengthened presence in Jaffna peninsula by opening the Jaffna branch which would be the nucleus point for other 5 branches in the region. Invested in IT infrastructure to strengthen customer service parameters.		
<b>Natural Capital</b>	Number of units of electricity saved	257 Mwh	365 Mwh
	Impact on paper recycling		17,086 Kg
	No of green branches	10	15
	<b>Activities undertaken to create Natural Capital</b>	Responsible business expansion through green branch network. Inculcating green practices to staff.	
<b>Intellectual Capital</b>	Brand Value	Rs. 3.68 Bn	Rs. 3.8 Bn
	Key IT systems introduced	2	1
	<b>Activities undertaken to create Intellectual Capital</b>	Building brand value through enhanced investment in IT initiatives which will redefine the service proposition. Enhancing skills of staff members.	



# Derisking The Future

We enable you to perform to your highest potential as we derisk your ambition enabling you to create, produce and earn with peace of mind.



# Sustainability Policy

Sustainability is integral to our overall business success and strategy. Our vision to take the message of life insurance and retirement planning to every Sri Lankan and provide protection to every family is deeply connected to our goal of building sustainable, healthier communities for life. As a life insurance company, we always balance the needs of today with the need to honour our commitments in the future. This perspective compels us to consider the economic, social and environmental impacts of our decisions. It is our policy to conduct our business in a sustainable manner, leaving a minimal footprint as possible on our planet.

## Our Sustainability Strategy

Ceylinco Life's focus on advancing sustainability is a key strategy and differentiator for us. Endorsed by our Board of Directors, our sustainability strategy is anchored on four principles: organisational resilience, environmental responsibility, community wellness, and governance and risk management. The strategy reflects input from external and internal stakeholders and is aligned with our company's overall vision and mission.

More details can be found on Stakeholder Engagement section on pages 36 to 44.

## Materiality Matters

Our sustainability reporting focuses on a set of "material issues". We identify, prioritize and validate these issues through ongoing stakeholder engagement and an annual materiality analysis to ensure we are addressing the right issues. Refer to Materiality Matters section on pages 45 to 51.

### Our Sustainability Principles

#### Organisational Resilience

We cultivate an organization that is competitive, forward-thinking, resilient and sustainable for the long term, so we can continue to meet the needs of our key stakeholders, who are at the centre of all we do.

#### Environmental Responsibility

We are accountable for the impact of our operations on the environment, so we are consistently taking steps to measure, manage and reduce that impact.

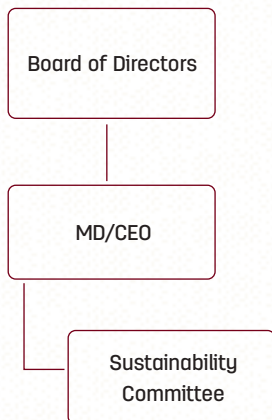
#### Community Wellness

We believe that by actively supporting the communities in which we live and work, we can help to build a positive environment for our stakeholders.

#### Governance and Risk Management

We believe a well-governed organization contributes to a stable operating platform for the Company, and positions us to meet our obligations to stakeholders. Proactive risk management and a strong risk culture are essential to our long-term success.

## Sustainability Governance



### Stakeholder Engagement

Our commitment to sustainability starts with listening to stakeholders. Through a variety of engagement channels, we seek to understand and integrate the needs and interests of our stakeholders into all aspects of our operations and sustainability strategy. Open dialogue and inclusive engagements help us improve our business, build positive relationships and understand evolving expectations. Our main stakeholders relevant to sustainability, are those who we consider to have a direct or indirect interest in, or can influence or be impacted by, our business activities

Organisational Resilience	Financial stability	<p><b>OUR APPROACH</b></p> <p>Improving financial stability is vital to keep our company resilient in terms of financial strength. This enables us to honour customer claims throughout the terms of the contracts. This is also a key factor for customer to trust us. We ensure that all funds are invested in a prudent manner adhering to regulatory guidelines to generate steady returns and accumulate financial wealth. More details can be found in Financial Capital on pages 64 to 71.</p>
	Customer focus	<p><b>OUR APPROACH</b></p> <p>Placing our customers at the centre of all we do means listening to them and understanding what they need from us at every touch point. It's not just about selling insurance or benefits. It's about delivering the best outcomes for our policyholders. Our customer-centric strategy means we're working harder than ever to ensure we're modernizing and humanising our brand, while maintaining our core attributes of being a caring, optimistic and relevant company. More details can be found in Customer Capital on pages 73 to 79.</p>
	Technological innovation	<p><b>OUR APPROACH</b></p> <p>We're transforming our business by digitising current operations and creating innovative new models that can delight our customers, de-mystify a complex business and support the important work of our sales agents and business partners. Leveraging data allows us to personalize and deepen relationships with customers, and better predict and anticipate their needs to help them achieve their goals. In the digital age, we can become a larger part of their daily lives, thanks to mobile connections and new tools and capabilities. More details can be found in Intellectual Capital on pages 114 to 119.</p>
	Talent management	<p><b>OUR APPROACH</b></p> <p>We are committed to creating inclusive, sustainable and empowering workplaces where employees can contribute to their full potential. Our objective is to build and attract a disproportionate share of top talent across our businesses, wrapped in a culture that emphasizes collaboration, integrity and treating customers and colleagues with dignity and respect. More details can be found in Human Capital on pages 92 to 103.</p>

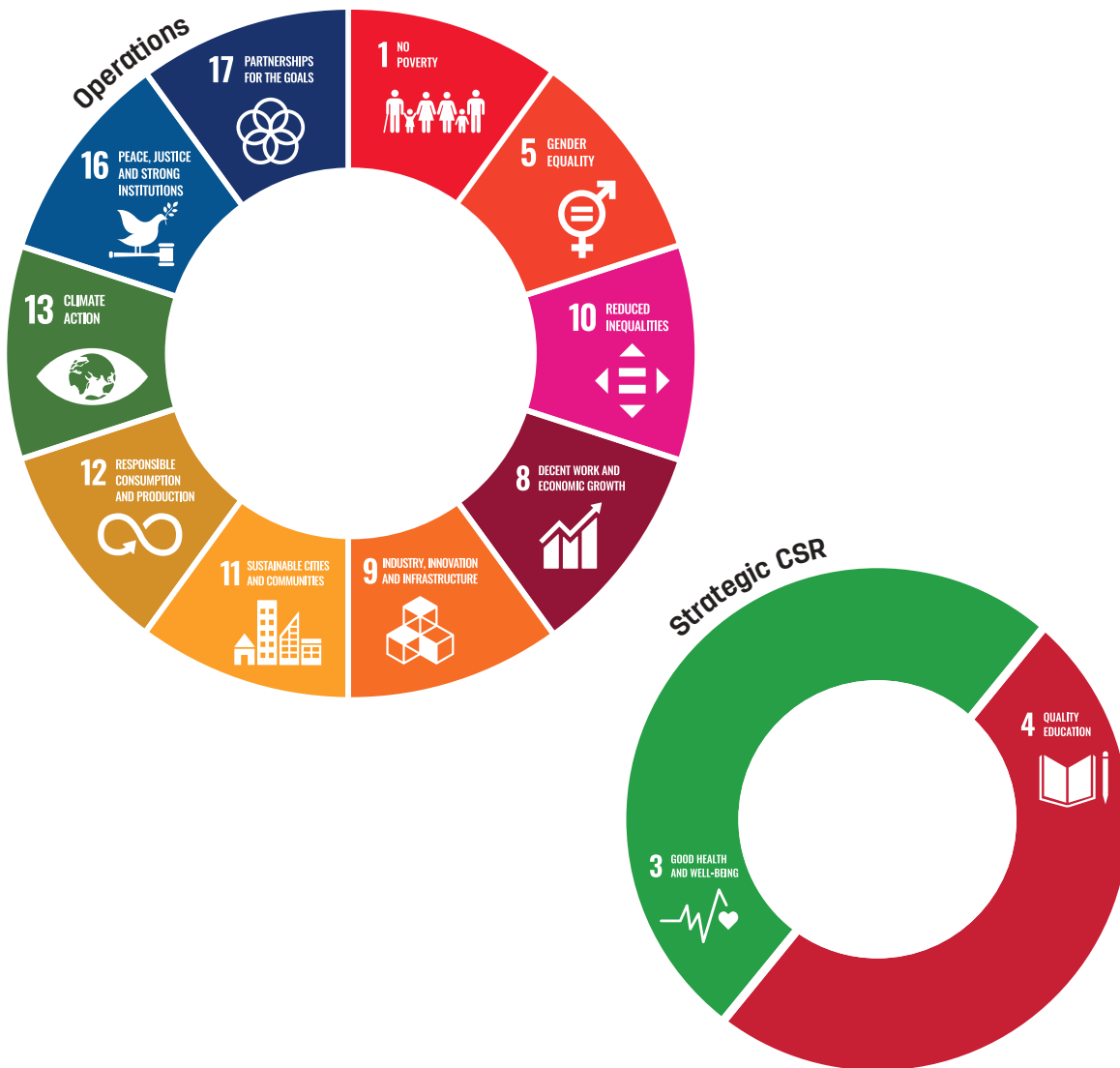
<b>Environmental Responsibility</b>	Environmental impact management	<p><b>OUR APPROACH</b></p> <p>We are accountable for our impact on the environment, and work every day to measure, manage and reduce that impact. Through our environmental management framework, we integrate environmental sustainability into our day-to-day operations and decision-making. Our wide range of programs and practices aim to manage the environmental footprint of our business. We track and report on key environmental indicators to monitor progress and identify opportunities for improvement. More details can be found in Natural Capital on pages 110 to 113.</p>
<b>Community Wellness</b>	Promotion of community health and facilities	<p><b>OUR APPROACH</b></p> <p>We contribute to uplift the standard of health and medical facilities of the nation by donating high dependency units (HDU) to hospitals. We conduct 'Waidya Hamuwa' programs in rural communities to help them improve their health conditions. More details can be found in Community Capital on pages 82 to 84.</p>
	Promotion of school facilities	<p><b>OUR APPROACH</b></p> <p>We continue support schools in rural areas by undertaking the design and construction of class rooms. More details can be found in Community Capital on pages 85 to 86.</p>
<b>Governance and Risk Management</b>	Ethics, Integrity and Corporate Governance	<p><b>OUR APPROACH</b></p> <p>We always maintain a firm stance in ethics and integrity. We voluntarily comply with the Code of Best Practice on Corporate Governance. Additional details can be found in Corporate Governance section on pages 137 to 192.</p>
	Risk Management	<p><b>OUR APPROACH</b></p> <p>As a large life insurance company, we are exposed to various risks, including sustainability-related risks. Our Enterprise Risk Management Framework prescribes a comprehensive set of programs for conducting our business activities. The risks that arise when providing products and services to customers are managed within these programs. This framework, along with our suite of risk management policies, seeks to ensure that risks are appropriately managed to achieve the Company's business objectives. More details can be found on pages 161 to 165.</p>

### Contribution to the Sustainable Development Goals

The United Nation’s SDGs provide a guide for development priorities aimed towards ending poverty, protecting the planet and ensuring prosperity for all as part of a new sustainable development agenda. Ceylinco Life directly and indirectly contributes towards Sri Lanka’s progress of 12 of the 17 SDGs.

This year, we have sought to improve our SDG reporting by

- Demonstrating relevance within the capital reports on the progress towards SDGs
- Classification of SDGs into 2 broad categories encompassing relevance of SDGs to the operations directly and to the strategic CSR initiatives of the Company.



# Stakeholder Engagement



## Ceylinco Life Stakeholders

Our sole shareholder is Ceylinco Insurance PLC. Other key stakeholders of Ceylinco Life are our valued customers, our sales agents, actuaries and reinsurers who work with us, our business partners, suppliers and service providers, and our valued employees.

We also consider our neighbours and the Sri Lankan community at large to be a key stakeholder group.

Regulators including the Insurance Regulatory Commission of Sri Lanka, the Central Bank of Sri Lanka, the Department of Inland Revenue and the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) are also our stakeholders. So are various other professional bodies, the Ombudsman, and other industry players, including The Insurance Industry Association, who we work with for the betterment of the insurance industry.

## Stakeholder Engagement Matters to Us

Engaging with our stakeholders is an ongoing responsibility of Company stewardship. It is only through such engagement that we are able to ensure that Ceylinco Life continues to create and deliver sustainable value to our various stakeholder groups in the short, medium and long term. Productive and ongoing engagement with stakeholders helps the Company improve our performance in various aspects.

From our strategies to our product mix, from our customer service to the multi-channel engagement, from good corporate governance to timely reporting, all aspects

of our business operations take stakeholder concerns into consideration.

We firmly believe that effective stakeholder engagement enhances the value of our brand and contributes to strengthening our social and relationship capital, our attractiveness as an employer and solidifies our market position as the leading life insurer in Sri Lanka.

## Goals of Stakeholder Engagement

Our stakeholder engagement model has been developed to achieve the goals of:

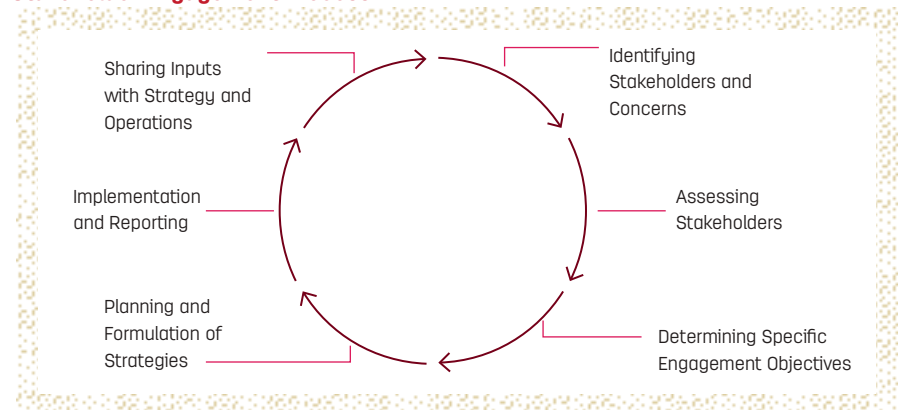
- △ Developing and maintaining positive, productive ongoing relationships;
- △ Keeping our key stakeholders informed about Ceylinco Life and its activities and providing relevant information and access using appropriate modes of communication and engagement;
- △ Listening to stakeholder concerns in order to identify material issues that may impact the Company's ability to

create sustainable value or impact the decision processes of our stakeholders;

- △ Collaborating and consulting with stakeholders as necessary to identify emerging trends and latent consumer needs in order to stay ahead of the curve in creating and delivering innovative solutions;
- △ Implementing projects, initiatives and programmes that address stakeholder concerns and ensure business sustainability;
- △ Monitoring our performance on parameters valued by stakeholders so that we can continually work on creating and delivering value for our stakeholders.

Over the next few pages, we explain how our stakeholder engagement model works and how we work on continually engaging with our key stakeholder groups.

## Stakeholder Engagement Process



Our stakeholder engagement model comprises the following steps.

### Identifying Stakeholders and Concerns

The first step is establishing a list of internal and external stakeholders.

To ensure all key stakeholders are captured in our engagement processes, we periodically review and amend the master lists for each key stakeholder group.

### Assessing Stakeholders

Stakeholder Assessment looks at stakeholder attributes (whether formal or informal) and then prioritises our stakeholders on a grid of their power and influence and level of interest.

### Work in Collaboration

We work in close collaboration with those stakeholders who have a relatively high level of power and influence over us combined with a high level of interest in Company affairs. This group includes our shareholder, customers and regulators.

### Keep Satisfied

Some stakeholders such as the Government, actuaries, reinsurers, banks and financial institutions and our competitors have high levels of influence, but relatively low level of interest in our affairs. For these stakeholders, our approach is to engage them to a degree that keeps them satisfied.

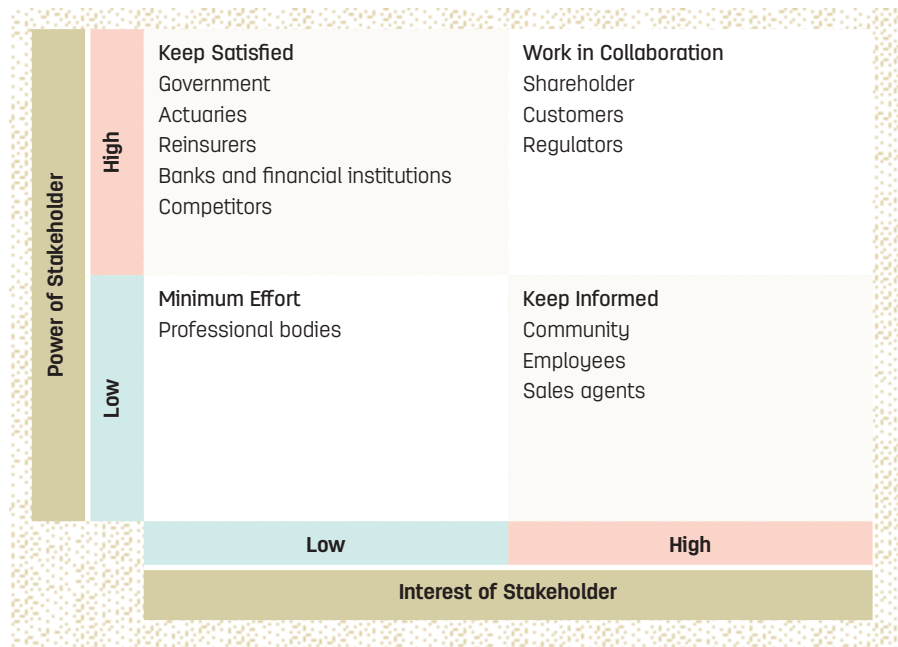
### Keep Informed

Stakeholders, such as the community, our employees and sales agents have a high level of interest, but relatively low levels of influence over the Company affairs, as individuals. We keep these stakeholders informed and engaged in appropriate ways.

How we engage with employees is described in detail under the Human Capital section of this report. Our work with our sales agents and communities at large can be found in the Social and Relationship Capital section of this report.

### Engage with Minimum Effort

Some stakeholders, such as the professional bodies, are easier to engage with as they have low levels of interest in our affairs and also do not wield high levels of influence over us.



### Determining Specific Engagement Objectives

Once we have categorized stakeholders by level of interest and their power and influence as explained above, we know clearly whether we should collaborate with them, keep them satisfied, keep them informed or engage expending minimum effort.

But the exact objectives of engagement depend on each stakeholder group. For example, although we have decided that a collaborative approach is best for customers and our regulators, our objectives for each group differs, as would the engagement strategies. This is why we develop a group specific objectives for each key stakeholder group. Our level of stakeholder engagement is determined to ensure these objectives are met in an appropriate manner.

### Planning and Formulation of Engagement Strategies

We formulate suitable engagement strategies, engagement frequencies and channels as appropriate in order to meet our engagement objectives.

### Implementation and Reporting

The responsibility of implementing the stakeholder engagement strategies for each group of key stakeholders is divided within teams, as appropriate.

Upon implementation, the feedback obtained from each group, including individuals, is assessed to ensure effectiveness of our engagement mechanisms.

### Sharing Inputs with Strategy and Operations

#### Feed into the Strategy Process

The feedback and results of the diverse stakeholder engagement processes are forwarded to the Strategic Planning Committee and relevant operational division for relevant action.

The Strategic Planning Committee uses these inputs in their Materiality Assessment process to highlight material issues that may impact the ability of the Company to create sustainable value.

#### Feedback for Operations

Operational Divisions use these stakeholder engagement inputs to discover insights for future action (such as new product development) and for improving their operational processes.

In particular, these functions can benefit from feedback received from relevant stakeholder groups.

# Stakeholder Engagement

- △ Product Development
- △ Business Development
- △ Digital Operations
- △ Sales, Marketing and Advertising
- △ Customer Relations
- △ Customer Services
- △ Finance
- △ Training and Development
- △ Operational Divisions - such as Takaful, Bankassurance, Actuarial, Projects, Technical

## Engaging Stakeholders

How we engage with our key stakeholders is described over the next few pages.

### 1. SHAREHOLDERS



#### Key Topics and Concerns

Healthy financial returns | Timely payment of dividends | Accurate and timely financial information and disclosures  
Company news and updates on current affairs | Good stewardship

Ceylinco Life is a fully owned subsidiary of Ceylinco Insurance PLC. We are committed to fulfilling our vision and mission and remain worthy of the trust our valued shareholder has placed in Ceylinco Life.

We are committed to engage with Ceylinco Insurance PLC positively and take our parent company's material concerns in to consideration when setting corporate strategies and making key business decisions.

Engagement Methodology [Frequency of Engagement]	Our Response
AGM and Annual Report [Annually]	Most recent Ceylinco Life AGM was held on 29 March 2019
Quarterly Interim Financial Statements [Quarterly]	Interim Financial Statements are published on a timely basis with access to the shareholder.
Corporate Website [Continuous engagement]	Updated regularly to provide the latest developments at Ceylinco Life.

### 2. CUSTOMERS



#### Key Topics and Concerns

Trust, reliability and financial stability of the insurer | Timely payment of policy claims | Products that suit their needs  
Policy information | Omnichannel engagement | Use of latest technology | Ease of doing business

Our promise to our customers is a "Relationship for Life". Listening is an essential part of creating a long term relationship.

Listening to and engaging with our customers help us understand their needs at a granular level, which is helpful for creating and delivering new products and services that serve latent needs of current and potential customers. Such listening also provides insights that we can use to improve service quality and highlights the areas in which we need improvement.

Constant engagement with our customers and potential customers also helps us fine tune our marketing communications to effectively get our message across to the market. It also helps us improve our customer-centric processes and overall business processes to bring them up to a high level of quality, speed and efficiency.

Engagement Methodology [Frequency of Engagement]	Our Response
Complaints, inquiries and requests received from customers [24/7, Ongoing]	<ul style="list-style-type: none"> <li>• Call Center and Hotline provides information and monitor service levels.</li> <li>• Corporate Website provides information and customer service support. Premiums can be paid through the website.</li> <li>• Ceylina, an artificial intelligence enabled chatbot can answer customer and potential customer questions.</li> <li>• Convenient touch points at all branches enhances our customer reach across the nation.</li> </ul>
Sales force feedback [Ongoing basis]	Obtained regularly to improve customer service.
Customer surveys [Periodically, as required]	We conduct periodic customer satisfaction surveys and take corrective actions on highlighted issues.



### 3. SALES AGENTS



Healthy commissions and benefits | Job satisfaction  
Recognition and rewards

Our Sales Agents are our eyes and ears on the ground. They are the ones who interact with potential customers and close the sale of insurance policies converting them to Ceylinco Life customers.

Their inputs are immensely valuable to the Company, not just to gauge market sentiments, but also to better understand our customers, and their needs and expectations. Our sales agents also help us decipher latent customer needs through their interactions with potential customers.

Listening to and engaging with our Sales Agents help us understand the effectiveness (or lack thereof) of our advertising and marketing promotions and the customer reactions to them. They are also able to tell us how customers are comparing our products and services with those of our competitors and what their responses are.

Constant engagement with our Sales Agents helps us finetune our marketing communications to effectively get our message across to the market. It also helps us improve our customer-centric processes and overall business processes to bring them up to a high level of quality, speed and efficiency to make it easier for our Sales Agents to meet customer objections and to close sales effectively.

#### Engagement Methodology [Frequency of Engagement]

#### Our Response

Awards and Recognition:  
Annual and mid-year award ceremonies

Motivates by recognizing and rewarding outstanding performance through awards, cash rewards, foreign tours and publicity.

Digital Empowerment of Sales Agents

- Latest handheld and mobile technology makes for more efficient and productive work lives.
- Training to make the best use of technology.
- Enhances image and credibility.

Engagement Activities - Sports Meet [Annually]

- Encourages loyalty and engagement.
- Best performers rewarded with recognition and mentioned in Company newsletters.

Senior Management Visits [Frequently at branch level]

Senior managers visit branches and divisions to motivate staff, discuss operational issues and troubleshoot branch specific matters.

Training and Development

A key component of the Agency Salesforce Management model. More information is given in the Social and Relationship Capital pages.

Continuing Professional Development (CPD) [Annual and as necessary]

- CPD is a standard benchmark for the sales force.
- All agents undergo an annual assessment to secure CPD points to win bi-annual and annual competitions.

### 4. ACTUARIES



#### Key Topics and Concerns

Data for the actuarial valuation | Timely payment of actuarial fees | Product pricing  
Regulatory reporting (Risk Based Capital - RBC)

Actuaries are professional valuers who comply and analyse statistics to calculate insurance risks and premiums. They also provide assistance to develop, model, price and manage insurance products.

#### Engagement Methodology [Frequency of Engagement]

#### Our Response

Year-end actuarial valuation of the long-term insurance business [Annually]

- Providing validated data necessary to determine bonuses due to participating policyholders.
- Providing validated Capital Adequacy Ratios together with other the relevant information for the final review by Actuary.

# Stakeholder Engagement

## 5. REINSURERS



### Key Topics and Concerns

Timely payment of reinsurance premiums | Business growth potential

Our reinsurers provide financial protection to Ceylinco Life, handling risks that are too large for us to handle on our own. The support of our reinsurers makes it possible for us to obtain more business by underwriting more policies than we would be able to do otherwise.

### Engagement Methodology [Frequency of Engagement]

### Our Response

Long-term treaty/Honour contractual obligations including timely payment of reinsurance premium.  
[Ongoing basis]

Actively maintaining productive and mutually beneficial business relationships.

Formal interactions with reinsurance partners  
[Ongoing basis]

Implement international underwriting and claims management processes with technical guidelines.

On site visits and meetings  
[As required]

Support product development and knowledge sharing.

## 6. SUPPLIERS AND OTHER BUSINESS PARTNERS



### Key Topics and Concerns

Timely settlement of invoices | Transparent procurement procedures | Growth potential

Our suppliers, service providers and other business partners are our partners in progress. Their inputs are critical to our business success. We count on mutually beneficial long term relationships to carry on with our business smoothly and efficiently.

### Engagement Methodology [Frequency of Engagement]

### Our Response

Maintaining mutually beneficial relationships [Ongoing /as needed]

- Meeting with suppliers/ regular visits to suppliers.
- Engagement through letters, email and telephone conversations as necessary.
- Timely settlement of invoices.

Fair and transparent supplier evaluation mechanism  
[Periodic]

- Strive to be a credible and reliable business partner.
- Implement our supplier evaluation process to preserve integrity and our business reputation as an ethical, value based business.

Transparency in procurement  
Sustainability

Implementation of transparent procurement procedures  
Assessing supplier sustainability and growth potential

**7. EMPLOYEES**



**Key Topics and Concerns**

Competitive emoluments, bonuses and incentives | Promotions and career advancement | Job satisfaction and employee engagement | Job security | Access to modern technology | Training and development | Employee safety and wellbeing

The reason for our corporate success depends upon our employees. In recognising this, Ceylinco Life strives to be an employer of choice with an unbeatable value proposition to attract, retain, motivate and engage our employees.

**Engagement Methodology [Frequency of Engagement]**

**Our Response**

Compelling Employee Value Proposition [Ongoing]

- Strive to position Ceylinco Life as an employer of choice in the Sri Lankan insurance industry.
- Our employee value proposition reinforce this and contributes to enhancing the social status of all of our current employees.
- It also fosters employee loyalty and engagement.

A Fair Transparent Recruitment Process [Ongoing]

- Internal and external applicants receive equal opportunity.
- Remuneration packages are consistent with qualifications, experience and assigned job roles.
- No gender discrimination in advertising and selection

An Effective On-Boarding Process [Ongoing]

- A strong on-boarding experience enhances employee retention.
- Comprehensive induction programs help new employees become productive team members.
- New recruits are matched with mentors who facilitate a smooth transition to the new job role.

Performance Management and Total Rewards [Ongoing]

- Our performance management system combines:
  - Key performance indicators (KPIs)
  - Assessments
  - Reward and Recognition Programs
  - Leadership development
  - Professional development
  - Career planning
- Encourage internal promotions as a strong advocate for developing talent from within.
- Aims to provide an equitable, motivating and market-competitive reward package that fosters a strong performance-oriented culture.
- Full time employees enjoy a competitive package and benefits which are par above industry standard.
- All permanent employees are entitled to life insurance cover, medical benefits, staff loan facilities, wedding gift, death donations etc.

# Stakeholder Engagement

## 7. EMPLOYEES (Contd.)



### Key Topics and Concerns

Competitive emoluments, bonuses and incentives | Promotions and career advancement | Job satisfaction and employee engagement | Job security | Access to modern technology | Training and development | Employee safety and wellbeing

Engagement Methodology [Frequency of Engagement]	Our Response
	More information is provided under the Human Capital section of this report.
Training and Development Activities [As required/Planned through the annual training calendar]	Extensive details on training and development are provided in the Human Capital section of this report.
Career Planning and Development [Ongoing]	Leadership development focuses on developing leaders at three levels—Executives, Middle Management and Senior Management.
Succession Planning [Annually/as required]	<ul style="list-style-type: none"> <li>• Potential future leaders gain opportunities to rise up the corporate ladder.</li> <li>• Opportunities are provided at the top, second and third levels as part of the succession plan.</li> </ul>
Encourage Work Life Balance Initiatives [Daily/Ongoing]	<ul style="list-style-type: none"> <li>• Limits on work hours. (Not allowed to work after 5 pm and holidays unless with special permission).</li> <li>• Short leave on call/ Training programmes on work life balance.</li> </ul>
Share information and Company Performance [As appropriate]	<ul style="list-style-type: none"> <li>• New Year message</li> <li>• Year-end reviews</li> <li>• Mid-year conferences</li> <li>• Monthly messages</li> <li>• Planned and scheduled meeting</li> <li>• Company intranet and other communication channels</li> <li>• Company website offers latest in Company news, products and services.</li> </ul>
Departmental forums with the CEO [Quarterly]	Forums within departments to obtain employee ideas and suggestions.
Celebrate financial and other achievements and milestones [As required]	<ul style="list-style-type: none"> <li>• Recognizing and rewarding high performers through annual awards and promotions.</li> <li>• Celebrating small wins whenever required in teams.</li> </ul>
Open-door policy [Ongoing]	Employees are encouraged to bring up any issues using accessible communication channels.
Align with the Company goals and strategies [Annual objective formulation and biannual appraisals]	<ul style="list-style-type: none"> <li>• Rewards are linked with the Company objectives.</li> <li>• Development plans are align with the individual KPIs.</li> </ul>
Respect for Individuals [Embedded as a core value in the corporate culture]	Encourage all to practice the corporate values.
Encourage volunteering [Ongoing initiatives/Company events and other official functions]	<ul style="list-style-type: none"> <li>• Company creates opportunities and allocates opportunities based on competencies.</li> <li>• Employees can offer suggestions on worthwhile projects of their choice.</li> <li>• CSR activities as a part of certain training activities.</li> </ul>

**9. REGULATORS**



Compliance at all levels, cooperation and collaboration, fair and ethical competitive practices and business ethics

We work collaboratively with our Regulators.

- Insurance Regulatory Commission of Sri Lanka (IRCSL)
- Department of Inland Revenue
- Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB)

Regulator	Engagement Methodology [Frequency of Engagement]	Our Response
Regulator: Insurance Regulatory Commission of Sri Lanka (IRCSL)	<ul style="list-style-type: none"> <li>• Submission of statutory returns [Quarterly and annually as stipulated]</li> <li>• Submission of other documents [Ongoing]</li> <li>• Industrial forums, meetings and discussions [As and when required]</li> </ul>	<ul style="list-style-type: none"> <li>• Timely submission of all statutory returns.</li> <li>• Prompt response to clarifications raised by IRCSL.</li> <li>• Submission of other information regarding product details and new advertisements [As stipulated by IRCSL].</li> <li>• Active participation in industrial forums, meetings and discussions organized by IRCSL.</li> </ul>
Department of Inland Revenue	<ul style="list-style-type: none"> <li>• Submission of tax returns and payment of taxes [Quarterly and annually]</li> <li>• Meetings and discussions with the Department of Inland Revenue [As and when required]</li> </ul>	<ul style="list-style-type: none"> <li>• Timely payment of all applicable taxes and timely submission of tax returns.</li> <li>• Participation at meetings and responding to queries raised</li> </ul>
Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB)	Submission of published financial statements for review [Annually]	<ul style="list-style-type: none"> <li>• Ceylinco Life complies with Sri Lanka Accounting Standards and Auditing Standards Business ethics.</li> <li>• We ensure quality in financial reporting and disclosures and positively consider the observations of the SLAASMB.</li> </ul>

## Stakeholder Engagement

### 9. INDUSTRY & PROFESSIONAL ASSOCIATIONS



Participation in industry-related seminars, forums and conferences  
Contribution towards development

We maintain a cordial relationship with industry associations such as the Insurance Association of Sri Lanka (IASL) and other professional associations.

#### Engagement Methodology [Frequency of Engagement]

#### Our Response

Participation for industry forums and meetings  
[As required]

- As the market leader, Ceylinco Life participates actively in joint industry efforts.
- Life Insurance Awareness Month, a public awareness campaign emphasizing the value of insurance and spreading awareness about life insurance.
- Drive industry initiatives on technical updates and regulatory matters.

### 10. COMMUNITY



Good, ethical corporate citizenship and fair business practices. | Investing in the community and job creation  
Green ethics. A concern for the environment

The Sri Lankan Community at large, and more specifically our neighbours in all areas that we operate in are our valued stakeholders. We contribute a significant portion of our value added to the national coffers of Sri Lanka every year, and as such, our success is shared with the community at large.

#### Engagement Methodology [Frequency of Engagement]

#### Our Response

CSR projects  
[Ongoing basis]

- Identify gaps in the areas of healthcare and education
  - Identify deserving beneficiaries to assist through the CSR programmes.
- The Social and Relationship Capital section provides more details.

Sustainability initiatives [Ongoing basis]

The "Go Green" initiative by the Company.  
We have begun setting up green branches, installed solar power in the Head Office and launched environmentally friendly initiatives in the branches.

Transparency in procurement

Implementation of transparent procurement procedures.

Sustainability

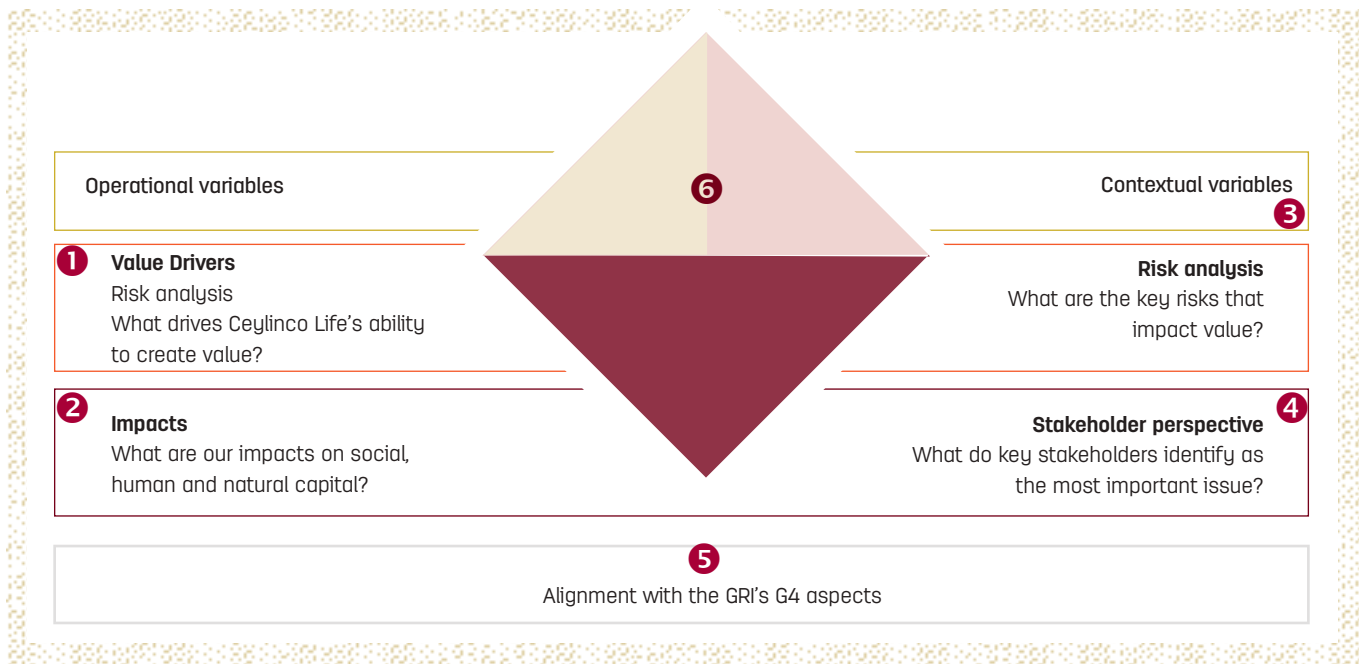
Assessing supplier sustainability and growth potential.

# Materiality Matters

Material issues are those that may significantly impede our ability to create and deliver value to our stakeholders in the short, medium and long term. These are also issues that can exert considerable influence on the decisions made by our stakeholders.

As responsible stewards, we owe it to our stakeholders to periodically assess both our internal aspects and the external business environment, and their interaction in order to identify and deal effectively with material issues.

The process we use to determine what material matters are, aligned with the approach to materiality recommended by the Global Reporting Initiative (GRI) Sustainability Reporting Standards. We also consult the guidance provided in the International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework in this respect.



In the following table (Page 46 to 51) we have listed material issues together with an explanation of why they matter and our strategic response to deal with those issues. While many of these have been highlighted as stakeholder concerns, we have also included in this assessment relevant issues stemming from global and regional trends that can significantly affect our business model, ability to effectively compete and ultimately, our survival.

## Materiality Matrix

While all issues highlighted during a materiality assessment are important, some are more critical than others. The Materiality Matrix enables us distinguish the most critical among them—identified as those having a high level of impact on both the Company and our stakeholders. The diagram below plots the impact of each material aspect by their relative impact on stakeholders against their impact on the Company.

Importance to Company	High			1,2,3,7
	Medium		4, 5, 8, 9, 10	
	Low	6		
		Low	Medium	High
		Importance to Stakeholders		

## Materiality Matters

### The Reporting Boundary

Considering the dynamic nature of the industry the material aspects and the topic boundary can be internal or external along with its impact to create value to the organisation in the short, medium and long term planning horizons.

STAKEHOLDERS	Key Concerns	Why this is a material topic (The Boundary)	Our strategic response
Shareholders and Investors <i>GRI 201</i> <i>Reporting Boundary - Internal and External</i>	Healthy financial returns	A primary concern that determines whether to continue investing with Ceylinco Life.	All of our strategic imperatives (detailed in Page 23) are geared towards ensuring healthy returns and our ability to deliver sustainable growth for our shareholders and investors.
	Timely payment of dividends	Long term investors expect consistent returns by way of timely dividends.	Ceylinco Life has consistently delivered on this expectation and is committed to continue this practice.
	Accurate and timely financial information and disclosures	Investor decisions are based on financial information and relevant disclosures. Delays and inaccuracies raise concerns and doubts about the Company and its stewards. Timely and accurate disclosures breed trust.	We prepare and deliver the Annual Report, Interim financial reports and other relevant information on a timely basis. the Stakeholder Engagement section discloses our means of sharing this information with our stakeholders. (detailed in page 36).
	Company news and updates on current affairs	Updates on matters of importance to the Company is part of good the stakeholder management practices.	We are fully committed to keeping our stakeholders informed of all relevant information. Stakeholder Engagement section provides details. (detailed in page 36)
	Good stewardship	Good corporate governance, sustainable business practices and a concern for the environment, ethical investing, a reputation as good employer and corporate citizen, all add to the brand value of the company.	Our commitment to good stewardship extends beyond satisfying the needs of our shareholders and investors. Corporate Governance Disclosures (page 147), Strategy (page 23) and the Capital Reports (Page 64 to 119) provide more details.
Customers/ Policyholders <i>GRI 205 (Anti-corruption)</i> <i>GRI 417 (Marketing &amp; Labeling) GRI 206 (Anti-competitive Behavior)</i> <i>Boundary - External</i>	Trust, reliability and financial stability of the insurer	Customers will come and continue to stay with Ceylinco Life if the Company is trusted. Trust adds to brand value and has an impact on sustainable business growth.	Company takes a strict stance against any conduct that may dent the trust our policyholders have placed on us. Financial strategies are well chosen to avoid unnecessary exposure to risks that may impact financial stability.
	Service standards and customer satisfaction	Quality of service and the resulting customer satisfaction and loyalty are critical factors for customer retention and a driver of market share. The better our rating on service standards, satisfaction and loyalty, the better our success in capturing market development and market penetration opportunities.	We follow an integrated approach to continuously reorient our customer focus. Broadly this includes maintaining clear and transparent communications with customers, investing in the latest digital safeguards to protect integrity of customer information, and being proactive in resolving customer concerns. We strengthen customer loyalty by investing in building strong relationships with customers on the premise of 'relationship for life' through special programmes focused on health, wellbeing, family values and overall progress of the insured.



STAKEHOLDERS	Key Concerns	Why this is a material topic (The Boundary)	Our strategic response
	Timely payment of policy claims	Fosters trust. Customers will remain with Ceylinco Life. Enhances brand value. Delays mean customers may leave. Damages brand.	KPIs have been set and monitored to ensure timely payment of legitimate claims within target times.
	Products that suit their needs	Innovative products bring in more customers and help retain current ones.	Findings from market research as to what needs customers expect to fulfill are taken as feedback into the product development process. Feedback from the agency force is also considered,
	Policy information	The Usefulness of an insurance policy depends on the covers and benefits offered by the policy. Information regarding policies need to be given to enable customers to make an informed decision.	Agency force acts as the primary source for customers to get policy information. Moreover, our contact center and online touch points are also well equipped to provide necessary information to policyholders.
	Omnichannel engagement	Modern consumers are moving away from traditional channels and expect information and policy purchases to be available online and instantly.	We have established a multitude of channels to engage with policyholders including online and digital methods.
	Use of latest technology	More and more consumers expect to be served with the latest technology. It is also a key competitive concern going forward.	We set aside a substantial pool of funds to invest in new technologies every year.
	Ease of doing business	Instant gratification, readily available information and quick processes delivering speedy results are an expectation of modern consumers. Ease of doing business enhances our competitiveness in the market.	We are committed to empowering our salesforce with appropriate technologies to serve customer needs and deliver information and service speedily. We are also constantly on the look-out for ways and means to engage current and potential customers by leveraging technology and innovating.
Strategic Concerns/ Company Leadership Team <i>No GRI relevance</i> <i>Reporting Boundary - Internal and External</i>	Brand leadership	Value of branding is crucial to our business growth endeavours and prospects. It enhances our credibility and the attractiveness of our product offerings. Improved brand equity directly correlates to our ability to increase market share. It is correlated to customer loyalty.	In addition to pro-active brand stewardship and development activities, we engage in regular brand tracking to ensure Ceylinco Life retains its top-tier ranking in the market.

## Materiality Matters

STAKEHOLDERS	Key Concerns	Why this is a material topic (The Boundary)	Our strategic response
	Institutional knowledge	Institutional knowledge provides a strong foundation for our success. Safeguarding and building on institutional knowledge we have cultivated over the years enables us retain and enhance the industry leadership position.	Strengthen our institutional knowledge through continuous and ongoing efforts to build capacity of our people, systems and processes.
	Innovation	In the highly competitive market that we operate in, investing in product and process innovation enables the Company to stay ahead of our peers. A reputation for innovation enhances brand equity and is an attractive proposition for younger consumers.	We aim to innovate for the benefit of all our stakeholders. We are investing in innovative products, services and channels to build trust and improve customer satisfaction. We are using innovative training and rewards schemes to increase employee motivation and productivity. We employ innovative systems and processes to enhance overall productivity, cut costs and to minimize the Company's carbon footprint. We are using innovative investment and risk management strategies to enhance profitability and shareholder wealth.
	Leveraging and building upon our distribution network	Omni channel distribution is the way to the future. Innovating on distribution channels empowers the Company to expand market share and increase overall penetration to regions and market segments (such as millennials) that so far remain relatively untapped.	We aim to maximize our island-wide outreach through the expanding of physical distribution and by exploring the potential of omnichannel marketing and digital distribution models. More information of this is in the Manufactured Capital (page 104) and Intellectual Capital (page 114) sections.
	Supply chain management	Well managed supply chains ensure cost effective operations, business continuity and long-term sustainability of the business.	We maintain strong ties with key suppliers in order to build trust and improve sustainability of our supply chain for the long term. More information is in the Social and Relationship Capital section. (page 72)
Business Partners – Sales Agents <i>Reporting Boundary – Internal and External</i>	Healthy commissions and benefits	Commissions and benefits are the key motivators for sales agents.	While we ensure compliance with regulations on commission structures, we provide additional benefits to eligible agents to motivate them to create more value for us.
	Job satisfaction	Only a satisfied agency force can make our policyholders satisfied and keep reaching out to potential new policyholders.	We implement a variety of initiatives to increase agent satisfaction. More details can be found under the Social and Relationship Capital. (page 72)
	Recognition and rewards	Recognition and rewards are important to keep our agents loyal, motivated and satisfied	We award and recognize high performers on an equitable basis. These are viewed as essential investments to improve overall quality of the agency force.

STAKEHOLDERS	Key Concerns	Why this is a material topic (The Boundary)	Our strategic response
Business Partners - Actuaries <i>Reporting Boundary - External</i>	Data for the actuarial valuation	Timely and accurate data is vital to ensure accuracy of the valuations.	Clear deadlines are set up to ensure that data is provided on time to the actuary. Various controls and checks are carried out to ensure accuracy of the data provided.
	Timely payment of actuarial fees	Timely payment of actuarial fees improves our relationship with actuaries and enhances our corporate image.	The internal team coordinates with actuaries and settle their invoices in accordance with the agreed payment terms.
	Product pricing	Premium is decided based on pricing. Premium should be sufficient to cover the risks underwritten by the company. Improper pricing could result in underwriting losses.	All pricing models are subject to detailed actuarial analysis. Actuaries review product pricing. Details on pricing of products are also a focus of the regulators.
	Regulatory reporting Risk Based Capital - (RBC)	RBC computations and reporting enable the company to comply with the regulatory reporting requirements. This also conveys the adequacy of the capital levels maintained by the company, measured against various risks. Advice of actuaries is taken as and when required.	We have an internal competent RBC reporting team who work according to an agreed timeline to ensure that reporting is completed within due dates.
Business Partners - Reinsurers <i>Reporting Boundary - External</i>	Timely payment of reinsurance premiums	Timely payment of reinsurance premium improves our relationship with reinsurers and enhances our corporate image.	The internal team coordinates with reinsurers and settle their invoices in accordance with the agreed payment terms.
	Business growth potential	Since we are one of the largest life insurers in the country and since Sri Lanka has a vast unpenetrated life insurance market, reinsurers view us as having good business growth prospects.	Reinsurance treaty covers are obtained from the world's top reinsurers as our business grows. Our market leadership is valued as a criteria for ongoing relationships.
Suppliers and Service Providers <i>GRI 204 - (Supply Chain Management)</i> <i>Reporting Boundary - External</i>	Timely settlement of invoices	Timely settlement of invoices improves our relationship with suppliers and enhances our corporate image.	The internal team coordinates with suppliers and settle their invoices in accordance with the agreed payment terms.
	Transparent procurement procedures	As a company with a deeply rooted set of values, transparency of procurement practices improves our corporate image and our ethical stance, an advantage with suppliers.	We are sought after business partners. As such, all key suppliers are approved by Top Management. We follow common screening procedures in selecting key suppliers.
	Growth potential	As we expand our business, we create opportunities for more business with our suppliers, for mutual benefit.	Our supplier network is a strength and they are partners in our progress. More information is given in Social and Relationship Capital section (page 72).

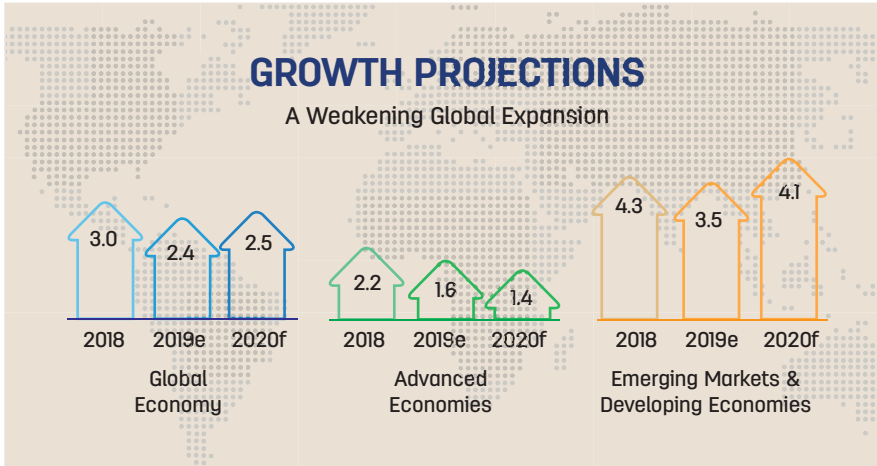
## Materiality Matters

STAKEHOLDERS	Key Concerns	Why this is a material topic (The Boundary)	Our strategic response
<b>Employees</b> GRI 202 (Market Presence) GRI 401 (Employment) GRI 402 (Labour Management Relations) GRI 403 (Occupational Health and Safety) GRI 404 (Training and Education) GRI 405 (Diversity and Equal Opportunity) GRI 406 (Non-discrimination) GRI 408 (Child Labor) GRI 409 (Forced or Compulsory Labor) Reporting Boundary - Internal	Competitive salary and remuneration, bonuses and other incentives	Employees are a strategic asset of the Company, recruitment and retention are critical success factors in our industry.	As investing in human resources is a key strategic imperative, we endeavour to offer competitive salary and remuneration packages to our employees. More information is given in the Human Capital Section. (page 92)
	Promotions and career advancement	Lack of promotions and prospects for career advancement are key reasons employees leave.	Periodic reviews of performance form the basis for promotions and career advancement within the Company.
	Job satisfaction and employee engagement	Leads to better productivity and loyalty. Lowers employee turnover.	Periodically we conduct surveys to gauge employee satisfaction. All grievances are welcomed and appropriately dealt with. We plan activities throughout the year to engage our employees.
	Job security	Fosters loyalty to the workplace and breeds a sense of ownership for corporate success.	Our HR strategy eschews all forms of discrimination. We create a secure and stimulating working environment where every employee can work happily. Employees meeting performance criteria can look forward to continued employment with the Company.
	Access to modern technology	Serving modern customers according to their expectations is a critical success factor in our business. Well trained employees and suitable technology ensures good customer service.	In accordance with our strategic imperatives of technology development and investing in human resources, we equip our employees with access to modern technology and the requisite training to enhance productivity, decision making and improved customer service.
	Training and development	A highly-skilled and capable workforce help us take the Company to the next level. Training and development also contribute to employee retention and engagement.	In accordance with the strategic imperative of investing in human resources, we provide timely and relevant training to empower our employees with the required knowledge and skills to optimize their performance and productivity.
	Employee safety and well-being  GRI 403 (Occupational Health and Safety)	Enhances loyalty, employee satisfaction and retention levels.	Ceylinco Life values work-life balance. We adhere to all mandatory safety standards and undertake additional voluntary activities to maintain the safety and well-being of our employees. More information is in the Human Capital Section (page 92)
	Attracting and retaining the best-in-class talent	Access to great talent is a key driver of success in our industry.	We invest in human talent and benchmark globally accepted best practices to project Ceylinco Life as an employer of choice, thus enabling the Company to recruit and retain the best talent in the industry. All senior managers recruited by the Company are locally hired.

STAKEHOLDERS	Key Concerns	Why this is a material topic (The Boundary)	Our strategic response
<p>Community at large</p> <p><i>GRI 203 (Indirect Economic Impacts)</i> <i>GRI 413 (Local Communities)</i></p> <p>Reporting Boundary - External</p>	<p>Good, ethical corporate citizenship and fair business practices.</p>	<p>The community at large expects a Company to behave legally, ethically and be a good neighbour in all locations that the Company operates in. Living up to this expectation and surpassing it with our CSR efforts enhances our brand equity and attractiveness as a proffered place to work.</p>	<p>Our CSR efforts revolve around identifying groups who need assistance in the areas of healthcare and education and meeting those needs. We also identify deserving beneficiaries and assist them through other CSR activities.</p>
	<p>Investing in the community and job creation</p>	<p>We support communities in which we operate by identifying and addressing gaps, providing solutions and fulfilling critical needs.</p> <p>Regional creation of employment and being a good employer contributes to enhance our Social and Relationship capital</p>	<p>We strive to eliminate social inequalities across the country by investing in infrastructure and social services, with a special focus on enhancing educational and health facilities in underserved communities.</p> <p>More information is in the Social and Relationship Capital section. (page 72)</p>
	<p>Green ethics. A concern for the environment</p> <p><i>GRI 301 (Materials)</i> <i>GRI 302 (Energy)</i> <i>GRI 303 (Water)</i> <i>GRI 305 (Emissions)</i> <i>GRI 306 (Effluents and waste)</i> <i>GRI 307 (Environmental Compliance)</i></p>	<p>Championing environmental sustainability and corporate relationships is a key strategic imperative for Ceylinco Life. The Company believes in minimising adverse environmental impacts and in the optimal use of non-renewable natural resources.</p> <p>Green ethics allows the Company to lead by example in building an eco-friendly corporate culture.</p>	<p>Ceylinco Life is helping conserve a forest of 124 acres. The ongoing “Go Green” initiative by the Company aims to set up green branches and launch environmentally friendly initiatives at branch level. We have also installed solar panels in the Head Office to minimize electricity consumption from non-renewable sources.</p> <p>More information is provided in the Natural Capital section. In January 2020 we set up Green Clubs in the office to promote eco-friendly practices in the office and in the homes.</p>
<p>Regulators including IRCSL, CBSL, SLAASMB, Professional bodies, Ombudsman, Competitors etc.</p> <p>Reporting Boundary - External</p>	<p>Compliance at all levels, cooperation and collaboration, fair and ethical competitive practices and business ethics</p>	<p>Compliance at all levels including compliance with the laws and regulations, timely submission of taxes and returns, provision of data for national accounts and cooperation and collaboration with regulators and adherence to reporting standards is part of good corporate citizenship.</p> <p>Insurance penetration in Sri Lanka remains low and there is a lot of scope for growth. Enhancing industry growth by educating and attracting potential customers requires a concerted effort from all industry players, including professional and industry associations.</p>	<p>Strengthening relationships with stakeholders is a strategic imperative for Ceylinco Life together with good business ethics and corporate governance best practice.</p> <p>As such, we are committed to compliance in all aspects and for cooperation and collaboration with regulators.</p> <p>We are committed to collaborating with industry players including competitors to grow the insurance industry and further extend its reach to potential customers.</p>

# Operating Environment

## GLOBAL ECONOMY



The global economy grew at an estimated 2.4% in 2019, recording the weakest economic expansion since the global financial crisis, ten years ago. The modest growth brought to an end the global slowdown that began in 2018, taking a heavy toll on global activity, trade and investment, especially during the year.

Advanced economies contributed to the overall growth with a 1.6% growth rate, compared to the 2.2% recorded in 2018.

Europe and Central Asia saw a modest growth of 2.0% for this period, compared with the 3.2 growth achieved the year before.

Emerging Markets and Developing Economies (EMDE) performed better overall, growing at an estimated 3.5% during 2019. The comparative figure for 2018, however, was 4.3%. China's growth trend is still continuing on reverse gear, recording a 6.1% in 2019 compared to the 6.6% growth rate achieved in 2018.

### Growth in South Asia

Collectively, South Asian nations grew by 4.9% in 2019 compared to an impressive 7% achieved the previous year. Afghanistan, Bangladesh, Nepal and Bhutan recorded growth rates surpassing their 2018 figures. Growth rates declined significantly in India and Pakistan from their 2018 figures.

World Bank's revised estimates show that the Sri Lankan economy grew by 2.7% in GDP terms in 2019, compared to the 3.2% growth recorded in 2018.

Taken as a whole, Sri Lanka's key export destinations of the United States, United Kingdom, India, Germany and Italy saw declines in growth. Both India and China, which have contributed the largest number of tourist arrivals in the recent past, followed by the UK, Germany, and France, all saw declines in growth from 2018 levels.

### Global Trade, Investments and Consumption

Levels of trade, investment and consumption saw significant deterioration from 2018 levels, as well as in comparison to long term averages, reflecting the fallout of heightened trade protectionism. Growth in global trade in 2019 was 1.4%, the lowest since the financial crisis in 2008-2009. World Bank expects trade growth to improve modestly in 2020, to reach a 1.9%.

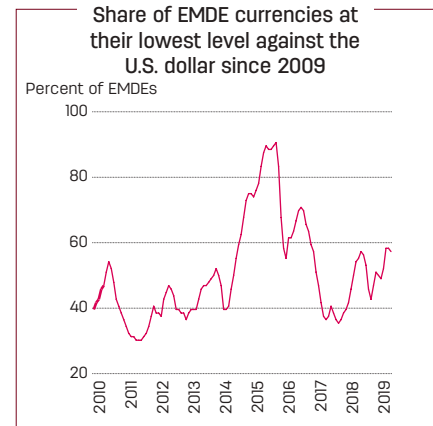
Both global trade and overall economic growth prospects are likely to be impeded by the increased uncertainty flowing from potential future flare-ups between US and China on trade, as well as the wider US-Iran conflict.

### Global Financial Markets

Global financing conditions eased considerably during 2019 with a number of

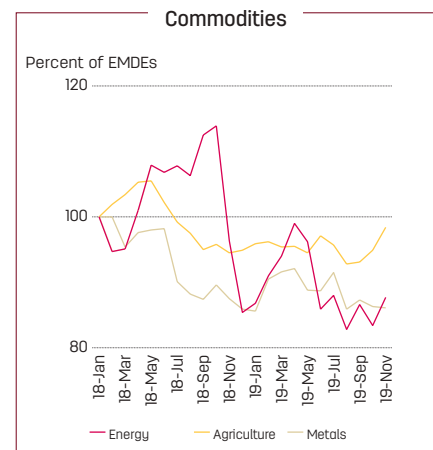
central banks taking an accommodative stance in response to softening economic prospects. However, emerging and developing economies with low credit ratings did not benefit from this global decline in borrowing costs. Prior to the recent recovery, many emerging and developing economies' equity markets saw significant outflows.

During 2019, many of their currencies recorded their lowest exchange rate levels against the U.S. dollar since 2009.



### Commodity Markets

Prices of most commodities fell in 2019. Despite disruptions to oil supply, expectations of declining demand have exerted downward pressure on oil prices.



### Outlook 2020 and beyond

In early January 2020, the World Bank revised its previous global growth forecast for 2020 to downwards by 0.2 percentage points to 2.5% and revised down the forecasts for a number of economies. US growth is forecast to drop to 1.8% in 2020, as a result of earlier tariffs increases and the resulting uncertainty. Growth prospects for the Euro Area will see a downward slip amid weak industrial activity.

These revisions have taken into account the most recent developments in the trade negotiations between the United States and China. While an improvement is expected, overall, there will be a weaker growth outlook for 2020 that depend on many things going right.

### Emerging Market and Developing Economies

While growth in advanced economies including the United States, the euro zone and Japan are expected to decline to 1.4% in 2020 from the 1.6% achieved in 2019, emerging market economies are expected to record an improvement in growth, 4.1% in 2020 over the 3.5% achieved during 2019.

The anticipated improvement will likely come from eight countries driving the emerging market segments. Brazil, India, Mexico, Russia, Saudi Arabia and Turkey, all of which faced slowdowns in 2019 are expected to record improvements. Iran and Argentina are expected to come out of the recessions in 2020.

Over the past decade, there has been a widespread slowdown in productivity growth, a key driver for lasting growth. The growth in productivity, defined as the output per worker, is necessary for raising of living standards. However, over the past decade we have witnessed a slowdown in productivity due to a combination of factors including weaker investment, lower efficiency gains from the reallocation of resources to productive sectors and the slow improvements in drivers of productivity.

### Growth in South Asia

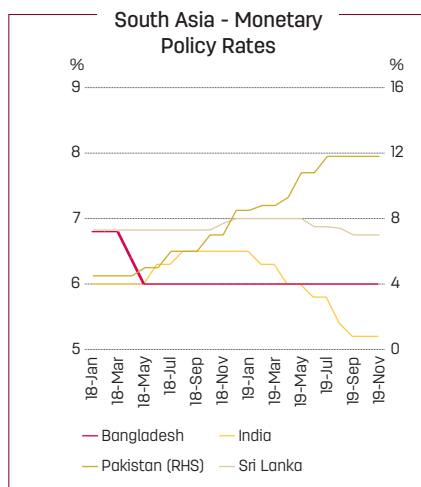
Growth in South Asia decelerated to 4.9% in 2019 from 7% achieved in 2018.

The growth in India was impeded by a combination of funding issues in non-banking financial companies and uncertainty. While regional exports overall softened, Bangladesh's export growth accelerated, reflecting the impact of trade diversion amid trade tensions between US and China.

Monetary policy in the region remained broadly accommodative amid weak activity. Inflation remained subdued. Weakening of imports led to a narrowing of current account deficits.

### South Asia - Outlook

The World Bank projects the growth in South Asia to gradually pick up from 4.9% in 2019 to reach 6% by 2022.



### South Asia Country Forecasts

The growth outlook for South Asia has deteriorated considerably over the past six months.

The weak global trade outlook will continue to weigh on South Asia's regional export growth over the coming years. As such, the projections are subject to the assumption of a modest rebound in domestic demand. Policy accommodation in India and Sri Lanka and improving business confidence and support from infrastructure investments

in Afghanistan, Bangladesh and Pakistan, are expected to boost regional economic activity.

Weakening of private consumption and investment stifled confidence amid challenges in the financial sector. Geopolitical tensions and lack of progress on reforms are also impeding regional growth prospects. There is an abatement of tensions between India and Pakistan, but a reescalation would damage confidence and stifle regional investments. Weakening regional growth, combined with high levels of non-performing assets in the financial sector could lead to a further deterioration of balance sheets of banks and businesses, in turn stifling the capacity for funding of productive investments, thus leading to a vicious downward spiral.

Stalling of reforms to improve tax collection could result in more acute revenue shortfalls in Bangladesh and Sri Lanka putting further pressure on elevated fiscal deficits in the region. This may prove to be an impediment to infrastructure investment, limiting growth prospects and the ability to effectively deal with a future cyclical downturn.

South Asian nations with strong trade links would face a significant impact with a sharper-than expected slowdown in major external markets such as the United States and the Euro Area. Trade, finance and business confidence would suffer as a result.

Countries with elevated debt levels and running large current account deficits, such as Pakistan and Sri Lanka would experience sharp rises in borrowing costs and weakening capital inflows if there is unexpected tightening in global financing conditions.

## Operating Environment

### GLOBAL INSURANCE INDUSTRY

The global insurance industry is divided into life and non-life (or general insurance).

World insurance premiums rose 1.5% in 2018, to USD 5.2 trillion, topping the USD 5 trillion mark for the first time. In comparison, the average annual growth rates recorded between 2008 and 2017 was 1.2%.

#### Real nonlife premium growth comparison vs. 2019-20 outlook

Markets	2008-17A	2018E	2019-20F
Advanced	11%	1.9%	1.8%
Emerging	7.7%	7%	7.0%
World	2.2%	3.1%	3.0%

Note: A = Annual average; E = Estimate; F Forecast

Source: Swiss Re Institute World Insurance. The great pivot east continues, July 4, 2019.

#### Real life premium growth comparison vs. 2019-20 outlook

Markets	2008-17A	2018E	2019-20F
Advanced	-0.7%	0.8%	1.2%
Emerging	8.1%	-2.0%	8.7%
World	0.6%	0.2%	2.9%

Note: A = Annual average; E = Estimate; F Forecast

Source: Swiss Re Institute World Insurance. The great pivot east continues, July 4, 2019.

Non-life premiums grew by 3.1% in 2018, a higher rate than the 2.2% average annual rate achieved from 2008 to 2017.

Life insurance premiums grew 0.2% in 2018, a drop from the 0.6% of average annual growth achieved from 2008 to 2017. All figures are adjusted for inflation.

#### Life Premium Forecast

For 2004, 2019-2020, Swiss Re forecasts a 2.9% global growth rate, a significant improvement over 2018 life premium growth rate. The Emerging markets forecast is a mind blowing 8.7% increase with advanced economies contributing at a 1.2% growth rate.

However, it is pertinent to note that the above forecasts were made prior to the COVID-19 outbreak that may significantly affect GDP growth rates across the globe. The viral outbreak of COVID-19 is expected to significantly affect the performance of the global insurance industry. The exact impact is difficult to predict, but it's clear that both life and non-life segments will be affected, but in different ways, and at different levels.

### Challenging conditions facing Insurers

Globally and locally insurers are called upon to deal with low interest rates, shifting demographics and rising customer expectations.

The 2020 Global Insurance Outlook by Ernst & Young based on a survey of insurance professionals found that the issues with the highest level of impact and likelihood for the global insurance industry are (in order of importance).

1. Achieve operational excellence through cost efficiency
2. Win the war for talent
3. Manage regulatory pressures
4. Digitize distribution
5. Master emerging and disruptive technology
6. Navigate the risks and opportunities of climate change

#### Low interest rates

Globally 90% of the insurance industry profits were derived from investment income, according to figures for years 2014 to 2018. (Source Credit Suisse)

Insurers are faced with low interest rates, stagnant growth prospects in most parts of the world and the increasing likelihood of a global recession. Insurers need to adapt so that these challenging conditions do not affect their bottom lines. At the same time, they must also adapt their strategic plans, business and process transformation efforts and new product launches to deal with these seemingly persistent economic realities.

Life insurers in particular are affected by low interest rates. Central Banks around the globe are responding to tough growth prospects with monetary easing, which increases the pressure on interest rates. Some markets are experiencing negative yields in both government and corporate bonds. Coming on top of weakened economic growth prospects around the globe, growing political uncertainty and trade tensions are further complicating the future outlook for the insurance industry. They stand in danger of hunting for better yields in riskier assets and asset classes.

According to EY's 2020 Global Insurance Outlook, "The erosion of investment returns from low interest rates, tightening spreads and inverted yield curves will not only undercut this critical source of profitability, but also potentially put ratings at risk."

At the same time, mature insurance markets in the past ten years experienced a drop in insurance penetration and number of policies in both life and non-life segments. Some markets including Europe has seen a pronounced shift toward fee-based products, resulting in boosting new business. Life contracts in-force are declining across various European markets.

China, which recorded the strongest growth of any insurance market worldwide was expected to deliver a lower growth rate in 2020, even before the COVID-19 outbreak. The latter is likely to significantly affect economic prospects in 2020, beyond previous projections.

On 28 February 2020, the World Health Organization raised the COVID-19 global risk assessment from "high" to "very high", the highest level. The outfall of the disease is highly likely to impact growth prospects across the globe and create significant negative impact on insurers, especially in regions which are affected.

In these challenging economic conditions, it is very clear why insurers would turn towards cost optimisation and cost efficiency to protect their margins and strengthen bottom lines.



However, cost cutting is not the best strategic option but an equal commitment must be made to innovation and business transformations, particularly on new technologies including artificial intelligence, Internet of Things and other developments which can be deployed within the insurance business.

### Changing Demographics

Changing demographics across the globe bring insurers both opportunities and risks.

#### Ageing Populations

Aging populations and low birthrates pose a serious challenge in many markets across the globe. However, those insurers who are willing to explore platform-based opportunities providing complementary services such as elderly care and services for chronic diseases and cancer can count on these niches to boost their overall growth prospects.

#### Baby Bust

The mass scale retirement of baby boomers can pose challenges to life and health insurers.

At the same time, insurers can fill in the vacuum created by the lack of retirement savings, since the retirement savings gap is becoming a persistent problem. Growth prospects are ample for those insurers who can develop new products to provide financial security that so many consumers seek.

#### Millennials

As Baby Boomers move out of the workforce, and millennials take their place, insurers will need to adapt to the vastly different lifestyles, spending patterns and aspirations of these younger generations. Insurers will be called upon to deliver new value propositions to attract these new and younger consumers who delay marriages, having children, buying homes and in general achieving traditional milestones of adulthood.

#### Growing Middle Class

Insurers in developing countries where the middle class is growing fast can look forward to favourable growth prospects.

This is true for many developing markets in Asia, which are also experiencing better economic growth prospects compared to the rest of the world. These markets offer favourable market dynamics to insurers.

Demand for insurance increases when consumers consider saving and preparing for the future a priority. Where government sponsored social support networks are weak, private insurance is sought out by consumers.

In developing economies, it is natural for small to medium enterprises (SMEs), which make up the bulk of businesses to begin seeking insurance coverage. Larger companies need to protect themselves across complex value chains typically crossing national boundaries and regions. In the long term, we may see regions such as Africa, home to growing populations, opening up new markets for insurance.

In order to reap these benefits, insurance companies must learn to successfully navigate a complex network of related risks and opportunities.

#### Customer Expectations

Rising customer expectations is a challenge that insurers in each nation and region encounter as living standards and disposable incomes increase in the local populations. However, insurers everywhere are now called upon to meet the challenge of rising customer expectations on digital channels and bespoke experiences. The pressure is going to increase in the near future, if not increased already.

Data from Forrester shows that 73% of consumers in the Asia-Pacific region believe that they should be able to accomplish any financial task on their mobile device.

Creation of unique and personalized customer experiences has been a priority for insurers over many years. However, many insurers across the world are still catching up, making them vulnerable to competitive pressure from non-traditional players.

Insurers' success varies across the world, when meeting these expectations. Some insurance leaders are resorting to "green field" business models and brands to overcome legacy system constraints. Some forward looking companies are collaborating and engaging with InsurTech firms to leapfrog traditional development processes. A few insurers have succeeded in pivoting to re-position themselves as technology players, reinforcing and regaining their market leadership positions.

Insurers in Asia have been pioneers in delivering digital and mobile innovations to consumers, who are known to have the highest levels of expectations on these fronts. The most successful insurers among these would be the ones who can scale operations efficiently and effectively while localising experiences to reach a wide range of customers across their target segments.

Insurers recognize that today's customers want quick and easy results. Those companies still making their customers deal with complex applications and time-consuming claim processes will lose out to more nimble competitors, both new and traditional. Digitally enabled risk prevention offerings are experiencing growing demand, as millennials who can be called the first "digital native" generation, begin to make up the bulk of the customer base. This shift in digitally enabled services is common across life and non-life sectors. All companies, from SMEs to larger businesses, are seeking to save time and cost by shifting to the digital domain. According to EY, the "need for simpler digital products embedded in relevant ecosystems, coupled with instant claim payments often based on parametric insurance, is significantly altering expectations at all phases of the customer's journey".

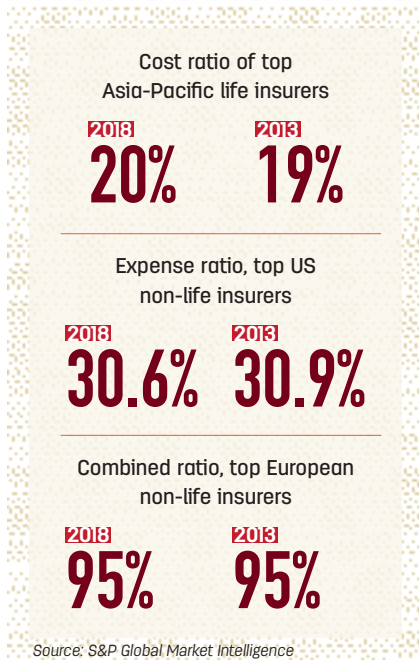
## Operating Environment

### Into the Future

For insurers across the globe, the way to success lies in seeking cost efficiencies, winning the war for talent, effectively dealing with increasing regulatory pressures, mastering emerging and disruptive technologies and digitising distribution and effectively navigating the risks and benefits of climate change.

### Seeking Cost Efficiencies

Give as box/highlights under seeking cost efficiencies.



In conditions where low interest rates result in low investment yields, stagnant economic growth translates to limiting top-line growth, insurers must seek cost efficiencies to boost their bottom lines.

This is true for insurers in mature, stagnant markets and to developing markets with relatively faster growth. Reducing expenses is key for everyone. However, cost efficiency must go hand in hand with operational excellence as a priority. A ruthless focus on improving loss ratios is a must. This can be achieved through diversifying the portfolio mix, improving risk selection and pricing, putting in place stronger risk management and controls and a variety of other measures.

It is important that cost optimization is not allowed to stifle innovation. For insurers

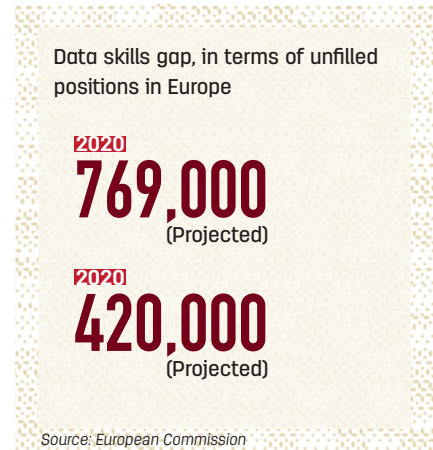
everywhere, the focus on cost optimisation should be seen as a way to free up resources that can then be invested in transformation and product innovations.

Cost-related initiatives at most large insurance firms are going beyond maintaining cost ratios and exploring new approaches, strategies and tactics. These include:

- Process automation and cloud migration
- Core system transformation
- Outsourcing and value chain disaggregation
- Shared services centers and centers of excellence
- Establishing partnerships in risk management and compliance

Shifting to a variable cost base requires fully embedding key functions and operations with AI, cloud migration and automation. These changes will enable insurers explore new and different operating models, enable extensive partnering across their value chains and lead to more sustainable cost structures. Cost reduction must necessarily take place within a holistic framework that carefully factors in long-term investments in technology.

### Winning the War for Talent



From new business model development and business restructuring to new technology deployments and digital transformation, talent is the "secret sauce" insurers need to help them maximise returns on future oriented investment projects.

While it is true that many back-office jobs in claims and customer service may soon disappear with automation, insurers need new talent with different skill sets to compete. Digital transformations need people with "digital thinking" skills as well as specific technical skills--such as actuaries, data scientists and data analysts.

As the figures show, new university graduates--with the data skills that insurers need--do not find insurance industry an attractive beginning for their careers. Insurers, as companies and as a sector, must rethink talent strategies and work on proactively managing headcounts as well as the entire talent pipeline. And that applies to every level from new hires to the most senior officers.

Insurers can become competitive in the war for talent by instilling a real sense of purpose and understanding and aligning that purpose to the values of millennials and other generations they want to attract to their businesses. Unlike in the past, insurers will be called upon to clearly state their environment and ethical stances and convince new recruits explaining the societal value of insurance and deliver a message that heightens appeal as a career starter industry that offers prospects for development.

### Managing Regulatory Pressure

Tighter regulations are a reality that insurers everywhere must deal with in order to stay in business. The best approach to increasing regulatory pressure is to view it as an opportunity to improve performance. While regulatory pressures differ significantly across the world, regulators are increasingly addressing a variety of issues from financial reporting, taxes, capital standards, conduct risk, consumer protections, data privacy and anti-money laundering.

For insurers everywhere, IFRS 17, with implications on multiple aspects including technology, data and reporting processes, is a priority concern, even with the postponement of the implementation deadline.

The strategic implications of IFRS 17 requires insurers to adopt new reporting metrics and key performance indicators (KPIs). Explaining business performance to investors must now be approached differently.

When it comes to conduct risk insurers are called upon to ensure that their insurance products create value for their customers and to promote good customer outcomes. Insurers must also set clear limits pertaining to the collection, use and ongoing storage of customer data. The best approach is to proactively deal with tighter regulations in the same way they think through other functions including distribution, product development and service strategies.

Across markets and regions we can see emerging global standards influencing local regulators.

### Digitising Business Operations

By 2018, just 17% of insurers rated themselves as effective in making digital an integral part of business strategy, according to Gartner.

Digitisation across the entire value chain matters to insurers, covering everything from underwriting, distribution, customer service and claims. Digitising distribution and sales operations appears to be a near term priority due to competitive factors and the immense and clear benefits that can be derived from it. Strong digital channels

can enhance the ability to deliver intuitive and personalized consumer experiences modern consumers have come to expect. They can help significantly reduce costs of acquisition, improve efficiency and sell more products.

While distribution patterns can vary dramatically from market to market, to succeed, insurers need to strengthen their direct channels and empower their agents with digital tools so both traditional and digital channels work together smoothly and productively.

Agents, who in previous iterations viewed digitisation as a threat, are now viewing it as a way to increase efficiency and minimise acquisition costs. Digitising will also make companies more attractive to new talent.

Insurers are seeking to collaborate with InsurTechs so that they can accelerate the digitization journey across and bring to life genuine omni-channel propositions that have a perfect mix of digital and human elements. It is necessary to have seamless transitions, consistent experiences and synchronized data across their multiple channels. The investments in effort and money makes it worthwhile to achieve stronger customer engagement and higher efficiencies that boost bottom lines.

### Emerging and Disruptive Technologies

According to a research by Gartner, by 2018, only 5% of insurers rated themselves as effective in harvesting results from digitization.

Just as with many other industries, the global insurance industry too will be reshaped by the availability of disruptive new technologies matched with massive data sets.

To successfully leverage the power of new technologies--including artificial intelligence (AI), Internet-of-Things (IoT), robotic process automation, drones and blockchain and experience the benefits, insurers must be committed to invest in both technologies and the talent.

Those who invest will experience the benefits of generating real-time risk insights so that they can proactively meet their customer needs.

"Adoption of IoT, drones and connected insurance models is mostly in the experimentation stage, though a few early adopters have already seen promising results. Blockchain has begun to make inroads as an enabler of increased transparency and more efficient data sharing. First generation deployments in commercial shipping insurance have largely achieved their goals.

"Robotic process automation is more deeply embedded in claims and basic administrative processes. AI use is growing. In China, AI-driven distribution is transforming how customers engage and products are sold. On-demand and usage-based insurance are gaining traction in Asia-Pacific markets. Europe has seen broad use of telematics and IoT-connected sensors."

To fully leverage their technology investments and stay ahead of the curve, insurers must define the necessary skills and expertise and find the talent now. Collaborations with InsurTechs is sure to help with addressing talent gaps and develop new capabilities.

The many benefits include:

- Ability to revolutionize customer experience
- Seamless underwriting in personal lines, with a few data points to obtain a quote
- Streamlined claims processing
- Enhanced fraud detection
- Ability to develop new value propositions
- New business models (such as on-demand subscriptions)

## Operating Environment

### INSURANCE INDUSTRY IN SRI LANKA

There were 26 registered insurance companies operating in Sri Lanka at the beginning of 2019. Six among them had significant foreign equity collaborations or shareholdings. Many insurance operators were organized into conglomerates, subsidiaries and associates of groups.

By January 2019, nine Sri Lankan insurance companies were listed in the Colombo Stock Exchange.

### SECTOR PERFORMANCE

Item	End Jun	End Jun	End Dec	End Jun	Y-O-Y Change (%)	
	2017	2018	2018	2019 (a)	Jun 2018	Jun 2019 (a)
Total Assets (Rs. billion) (b)	5331	581.8	606.6	654.0	91	12.4
Total Income (Rs. billion) (b)	96.6	108.1	221.2	119.0	11.8	10.2
Gross Written Premium	76.2	85.8	176.2	93.6	12.6	9.2
Income (Rs. billion) (b)						
Investment Income (Rs. billion) (b)	20.5	22.3	45.0	25.4	8.9	13.8
Profit Before Tax (Rs. billion) (b) Capital	4.7	21.7	29.5	12.5	364.7	-42.4
Adequacy Ratio (CAR) (%)						
Long-term Insurance	358.0	310.3	312.0	293.0		
General Insurance	117.0	179.5	204.0	193.0		
Retention Ratio (%)						
Long-term Insurance	95.9	96.0	95.8	96.1		
General Insurance	78.5	76.1	77.9	75.7		
Claims Ratio (%)						
Long-term Insurance	36.9	44.2	46.2	47.5		
General Insurance	63.9	63.7	63.7	63.2		
Combined Operating Ratio (%)						
Long-term Insurance	86.2	98.0	101.0	98.4		
General Insurance	102.9	101.4	102.9	103.5		
Return on Assets (ROA) (%)						
Long-term Insurance	1.8	8.5	4.9	10.8		
General Insurance	8.9	5.1	5.4	4.6		
Return on Equity (ROE) (%) - General Insurance	18.8	10.4	11.2	9.6		
Underwriting Ratio (%) - General Insurance	171	18.0	18.1	178		

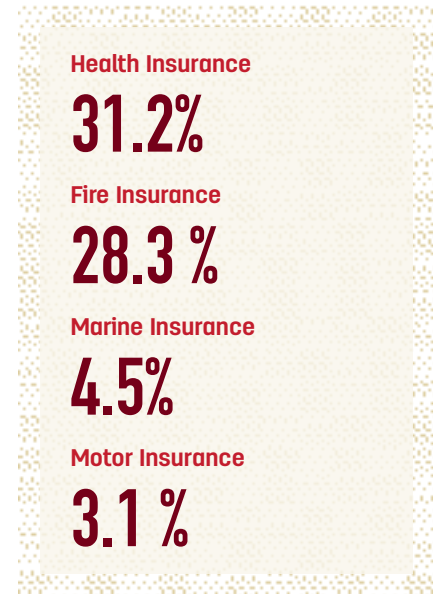
Total assets of the insurance sector grew by 12.4% to reach Rs. 654.0 billion in the first half of 2019, compared with Rs. 581.8 billion by the end of June 2018. This was an improvement over the 9.1% growth reported in the first half of 2018.

Gross Written Premium (GWP) of the sector grew by 9.2% to reach Rs. 93.6 billion during the first half of 2019, compared to the Rs. 85.8 billion recorded by end of June 2018. However, this level of growth was a significant deceleration from 12.6% growth achieved by the end of June 2018.

The GWP of the long-term insurance sector grew by 9.9% at end June 2019, while the general insurance sector recorded a growth rate of 8.6%.

#### Sub-Sector Growth

The highest growth insurance subsectors were health, fire, marine and motor insurance.



From the above, except for the motor insurance sub-sector, the first half growth rates in 2019 were an improvement over the previous corresponding period. Growth in motor insurance has decelerated in the first half of 2019.

## Investment Income

Despite a challenging environment, investment income of the insurance industry grew by 13.8%, surpassing the 8.9% growth achieved over the previous corresponding period to reach Rs. 25.4 billion by end of June 2019. There is a steady growth in industry investment income observed from 2017 onwards.

## Insurance Sector Profits

There was a significant decline in sector profits at the end of June 2019 mainly due to the base effect. From Rs. 29.5 billion at end June 2018, profits declined to Rs. 12.5 billion by end of June 2019, a decline of 42.4%. In contrast, the growth rate in profits from first half of 2017 to first half of 2018 was a 364.7% increase.

The Long-term insurance sector contributed to 67% of the overall insurance sector profits.

The Long-term insurance sector saw a 51.6% decline in profits in the first half of 2019, compared to the first half of 2018. The profit decline in the general insurance sector was a more moderate 5.4%.

It must be noted that the long-term insurance sector profits in June 2018 were unusually high due to a one-off surplus transfer made by two insurance companies during the year as a result of change in valuation method of life policyholder liabilities, in compliance with regulations of the Insurance Regulatory Commission of Sri Lanka.

## Industry Growth Prospects

A number of factors offer fair growth prospects to the Sri Lankan insurance industry.

## Low Insurance Penetration

The relatively low insurance penetration levels in Sri Lanka is an opportunity waiting to be exploited by Sri Lankan insurers.

	2014	2015	2016	2017	2018
Penetration % (Total Premium of Insurance Business as a percentage of GDP)	1.02	1.12	1.19	1.23	1.26
Penetration % (Premium of Long Term Insurance Business as a % of GDP)	0.43	0.49	0.53	0.53	0.56
Penetration % (Premium of General Insurance Business as a % of GDP)	0.59	0.63	0.66	0.7	0.7
Insurance Density - (Total Premium Income - Insurance Business/ population) LKR	5094	5865	6747	7693	8376

## GDP and GNI Growth Trend

The per capita GDP of Sri Lanka has been rising steadily. The per capita GDP for 2018 was estimated to be US dollars 4,102 (Rs. 666,817) a growth of 6.6% over the previous period. The per capita GDP achieved during 2017 of US dollars 4,073 (Rs. 625,736) showed a 10.6% growth over 2016.

(current market prices)	2012	2013	2014	2015	2016	2017	2018
Rupees	427,538	465,976	498,828	522,304	561,560	621,026	666,817
USD	3,351	3,609	3,821	3,842	3,857	4,073	4,102

Gross national income or GNI represents the sum of a country's gross domestic product (GDP) plus net income (positive or negative) from abroad. GNI per capita is the dollar value of a country's final income in a year, divided by the population. In other words, GNI reflects the average income of a country's citizens.

From 1 July 2018, The World Bank classified lower middle-income economies as those a GNI per capita between USD 996 and USD 3,895 and upper middle-income economies

as those between USD 3,896 and USD 12,055. Sri Lanka achieved a GNI per capita of USD 3991 in 2018 (USD 3996 in 2017) and is now an upper middle-income economy.

Rising incomes generally lead to a higher focus on discretionary consumption. It also means that consumers would turn towards insurance to safeguard their income streams over time.

## Operating Environment

### Sri Lanka Prosperity Index

The Sri Lanka Prosperity Index (SLPI) is a composite indicator that measures the level of prosperity of the country. It comprises three sub-indices, Economy and Business Climate, Wellbeing of the People and Socio-Economic Infrastructure.

Economy and Business Climate sub-index is calculated by using the per capita GDP, levels of employment, informal wage levels, inflation, and density of industry and banking among a number of other factors.

The Socio-Economic Infrastructure sub-index takes into account key drivers including road network improvements, extensions to the expressways, construction of bridges and flyovers, electricity facilities and improvements in pipe borne water quality.

'Well-being of the People' considers the purity of environment and air quality, healthcare facilities availability, quality and availability of education, wealth of people measured in terms of vehicle ownership, access to super markets, engagement in entertainment activities, among other factors.

The positive growth trend in the SLPI is an opportunity for Sri Lankan insurers because when people have more disposable incomes and seek to improve their quality of life, insurance industry benefits.

### Growing Internet Use and Mobile Phone Penetration

Sri Lanka's internet and mobile phone penetration levels have continued on a strong and steady growth trend.

There were 32.5 million mobile telephone connections by end of 2018, year on year growth of 15.4%. The total number of internet connections grew by 23% in 2018 while

	2014	2015	2016	2017	2018
<b>Telecommunications Services</b>					
Fixed Access Services (No.)	2,709,848	2,601,196	2,550,432	2,603,178	2,484,616
Wireline Telephones in Service	1,123,126	1,128,291	1,166,348	1,198,483	1,215,967
Wireless Local Loop Telephones	1,586,722	1,472,905	1,384,084	1,404,695	1,268,649
Cellular Phones (No. of Subscribers)	22,123,000	24,384,544	26,227,631	28,199,083	32,528,104
Telephone penetration	119.56	128.71	135.73	143.64	161.57
Internet (No of Subscribers)	3,396,295	4,090,920	4,920,554	5,904,260	7,263,161

fixed internet connections grew by 25.2% to 1,530,099. Mobile internet connections grew by 22.4% to 5,733,062 connections. The total telephone penetration in the country—measured as connections per 100 persons—reached 161.6 in 2018. Fixed telephone penetration and mobile telephone penetration were at 11.5 and 150.1, respectively.

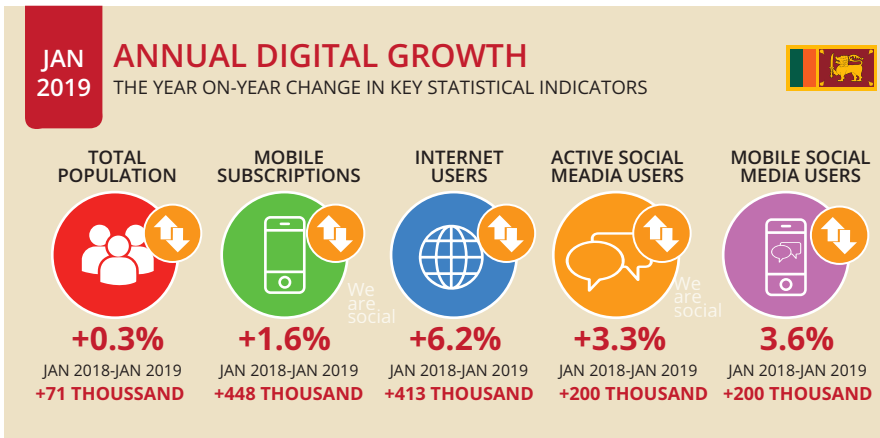
Internet penetration, measured as connections per 100 persons, stood at 33.5 at end 2018, recording a growth rate of 27% over the previous year.

The cost of internet access is going down gradually. A significant number of internet users in Sri Lanka are utilizing public access WiFi networks.

### Social Media Use

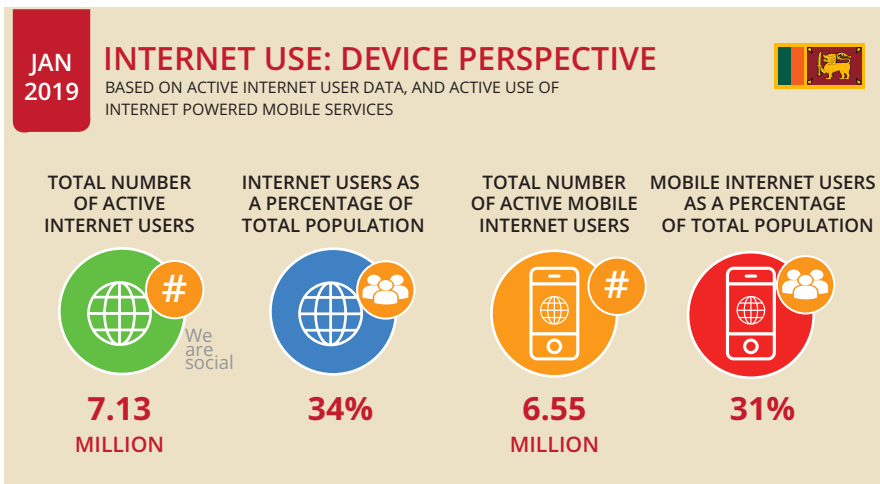
By January 2019 Sri Lanka had 7.13 million active internet users and 6.55 million mobile internet users. Overall, more than one third of Sri Lankans (34%) have internet access. There were 6.2 million active social media users in Sri Lanka and 5.7 million active mobile social media users.

Between January 2018 and January 2019, Sri Lanka's mobile phone subscriptions grew year on year by 1.6% while internet users grew by 6.2%. During the same period, active social media users recorded a 3.3% growth while mobile social media users grew by 3.6%.

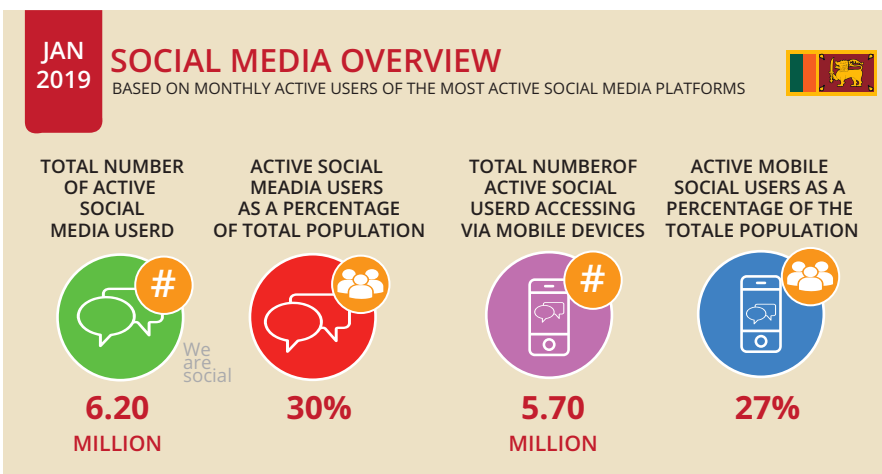
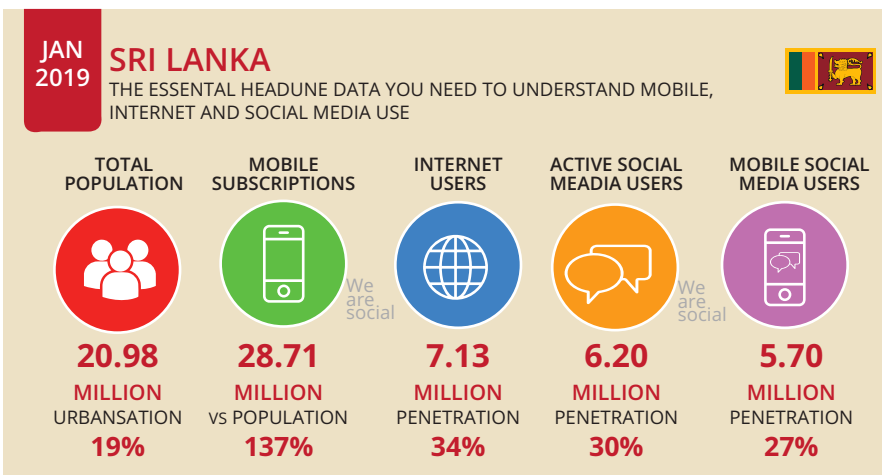
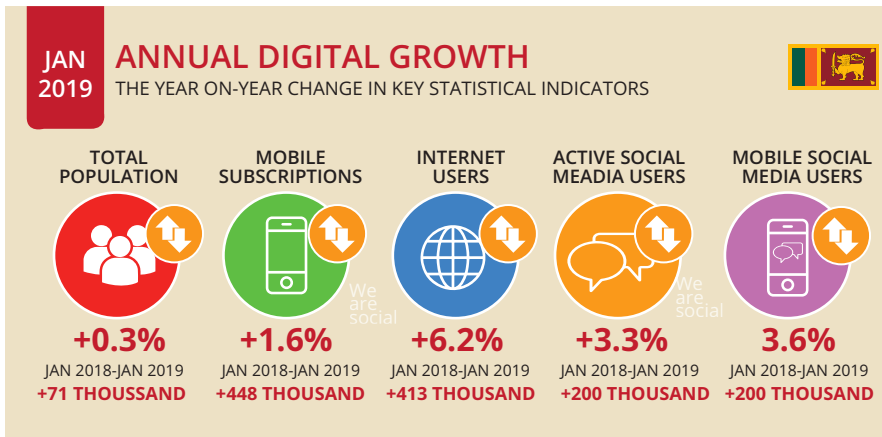


Growing use of mobile phones, smart phones, and internet use when matched with increasing social media use and increasingly high consumer expectations, especially among younger generations of users, including millennials, present immense growth opportunities for the insurance industry in Sri Lanka.

If Sri Lanka follows the trends of the global insurance industry, it should look at growth opportunities for new and innovative products, potential for expanding to omni-channel distribution and new business models. The industry should look beyond serving individual consumers consumers, and also small and medium enterprises sector.



## Operating Environment



Source: <https://www.slideshare.net/DataReportal/digital-2019-sri-lanka-january-2019-v01/15>

## REGULATORY ENVIRONMENT

The regulatory environment consists of laws, regulations and best practices that enable us to operate within a sound corporate governance framework. As a life insurer, we are regulated by the Insurance Regulatory Commission of Sri Lanka (IRCSL), formerly known as the Insurance Board of Sri Lanka (IBSL) through the Regulation of Insurance Industry Act, No. 43 of 2000 and amendments thereto. Other laws and regulations issued by regulators such as the Central Bank of Sri Lanka, Department of Inland Revenue and the Government have an impact on our strategy and operations.

### Our Approach on Regulatory Changes

Ceylinco Life strives to ensure strict compliance with all applicable laws and regulations and has zero tolerance for regulatory non-compliances. Changes in the regulatory environment are proactively monitored by the Regulatory Risk Committee under Ceylinco Life's broader enterprise risk management framework (refer to pages 161 to 165). Status of compliance with applicable laws and regulations is reviewed by the Compliance Officer and is subject to periodic audits carried out by the internal audit function.

### Key Regulatory Changes in 2019

1. Direction # 17: Corporate Governance Framework for Insurers

The purpose of this Direction, issued by the IRCSL on 14th December 2018, is to ensure greater transparency in the conduct of the affairs of insurance companies. It recommends that insurers adhere to the Code of Best Practice on Corporate Governance (2017) and Section 7.0 of the Listing Rules of the Colombo Stock Exchange.

This Direction was to become effective initially from 1st January 2019. However, the IRCSL subsequently extended the effective date of compliance to 1st July 2019.



**Key Features**

- The need to have a minimum of two directors who are citizens and residents of Sri Lanka;
- A nine-year restriction on the period of service of a non-executive director in an insurance company;
- The age of a director serving in an insurance company is limited to 70 years (subject to the exceptions as set out in the Direction);
- An insurer must adhere to Section 710 of the Listing Rules of the Colombo Stock Exchange pertaining to corporate governance;
- Restriction on the number of directorships held by a director of an insurance company to 20 but not exceeding 10 companies categorized as Specified Business Entities in terms of Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995.

**Ceylinco Life response**

Though not a listed company, at Ceylinco Life we endeavour to ensure compliance with applicable corporate governance rules and voluntarily apply the Code of Best Practice on Corporate Governance in reporting.

2. Direction # 18: Unclaimed Benefits of Long-term Insurance Business

The IRCSL issued this Direction on 22nd February 2019 to provide guidance on how to treat unclaimed benefits in the financial statements of a life insurer.

**Key Features**

- Life insurers are prohibited from transferring any unclaimed benefits to shareholders;
- Unclaimed benefits are required to be presented as a liability on the balance sheet;

**Ceylinco Life response**

We have ensured that unclaimed benefits remain in the policyholders' fund. We started disclosing unclaimed benefits as a separate item on the balance sheet from financial year 2018.

3. Insurers (Customer Due Diligence) Rules, No. 1 of 2019

These Rules were issued under Section 2 of the Financial Transactions Reporting Act, No. 6 of 2006 by the Financial Intelligence Unit (FIU) of the Central Bank of Sri Lanka. The main objective of these Rules was to specify the measures to be taken by insurers for the purpose of identifying, assessing and managing money laundering and terrorist financing risks posed by its customers, by conducting ongoing customer due diligence.

**Key Features**

- Need to have a risk-based approach for customer due diligence;
- Management of money laundering and terrorist financing risks to be integrated with the overall risk management framework;
- Specify what information and documents need to be collected from different types of customers to fill the Know Your Customer (KYC) form;
- Specify record keeping requirements;
- Verify whether any customer, prospective customer or beneficiary appears on any list of designated persons or entities;
- Due diligence requirements in respect of Politically Exposed Persons (PEP);

**Ceylinco Life response**

We have already linked this risk to the overall Enterprise Risk Management (ERM) framework of the company. We amended our Anti-Money Laundering and Combating Terrorist Financing Policy, incorporating the requirements of these Rules. We also conducted several training programs for members of senior management, employees and agents to educate them on the new requirements.

# Capital Management Review

## Financial Capital

### Challenges 2019

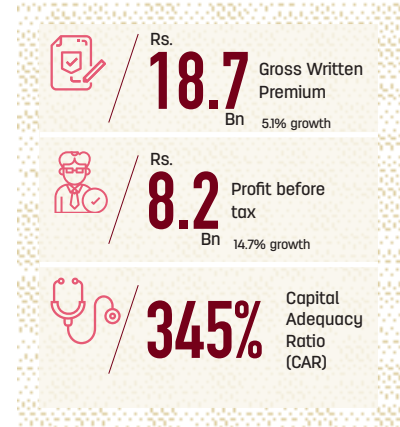
- Change of basis of income tax computation for the life insurance industry under new tax regulations had a negative impact on the bottom line
- Achieving premium and growth targets amidst intense competition
- Impact on investment income due to volatility in interest rates

### Management Approach

Financial Capital refers to the resources with an attached financial value which are reflected in our financial statements. As we are a life insurer, our utmost purpose

of managing our financial capital is to create long-term sustainable value to our shareholder while protecting the interests of our policyholders. Thus, financial stability, liquidity and profitability are key deliverables of our financial strategy.

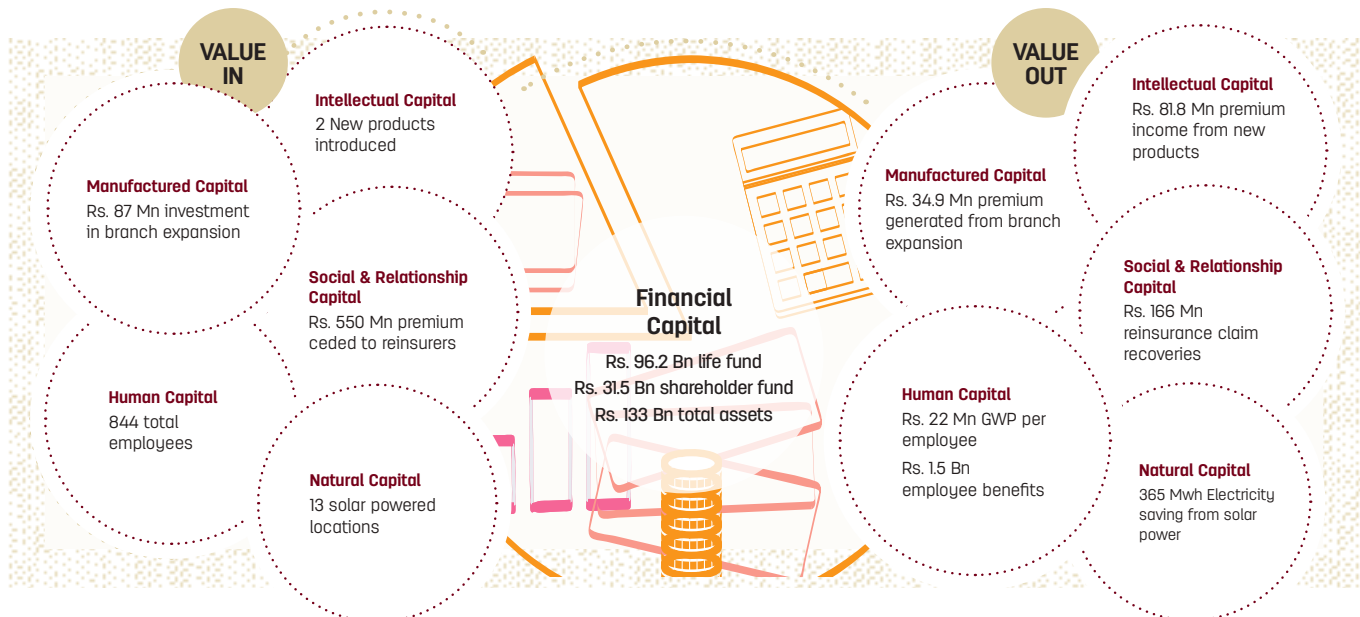
### Key Indicators of Value Generated In 2019





### Performance Dashboard 2019 and Targets for 2020

Performance Indicator	2019			2020	
	Actual	Target	Achievement %	Target	Expected Growth %
	Rs. Mn	Rs. Mn		Rs. Mn	
Gross written premiums	18,719	20,509	91	20,500	9.5
Investment and other Income	13,393	11,900	113	11,500	(14.1)
Net benefits and claims	(10,604)	(10,050)	106	(11,694)	10.3
Acquisition cost	(1,963)	(2,065)	95	(2,051)	4.5
Expenses	(3,550)	(3,600)	99	(3,800)	7.0
Profit before tax	8,212	7,800	105	8,500	3.5

### Value Creation through Financial Capital

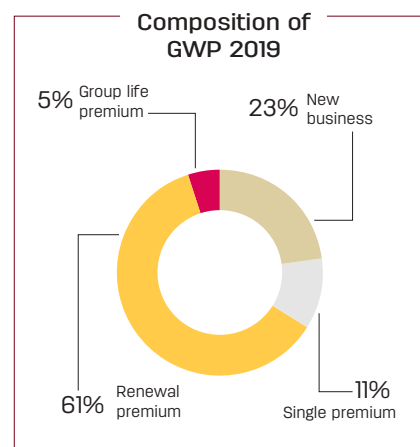
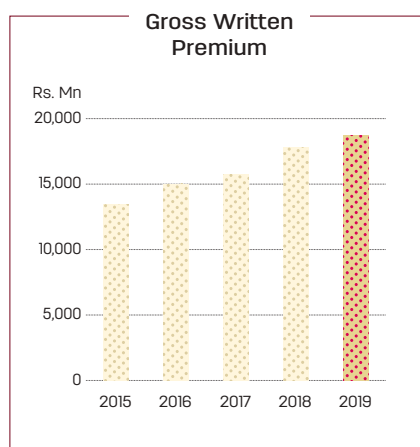


	SDG Goals	Key Focus Area in 2019	Achievements and Value Creation
	No Poverty	Honoring legitimate claims of our policyholders to ensure they maintain their living standard when unforeseen events affect their lives	<ul style="list-style-type: none"> <li>Rs. 417 Mn - death claims paid</li> <li>Rs. 380 Mn - disability claims paid</li> <li>Rs. 112 Mn - hospitalisation cash benefits claims paid</li> </ul>
	Climate Action	Installation of solar panels to reduce electricity consumption	<ul style="list-style-type: none"> <li>Rs. 173 Mn invested in installing solar panels at 2 Locations</li> <li>Rs. 9.9 Mn saved from electricity expense</li> </ul>

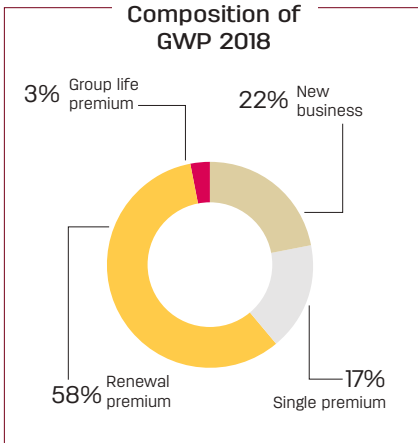
For the Year Ended 31st December,	2019	2018	Change
	Rs. Mn	Rs. Mn	%
Gross written premiums	18,719	17,813	5.1
Premiums ceded to reinsurers	(550)	(458)	20.2
Net written premiums	18,168	17,355	4.7
Investment and other income attributable to policyholders	10,856	10,102	7.5
Net benefits and claims paid	(10,604)	(9,804)	8.2
Increase in long-term insurance fund	(7,190)	(6,457)	11.3
Acquisition cost	(1,963)	(1,926)	1.9
Operating and administrative expenses attributable to policyholders	(4,415)	(4,228)	4.4
Interest expense	(4)	(17)	138.0
Tax expense	(912)	(150)	510.1
Surplus from life Insurance business / underwriting result	3,900	4,875	(20.0)

### Gross Written Premium (GWP)

Gross Written Premium is the total premium paid by the policyholders to the insurance company, before deducting reinsurance and ceding commission. This is our main source of income. Our total gross written premium recorded a growth of 5.1% over 2018 to reach Rs. 18,719 million.



## Capital Management Review | Financial Capital



Description	2019	2018	Change%
Annualized new business premium -Rs. '000	6,054,291	5,876,672	3.02
No of new policies issued during the period	138,660	123,273	12.48
Average premium per policy - Rs.	43,663	47,672	(8.4)

### GWP Growth - Industry vs Ceylinco Life

The gross written premium of the life insurance industry recorded a growth of 10.51% for the year ended 31st December 2019 year-on-year. Ceylico Life grew its gross written premium by 5.08% year-on-year over the same period. As a corporate decision, Ceylinco Life focuses mainly on core life insurance products while most of the other industry players are aggressively focusing on medical insurance.

Description	2019	
	Industry	Company
GWP (Rs. Mn)	88,709	18,719
GWP Growth (YoY)	10.51%	5.08%

Source: IASL Industry Figures - Q4, 2019

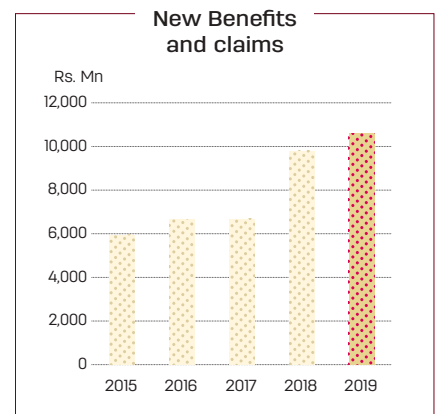
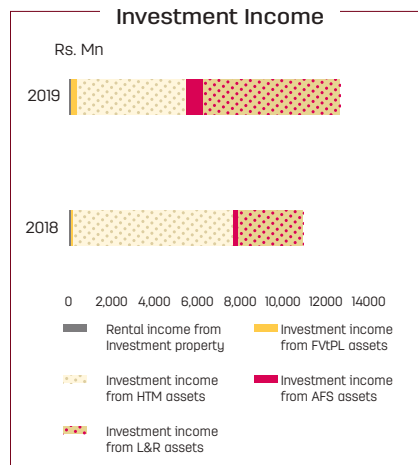
### Net Benefits and Claims

Net benefits and claims from life insurance business, when the gross change in contract liabilities is excluded, increased by 8.2% to hit Rs. 10,604 million in 2019, compared to Rs. 9,804 million in 2018. During the year under review, we paid Rs. 6,949 million worth of maturity benefits, which reflected a 9.1% increase from Rs. 6,368 million worth of maturity benefits paid in 2018. Death, disability and hospitalization claims paid in 2019 amounted to Rs. 909 million, up by 12.5% from Rs. 808 million paid in 2018.

### Investment Income

Investment income in 2019 increased by 15.1% compared to the previous year and amounted to Rs. 12,683 million. This performance in investment income is a result of the prudent investment strategies set out by the Investment Committee, the details of which are given in the Investment Committee Report on pages 186 to 187.

The Main contributor to the rise in investment income was the income amounting to Rs. 6,440 million generated from loans and receivables financial assets during 2019. The second largest contributor was Rs. 5,086 million generated from held-to-maturity financial assets.

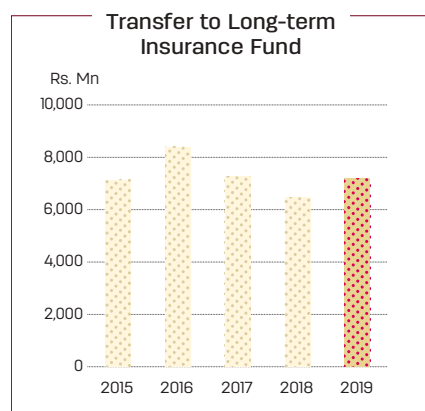


Description	2019	2018	Change %
	Rs. Mn	Rs. Mn	
Claims - death, disability and hospitalization	909	808	12.5%
Policy maturities	6,949	6,368	9.1%
Interim payments on anticipated endowment plans	1,093	918	19.1%
Policy surrenders	1,648	1,718	-4.1%
Encashment of bonus to policyholders - cash and loyalty bonus	145	159	-9.1%
Annuities	25	26	-2.0%
Gross claims and benefits	10,770	9,997	7.7%
Reinsurance recoveries	(166)	(194)	-14.6%
Net benefits and claims	10,604	9,803	8.2%

### Transfer to Long-term Insurance Fund

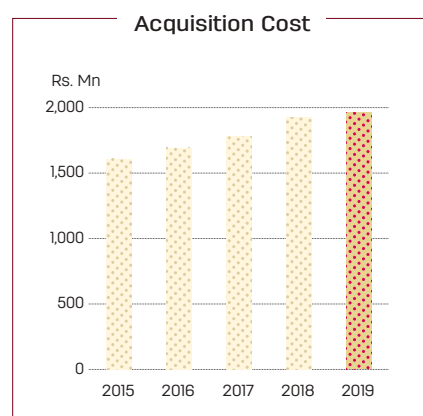
During 2019, the Company transferred Rs. 7,190 million to the Long-term Insurance Fund, after transferring Rs. 3,900 million to the Shareholders' Fund. In 2018, transfer to the Long-term Insurance Fund was Rs. 6,457 million.

This reflects an increase of 11.3% from 2018. This transfer to the Long-term Insurance Fund was permitted by the growth in gross written premium and the higher investment income generated from prudent investments made out of the policyholders' funds, which was more than sufficient to absorb the escalation in acquisition cost, higher value of customer benefits and claims and the increase in tax expense.



### Acquisition Cost

Acquisition cost mainly represents the commission expenses incurred by the Company in underwriting life insurance. The Company uses independent sales agents predominantly in taking the message of life insurance to every family in Sri Lanka. The increase in acquisition cost to Rs. 1,963 million in 2019 from Rs. 1,926 million in 2018 correlates with the increase in gross written premium in the current year.



### Operating and Administrative Expenses

Total operating and administrative expenses increased by 4.9% from Rs. 3,384 million in 2018 to Rs. 3,550 million in 2019. The Company spent on advertising and business promotions to win new business and defend its market share in an intensely competitive market. The Company provided higher benefits to reward those exceptional staff members who contributed to the Company's value creation during the year. Employee benefits are discussed in detail under Human Capital on pages 92 to 103.

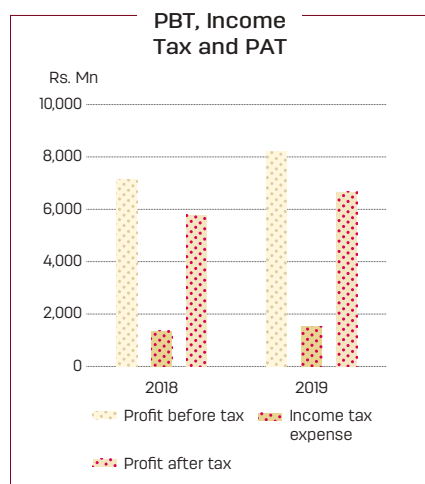
However, the actuarial valuation of the pension and gratuity fund liabilities of the Company resulted in a reversal of the contributions the Company had made to these funds since the fair value of the planned assets was higher than the planned liabilities. This led to a reduction in employee benefit expenses in 2019.

Description	2019	2018	Change %
	Rs. Mn	Rs. Mn	
Administrative expenses	1,479	1,449	2.1
Selling expenses	532	367	44.7
Employee benefit expenses	1,539	1,569	-1.9
Total	3,550	3,384	4.9

## Profitability

In 2019, Ceylinco Life recorded a profit before tax of Rs. 8,212 million, up by 14.7% over Rs. 7,157 million recorded for 2018. The income tax expense of 2019 increased marginally by 13% to Rs. 1,540 million from Rs. 1,363 million in 2018. The current tax charge for 2019 was Rs. 1,496 million, while it was Rs. 1,181 million in 2018. The change in the basis of income tax computation for life insurance companies brought about by the Inland Revenue Act, No. 24 of 2017 had a negative financial impact on the industry as a whole.

We recorded a profit after tax of Rs. 6,672 million in 2019, which reflected a growth of 15.1% from Rs. 5,794 million recorded in 2018.



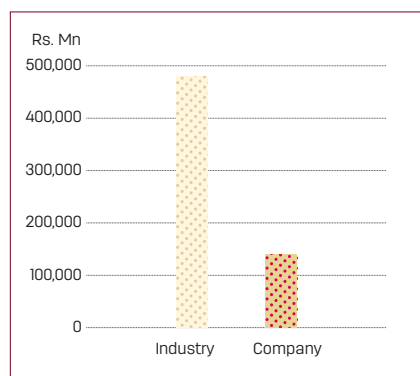
## Total assets

Total assets of the Company crossed Rs. 133 billion in December 2019, while achieving 13% growth over 2018. This increase was fuelled mainly by the growth in Loans and Receivables Financial Assets and Available for Sale Financial Assets.

### Total Assets – Industry vs Ceylinco Life

Total assets of the life insurance industry as at 30th September 2019 stood at Rs. 480,332 million, recording 14.9% growth year on year. Total assets of Ceylinco Life as at 30th September 2019 stood at Rs. 140,552 million, with a growth of 18.7% year-on-year.

As the market leader, Ceylinco Life contributed to over a quarter of the total assets of the life insurance industry as at 30th September 2019.



Source: IRCSL Press Release "Performance of the Insurance Industry - Q3, 2019"

## Concentration of Assets - Industry vs. Ceylinco Life

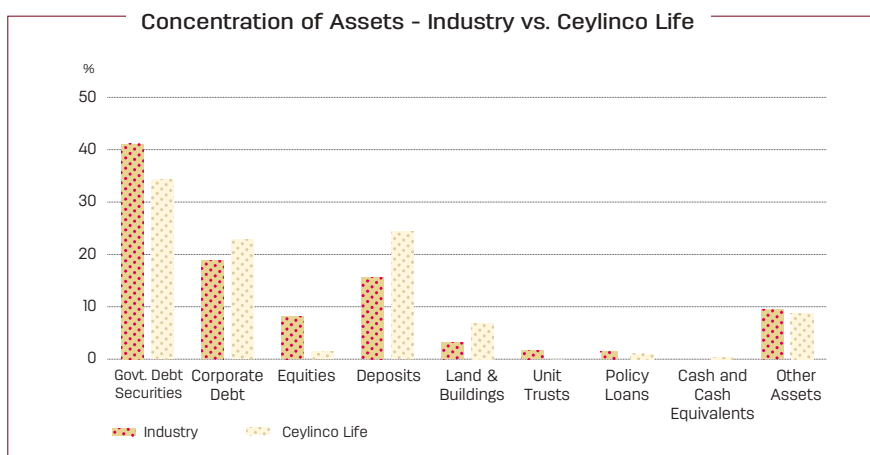
In compliance with the regulatory investment limits, the life insurance industry predominantly invests in government debt securities, which accounted for the largest proportion (41.1%) of the total assets of the life insurance industry as at end 2018. Other main assets classes of investments of the industry were corporate debt (18.8%), equities (8.2%) and deposits (15.6%).

As at end 2019, Ceylinco Life had invested 34.7% of its total assets in government debt securities, 23.1% in corporate debt and 24.7% in deposits.

Considering the highly volatile nature of the Sri Lankan share market, we consciously keep our concentration in equities as low as 1.5%. Compared to the industry (3.2%), we have invested a higher proportion of our assets in land and buildings (6.9%), since they enable us to widen our geographical reach and gain from capital appreciation.

Description	2015	2016	2017	2018	2019
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
Total assets	80,235	96,458	106,095	118,059	133,211
Assets growth	12.90%	20.22%	9.99%	11.28%	12.83%

Description	2019	2018	Explanation
	%	%	
Claims and benefit ratio	58	56	Claims and other benefits paid as a percentage of premium income
Claims ratio (without maturities and surrenders)	6	5	Claims paid as a percentage of premium income
Reinsurance ratio	3	3	Percentage of the risk transferred to reinsurers
Acquisition ratio	10	11	Acquisition cost as a percentage of premium Income
Capital adequacy ratio (CAR)	345	364	Total Available Capital (TAC) as a percentage of Risk Based Capital Requirement (RCR)



**Property, Plant and Equipment**

Property, plant and equipment increased by 21.1% from Rs. 7,568 million in 2018 to Rs. 9,171 in 2019. Freehold land and buildings are considered as an admissible asset in capital adequacy calculations and they account for 85% of the value of property, plant and equipment.

During the year, the Company acquired land and buildings with a value of Rs. 87 million, which includes a new branch constructed at Jaffna. Additional details on additions, disposals, transfers and depreciation are given on page 222.

During the year, the Company recognized a gain of Rs. 1.2 billion on revaluation of land and buildings held under property, plant and equipment.

**Investment Property**

Investment property includes land and buildings held by the Company for investment purposes. Such property generates rental income for the Company and gains from capital appreciation. Ceylinco Life’s investment property grew by 7.2% from Rs. 2.3 billion in 2018 to Rs. 2.5 billion in 2019.

This growth was due to the fair value gain of Rs. 166 million recognised from valuation of the properties in 2019.

Additional details on investment property are given on pages 230 to 234

**Investments in Subsidiaries**

Investments in subsidiaries were Rs. 1,086 million as at end 2019. This includes the investments in Ceylinco Healthcare Services Limited and Serene Resorts Limited worth Rs. 771 million and Rs. 315 million respectively.

**Investment in Associate**

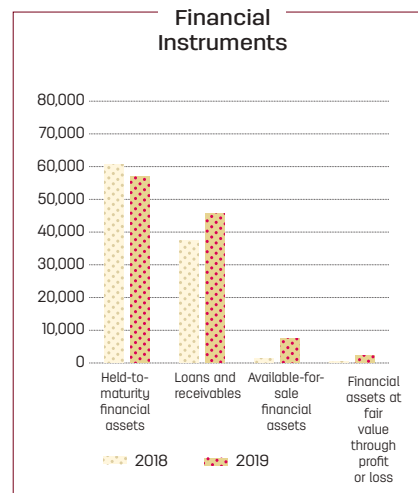
Investment in our associate company, Citizens Development Business Finance PLC, increased from Rs. 457 million in 2018 to Rs. 808 million in 2019. During 2019, the Company made a strategic investment of Rs. 350 million in the shares of Citizens Development Business Finance PLC.

**Financial Instruments**

Investments by the Company in financial instruments grew by 12.7% compared to 2018, to reach Rs. 112 billion in 2019. Financial instruments account for 84% of the total assets of the Company. A larger percentage of the life insurance fund is invested in government securities and other fixed income securities such as quoted debentures and term deposits, according to the guidelines issued by the Insurance Regulatory Commission of Sri Lanka.

The Company, in compliance with the Sri Lanka Accounting Standards (SLFRS/LKAS), has categorised financial instruments into 4 categories: Held to Maturity (HTM), Loans and Receivables (L&R), Available for Sale (AFS) and Fair Value through Profit or Loss (FVTPL).

Since we are a life insurance company, with the exemption granted under IFRS 17: Insurance Contracts, we have deferred adoption of the new standard on financial instruments, SLFRS 9, until the effective date of IFRS 17 which is 1st January 2021.

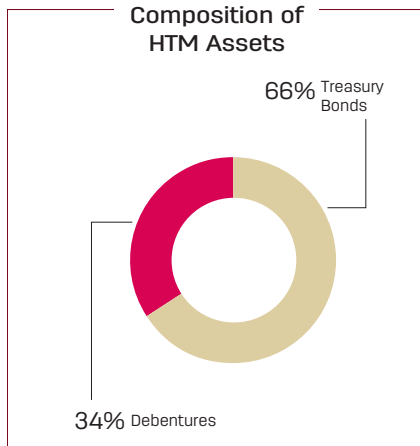


**HTM Financial Assets**

HTM financial assets are those with fixed or determinable payments and fixed maturities. The Company has the positive intention and demonstrated ability of holding such assets until maturity. The Company holds 51% of its financial instruments in the HTM category, as a prudent life insurer will hold longer term investments to match its long-term insurance liabilities.

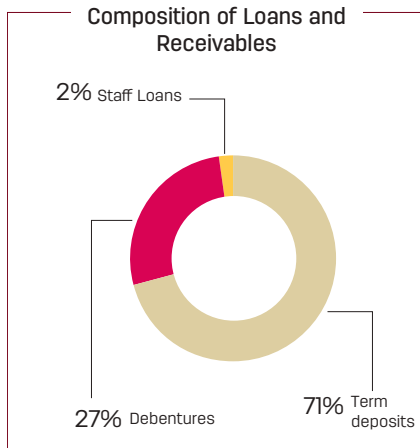
66% of the HTM financial assets are held in “risk-free” Treasury bonds, and the remaining assets are held in quoted debentures. The Company mainly invests in corporate debentures of issuers bearing credit ratings ideally between AAA to A-. The objective of this strategy is to earn relatively lower-risk, steady returns from investments, while adhering to the stringent regulatory and internal investment guidelines.

## Capital Management Review | Financial Capital



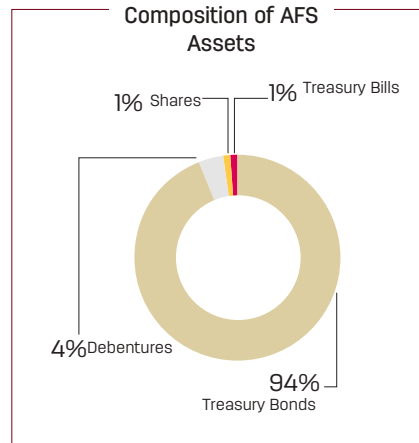
### Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and that are not quoted in an active market. The Company holds 41% of its financial instruments in the Loans and Receivables category. Loans and receivables are made up of 71% investments in term deposits, out of which 94% are term deposits with Licensed Commercial Banks and the balance deposits are with Licensed Finance Companies. Debentures account for 27% of Loans and receivables.



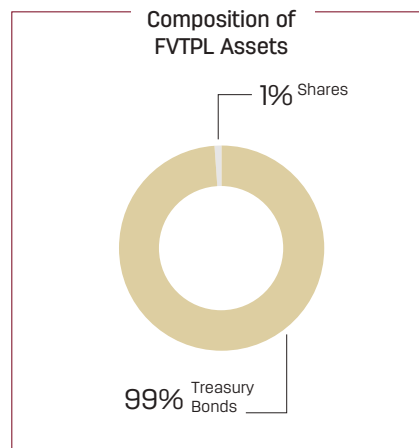
### AFS Financial Assets

AFS financial assets are financial assets designated as available for sale and are not classified in any of the other categories. AFS financial assets account for 7% of the investments in financial instruments. 94% of the AFS financial assets are held in Treasury Bills and Treasury Bonds, 4% are held in quoted debentures and 2% are held in quoted shares.



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

FVTPL financial assets are those financial assets held for trading. The proportion of the FVTPL assets in the financial instruments portfolio of the Company is relatively insignificant, accounting for only 1% of the investments in financial instruments. Government securities account for 99.5% of the FVTPL financial assets.



### Shareholders' Equity

The shareholders' equity increased from Rs. 26,426 million in 2018 to Rs. 31,492 million in 2019, which indicates a 19.2% growth from 2018.

The stated capital of the Company remained unchanged at Rs. 500 million, whereas the impressive financial performance of the Company in 2019 added Rs. 4,937 million to retained earnings. Retained earnings as at end 2019 stood at Rs. 19,994 million.

The revaluation reserve increased from Rs 101 million in 2018 to Rs. 229 million 2019, reflecting a growth of 128%. The gain recognized on revaluation of land and buildings resulted in this increase.

The Restricted Regulatory Reserve, which was recognized in 2017 in compliance with Direction 16 issued by the Insurance Regulatory Commission of Sri Lanka, stood unchanged at Rs. 3,456 million as at end 2019. This Restricted Regulatory Reserve reflects the one-off surplus transfer made to the Shareholders' Fund from 'other than participating business in 2017'.

Shareholders' equity also includes a Special Reserve of Rs. 7311 million, which represents the value of net assets transferred to Ceylinco Life Insurance Limited from Ceylinco Insurance PLC on 1st June 2015 as an effect of the regulatory segregation of the life insurance business from Ceylinco Insurance PLC.

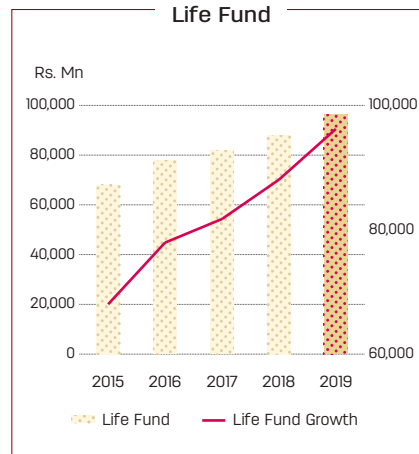
### Insurance Contract Liabilities - Life

Insurance Contract Liabilities (or simply the "Life Fund") is the fund maintained for the long-term insurance business by our Company in accordance with the Regulation of Insurance Industry Act, No. 43 of 2000, (as amended). The size of the life fund indicates the financial strength and solidity of a life insurer. A bigger fund indicates that the insurance company is financially strong and sound.



Our Life Fund reached Rs. 96.2 billion as at end 2019, recording 9.3% growth over Rs. 88 billion as at end 2018. This is the net growth in the Life Fund after a transfer of Rs. 3.9 billion to the shareholders' funds in 2019.

The actuarial valuation of the Life Fund as at 31st December 2019 was carried out by the Independent Consulting Actuary, Willis Towers Watson, whose report is given on page 197.



### IFRS17 – Insurance Contracts

IFRS17 supersedes IFRS4 Insurance contracts which was an interim standard. IFRS4 allowed entities to use a wide variety of accounting practices, reflecting national accounting requirements. This made it difficult for users to understand and compare insurers' results.

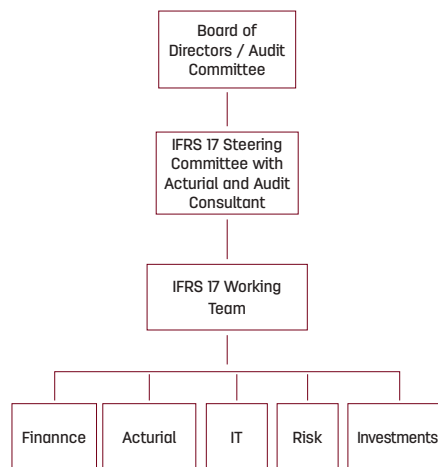
Hence a need for a common global insurance accounting standard was identified. In May 2017, the International Accounting Standards Board (IASB) issued the standard, IFRS 17 Insurance Contracts, with a proposed effective date of 1 January 2021.

The most critical implication of IFRS 17 is that it will not only have an impact on the financial disclosures but also have material impact on operational aspects of data, systems and processes.

### Ceylinco Life Approach to IFRS 17 Implementation

Ceylinco Life has set up a dedicated project team to ensure a smooth transition to the IFRS 17 standard. This team is entrusted with operational responsibilities for implementation of the Standard. A Steering Committee has been set up to provide strategic leadership required for the project and to oversee the progress. The Steering

Committee reports directly to the Board of Directors.



Ceylinco Life has identified the following critical aspects as vital areas to focus on for the successful implementation of IFRS 17.

- Establish an adequate process to escalate critical issues and project risks to the attention of the Steering Committee and the Board.
- Ensure that adequate human resources with required expertise are devoted to the project.
- Understand the potential changes introduced by IFRS 17, assess their impact on the company structure, product portfolio, systems, operations etc. through a proper gap analysis.

- Ensure key decisions and judgements are made with the advice of experts such as actuaries and auditors and proper documentation of the key decisions and judgements made.
- Identify key milestones in the project and monitor progress and take prompt corrective actions to align the project with the overall time plan.

### Current status of the Project

We have signed contracts with two consultants for this purpose, namely Ernst and Young who will advise on the financial aspects and Wills Towers Watson who will provide us support for actuarial aspects.

We have commenced the IFRS17 implementation project and we are currently at the stage of performing the gap and impact analysis. The gap and impact analysis is expected to be finalized by end March 2020.

# Capital Management Review

## Social and Relationship Capital

Driven by the premise of 'building a relationship for life' we are committed to forge strong bonds and enduring relationships with our policyholders, agents, business partners and the community at large. These strong bonds developed over the last three decades have formed the core of our business forming a key differentiator.

### Management Approach

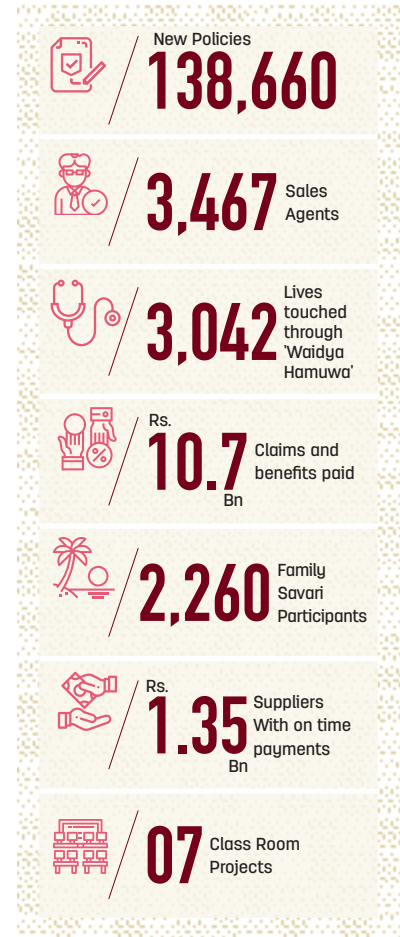
The relationships we build with our policyholders, agents, community and business partners form the core foundation for the growth and sustainability of our business. It plays an integral role in achieving our business growth and maintaining our market leadership position.

We focus on creating win-win relationships in order to meet the needs of our key stakeholders. By infusing value and deriving value from our Social and Relationship Capital we endeavour to meet our strategic imperatives. Thereby we recognise each segment of this capital as a vital element in delivering a strong value proposition of

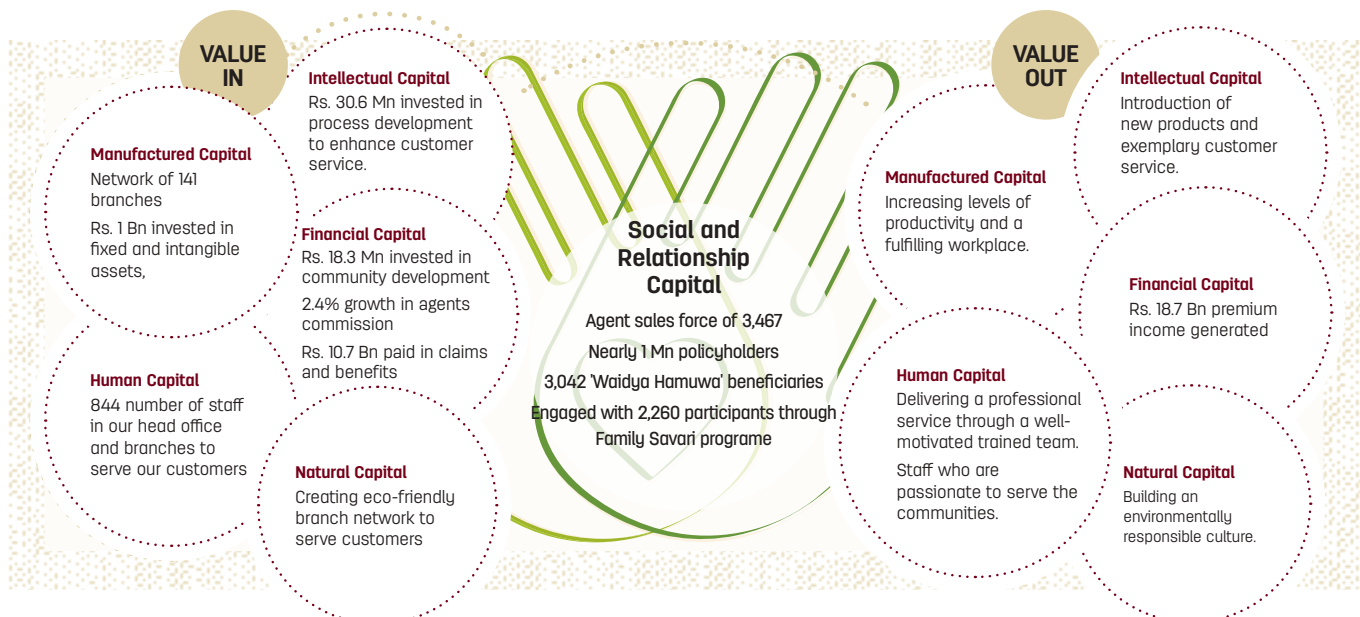
customer service, efficiency and ethical conduct.





Our customer – centric insurance offerings together with our superior customer service define our unique value proposition. We are agile to the volatile changes in the market and we adapt fast to changes in the competitive platform. Using technology, as a lever to enhance customer service levels we aim to elevate the overall customer experience. Our engagement programmes are diverse and unique. Thereby differentiating us from the rest of the players in the industry by building tangible trust and deep relationships.

### Key Indicators of Value Generated In 2019

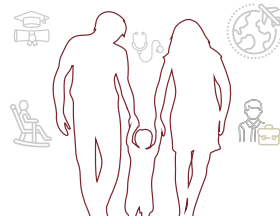


### Value Creation through Social and Relationship Capital



	SDG Goals	Key Focus Area in 2019	Achievements and Value Creation
	Good health and wellbeing.	Introduction of products which support the well being of the nation through retirement plans	During the year we introduced a pension product and health cover rider. Further we introduced discount schemes for cancer treatment at the Ceylico Healthcare Services for policyholders and their family members.
 	Good health and wellbeing.  Quality Education		Invested a sum of Rs 1.85 mn in health care and wellness initiatives. Donated a HDU to the Kandy Teaching Hospital worth Rs 11.5Mn Rs. 4.92 Mn was invested in reaching out to uplift the classroom facilities in rural schools. Rs. 11.7 Mn invested in 'Pranama' scholarships.
	Peace, Justice and Strong Institutions	Maintaining long term relationships with business partners	Rs. 1.9 Bn paid to sales agents as commission. Rs. 1.35 Bn paid to suppliers and business partners on a timely manner.

- 2019 was dedicated to Customer Service Excellence with many initiatives introduced to enrich the customer service journey
- Implementation of the Life 360 CRM module
- 80% of our sales force are equipped with digital devices
- A unique chatbot 'Ceylena' was introduced – being the first of its kind in the insurance industry
- CSR programs carried out by the Company gained momentum



## CUSTOMER CAPITAL

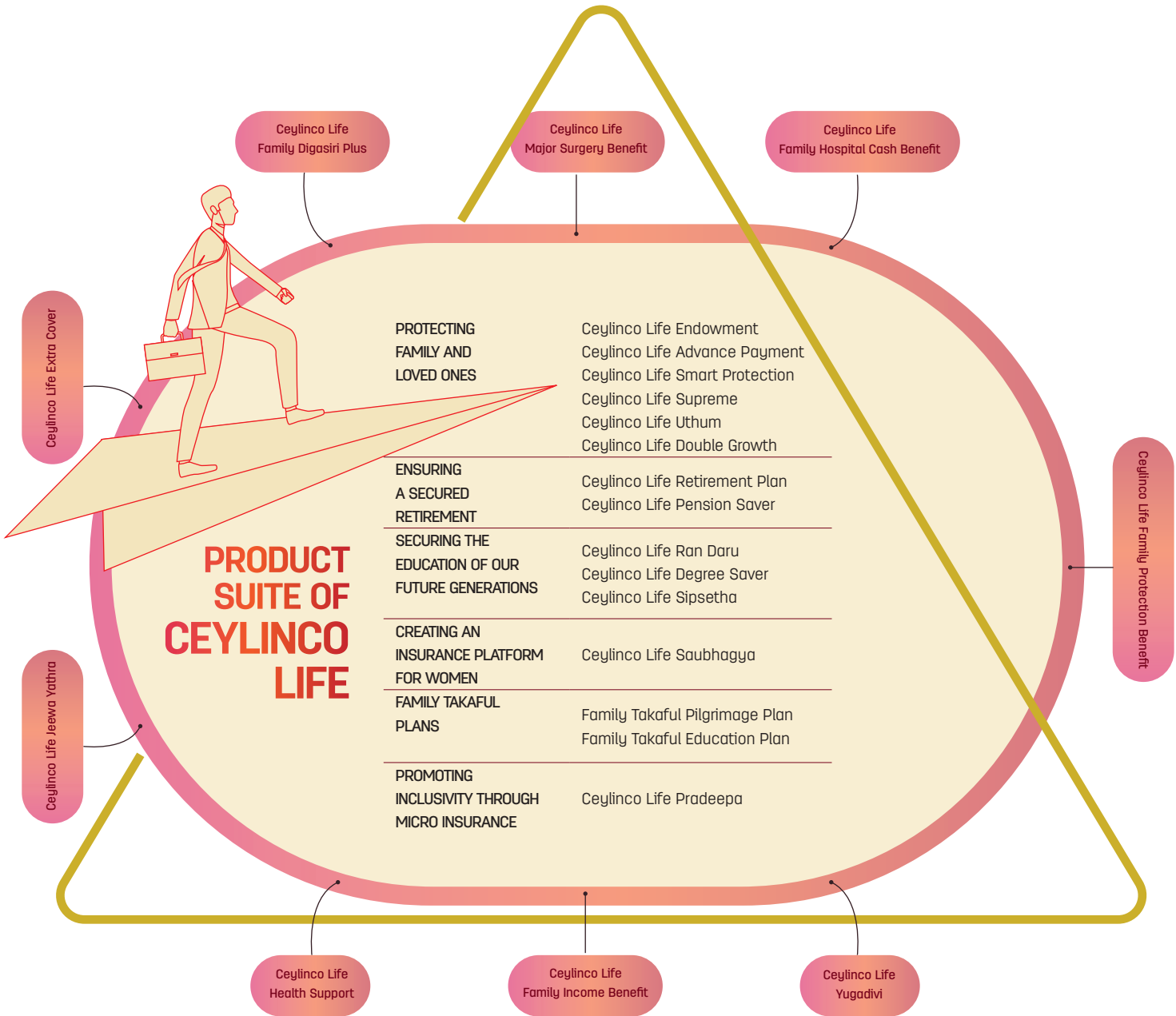
Covering approximately 5% of the total Sri Lankan population under the safety net of insurance to ensure not only the breadwinner but those dependent on the breadwinner are adequately provided for, in case of an exigency, the Company is to provide its policyholders with the most

reliable insurance solutions. During the year under review, the Company delivered value over million Sri Lankans that have sought protection under its vibrant repertoire of insurance products.

These customers are broadly segmented into two categories:

<p><b>Security Seekers</b></p>  <p>Drawn from all levels and representing the masses who have a strong sense of purpose to protect their families.</p>	<p><b>Progress Seekers</b></p>  <p>Professional, business and affluent segment. A specially trained sales force is in place to cater to their various demands, making suggestions where necessary, post policy evaluation, to align considering their evolving needs in the career or business mobility.</p>
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Our Products



### Takaful Insurance

Recognizing the need to diversify our product range to serve the inclusive needs of society, we offer Takaful insurance products. Presently, Ceylinco Life is the second largest takaful operator in Sri Lanka. Ceylinco Life obtains counsel from an independent Shariah Council which possesses vast knowledge and experience. The Council includes a Chartered Accountant, a former ACJU General Secretary and reputed scholars.

The Company has developed two Takaful insurance products as follows:

#### Ceylinco Life Family Takaful Education Plan

Provides financial benefits to the participants' children to continue their education uninterrupted. It also stands as an asset that could be made use of in the future for the children's higher education.

#### Ceylinco Life Family Takaful Pilgrimage Plan

A plan designed to enable and support spiritual pilgrimages to Mecca. The plan has four options and additional benefits to select.

#### Takaful Sales Force Training

Ceylinco Life provides comprehensive training for the sales force of the Takaful business, enhancing their knowledge and sharpening their skills to match business conditions today. For new recruits, we conduct our three-day Induction Training Program every month. The Bi-Annual Review provides an opportunity for the sales force to learn from the most successful sales members and to identify and address areas to improve. Customer Orientation Programs, aimed at creating awareness of our Takaful products, were conducted in Welimada during 2019.

### Takaful Charity Programs

During 2019, we completed a number of Takaful charity programs, which includes class room development projects at Assenkudhoos Government Muslim College, Puttalam and Muslim College, Welimada. We also completed construction of a computer lab in Noon IT Academy, Malwana. In another charity project, we selected 20 families in Matale and provided them with sanitary and drinking water facilities. We also initiated Al Iqbal Vidyalaya- Valaichenai class room renovation project and also commenced the class room project of Shareef Ali Vidyalaya-Oddamavadi in 2019.

For the Year Ending 31 December 2019	Rs.000
Takaful Contribution	106,299
Transfer to ISF Fund	56,163
Transfer to Tabarru Fund	7,925
Operator as Wakalah Fee	42,211

As at 31 December 2019	Rs.000
Individual Investment Fund - ISF	235,187
Insurance Contract Liability - Family Takaful (Tabarru Fund)	18,869
Mudharabah Investments	189,430
Government Securities	84,767
Mudharabah Savings	571

## Capital Management Review | Social and Relationship

### New Products Launched in 2019

- △ Health Support Plus
- △ Pension Saver

### A Customer- Centric Value Proposition

The initial touch point with the customer is a sales officer who would visit the customer and conduct a comprehensive need analysis to identify the customer's requirement.

The Company has heavily invested in upgrading its IT capabilities in order to provide the ultimate customer with convenience and fast service levels. When a need analysis is done, the e-submission form that most of our sales officers have access to, will be filled in and routed to the Company to be evaluated with underwriting requirements and proceed for the generation of the policy document. Since the introduction of tab/ mobile phone based smart technology driven e -submissions during 2018 of our sales force have adopted the new technology which has elevated our customer service levels. Guidance offered through this electronic platform has been well received, given the number of queries it has received since its introduction in 2019.

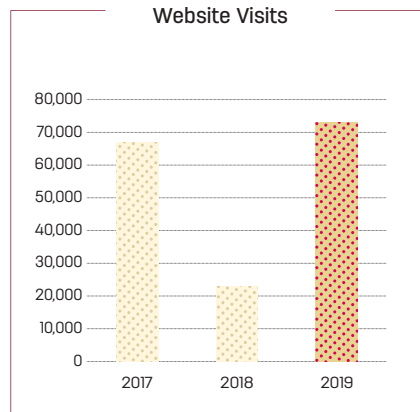
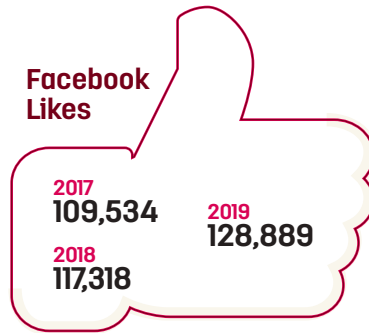
Once the process is complete and the customer is on board, the contact centre will welcome the customer. The customer has three separate touch points with the Company i.e. the Sales Officer, the closest Branch and the Contact Centre.

Through our branch network, we create a close rapport with our policyholders. Policyholders can obtain a new policy, settle premiums, inquire on existing and new policies and forward claim submissions at our branches located island wide. There are many platforms through which the customer can access Ceylinco Life face to face, on line and over the phone.

### Online Support

In addition, the ChatBot introduced by the name 'Ceylena', an interactive electronic platform, further gives a customer or a prospective customer the added advantage of browsing the Company's product portfolio to gain insight into the right product to suit his needs, without ever stepping out of his or her home, to do so. New customers

can ask 'Ceylena,' just about any general enquiry that would enable them to pick the right policy for themselves – be it life insurance, a retirement plan, or to plan for a child's education; know more about Ceylinco Life; find the closest branch; know about payment options and methods; and even make appointments to meet with a sales agent.



### About 'Ceylena'

Existing customers can enquire about basic policy details and can make service requests such as policy changes, address change, contact details change and add benefits among other things, once they provide their policy number or national identity card number to 'Ceylena'.

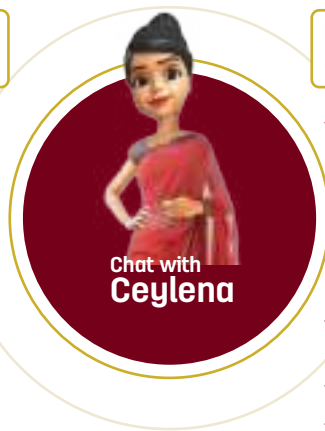
'Ceylena' also provides answers to FAQs including to questions about reviving lapsed policies, claims, bonuses, cancellations, credit card standing orders and loans. Alternatively, during the conversation with 'Ceylena,' visitors can also opt to connect with a live agent, available during the usual business hours.

'Ceylena' is expected to change the way consumers, especially the younger generations, interact with our brand. The chatbot will be constantly accessible 365 days of the year, round the clock and its response time will be faster than even the best manned live chat service. The best things about it is that 'Ceylena' can engage with an infinite number of different chats simultaneously, so no one will be put on hold or have to wait for a response, ever. Accurate information will be provided instantaneously, when one asks her."

Customers will be authenticated via a one-time password (OTP), which makes 'Ceylena' a secure platform. Although this chatbot is currently only on the website of the Life Insurance's leader, it will soon make an appearance on the company's Facebook page and other social media channels too.

#### Existing policyholders can ask Ceylena

- △ FAQs including questions about reviving lapsed policies, claims, bonuses, cancellations, credit card standing orders and loans.
- △ Connect with a live agent, available during the usual business hours.

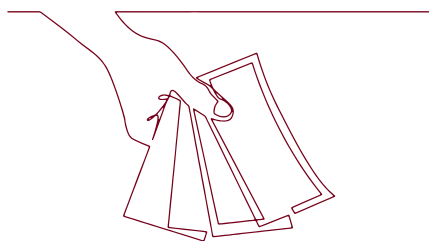


#### Potential new policyholders can ask Ceylena

- △ General enquiries that would enable them to pick the right policy for themselves – be it life insurance, a retirement plan, or to plan for a child's education.
- △ Know more about Ceylinco Life.
- △ Find the closest branch.
- △ Know about payment options and methods.
- △ Make appointments to meet with a sales agent.

## Multiple Payment Options

In order to provide convenience in settling premiums, Ceylinco Life has a wide range of premium payment options which enable policyholders in the remotest villages with convenient options. Apart from the conventional banking methods such as standing orders, credit card payments, direct deposits and internet banking, premiums can be settled via the following platforms as well:



- △ Post Office network of over 4,000
- △ Cargills network of over 400 supermarkets
- △ Ezy Pay options

## Superior Customer Service – Customer Service Excellence Year 2019

The Company carried out an internal campaign where operational staff were encouraged to contact customers whose policies had lapsed to communicate in order to motivate them to reactivate their policies. This initiative was conceptualized in line with the 'Year of Customer Service Excellence'. The campaign was a great success where 3,949 policies were re-activated. The staff participation was excellent, and the campaign offered them a customer engagement opportunity, where they had a first-hand experience with the policyholder who is covered under the safety net of the Company.

Automated premium-reminder calls and sales support centres to address customer social needs, are enhanced features that the Company introduced in 2019, in order to provide a holistic customer service. As insurance is a long-term product where a life cover spans through various stages of life, a long-term relationship based on fair and ethical practices, is the primary goal of the Company, with its customers. All features and benefits the Company has attached to its product portfolio, enumerates this aspect of the Company's commitment, to that long-term relationship.

## Claims and Benefits Settlement

As the culmination of a life insurance or a health insurance policy is awarding a payment to the customer, the Company's minimum turnaround time for such claims, is 48 hours. In case of repudiated claims, the Company still seeks to make an honorary payment, subject to objective evaluation and taken by the senior management of the Company.

## Customer Privacy Management

We strongly believe in the responsible use of information we collect about policyholders and have implemented strict policies and procedures to protect the confidentiality and security of personal information in compliance with all data security laws. This includes restricted access protocols to ensure customer information is available only to those who need it to perform their job. For instance, as per our structure, sales personnel are given access to only the

Activity	Service Standard	Achievement in 2019
Policy issuance		
E-submitted proposals	Within 1 day from submission	
Other proposals	If medical test not required - within 3 days from registration	Over 90% of contracts were issued within 3 days from registration if there are no further requirements
	If medical test required - within 4 days from registration	
Delivery of policy documents to customer	Within 10 days from date of acceptance	Over 90% of contracts were issued within 10 days
Printing of maturity payment cheques		
Traditional life policies	Within 2 days from maturity date	Over 95% of maturity cheques were printed within 4 days from maturity date
Pension, Supreme and Saubhagya policies	Within 4 days from maturity date	
Policy loan issuance	Processing within 2 days	Over 90% of policy loans were issued within these targets.
	Payment within 3-4 days	
Claim settlement		
Regular hospitalization claims	Within 2 days	95% settled within 2 days
Death claims	Within 3 days	90% settled within 3 days
Inbound call handling	Answered within 30 seconds	92% of inbound calls answered within 90 seconds

## Capital Management Review | Social and Relationship

respective policies handled by them, while supervisory unit heads and branch heads have access to only policy numbers and cannot access personal information. At the same time, we continue to invest in the latest physical and technical safeguards with a view to protecting the privacy of customer information.

There were no incidences of breaches of customer privacy reported during the year.

### Complaint Handling

At Ceylinco Life, we consider every customer complaint to be a welcome opportunity to learn and improve our service parameters. Therefore, we have given our customers the option to make a complaint by walking into any Ceylinco Life branch, in writing, via email or through our contact center hotline. Over the years, the complaints we have received range from lapses on the part of the sales agents in collecting premium, to delayed responses to complaints made.

Seeing the need to further streamline our complaint handling and management processes and improve response times, we have revamped our contact center architecture. Inbound and outbound operations were clearly segmented and new CRM software was commissioned offering contact center staff a 360-degree perspective in order to manage every stage of the customer interaction quickly and effectively. Once a complaint is received, the CRM facilitates a series of steps to ensure each complaint is reviewed and closed within the IBSL-benchmark 14-day deadline. Through the new CRM platform, customer requests can be expedited by following a set of pre-defined processes to manage the complete customer journey – from the initial request for information to continuous account maintenance and ongoing customer servicing. We are also able to leverage in the advanced functionality of the system to assign a unique tag for each complaint, which gives the customer the ability to track the progress of each of their complaints and requests.

Given below are the details of complaints received and resolved during the year

Description	Total
Brought forward from 2018	113
Number of complaints received	1,428
Number of complaints resolved in-house by the Company	1421
Carried forward to 2020	120

### Engagement with Policyholders

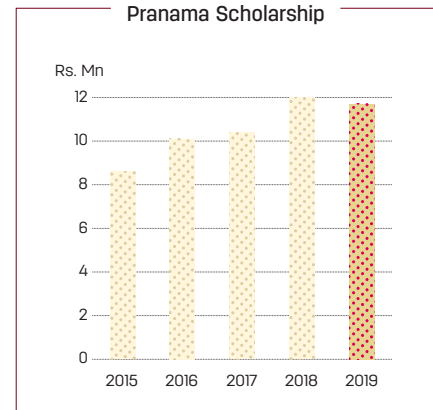
Driving forward with the premise of a 'Relationship for Life' we engage with our policyholders in a very active manner. We believe that these engagement initiatives create a bond which enhances the trust and affinity between the policyholder and the Company across the span of the life insurance.

We envision to be a force whom the policyholder could rely on in his journey of progressing through life meeting many important milestones in his family and professional life. In this regard we have identified two key engagement programs; namely the Ceylinco Life Pranama Scholarship Program and Ceylinco Life Family Savari. Both these initiatives have created a special bond between the policyholder and his family with the Company.

### Ceylinco Pranama Scholarship Scheme

Over the years, since the inception of the Ceylinco Life Pranama Scholarship in 2002, a sum of Rs 143 Mn has been distributed as scholarships amongst 2,571 children of policyholders. Over the last 18 years, children of policyholders have been rewarded with scholarships to pursue their studies

across many academic milestones such as Grade Five, Ordinary Level and A Level stages of their academic journey. This financial assistance has been a boost to many children and today most of these children have progressed and advanced to be doctors, lawyers, engineers and worthy corporate citizens.



During the year 2019 Rs 11.7 Mn was disbursed as scholarships which benefitted 162 students. These scholarships are awarded at an event graced by the officials of Ceylinco Life along with the scholarship awardees and parents.

### Ceylinco Life Family Savari

This signature event is recognised as the largest promotional campaign in the insurance sector. Annually 260 policyholders get the opportunity to visit a foreign destination through an all-expense paid excursion. Over the 12 years. Policyholders have experienced the once in a lifetime opportunity to visit destinations such as UK, Australia, Singapore, Dubai, Paris, Japan, Switzerland, Germany and Rome.

In 2019 565 families visited Australia, China, Singapore and Leisure World having won the prizes at the grand draw.

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
No. of Scholarships	76	75	92	237	170	120	87	145	150	142	170	150	153	160	154	160	168	162



CASE IN POINT



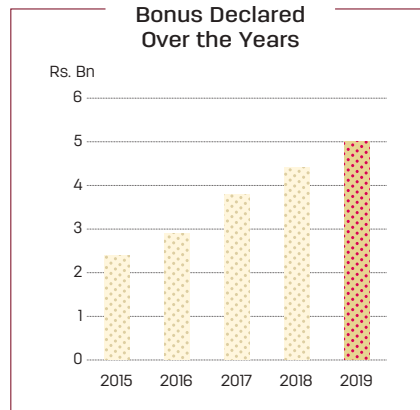
"I was a Pranam scholarship holder in 2005. I sat for my A Levels from St Joseph Balika Vidyalaya Kegalle and was placed second in the district and was ranked 19th in island. These results enabled me to attend the Law Faculty of the Colombo University. I was felicitated and honoured on this very stage for this outstanding achievement in 2005 with a scholarship. This was a turning point in my life.

My journey was filled with many challenges. After my mother passes away when I was 10 years it was my father who brought me up to this stage. I believe that challenges should not deter you in your journey towards your goals. The Pranam scholarship was a great strength to me not only in monetary terms but a great source of encouragement."

**Hasini Premaratne**  
Year 2005 Pranam scholarship

**Bonus to Policyholders**

Sharing the success of the Company's continued success we have declared a bonus of Rs. 5 Bn during the year. The Bonus is generally declared in the months of April and May.



**Responsibility in Advertising**

We believe that being transparent with our customers is the cornerstone of building trust in our value proposition. Providing our customers with all relevant information that would enable them to make an informed decision regarding our products and services, is therefore seen as key priority for Ceylinco Life. All our customer communications, including our advertising and promotional material are designed to clearly display standard disclosures including those disclosures mandated by the IRCSL.

Meanwhile, pre-launch press events for each new product provides an opportunity to offer greater awareness regarding product features.

Moreover, in our policy document, which is a legally binding agreement between the policyholder and the Company, we apply the principle of fairness to make certain that both parties to the contract understand the same thing in the same sense. Hence the terms and conditions of the agreement are suitably documented in a manner that can be clearly interpreted in a court of law. Over and above these mandatory requirements, we continue to make improvements to our policy disclosures by taking cognizance of the feedback our agents receive from customers. Our policy documents are drafted in all three languages.

There were no incidents relating to non-compliance concerning health and safety information of products and services/ marketing communications.

There were no incidents of non-compliance concerning product and service information and labelling.

**Serving our policyholders with PRIDE**

At Ceylinco Life we are guided by our business values – PRIDE; Professionalism, Rewarding, Integrity, Dedication and Excellence. At every moment of truth with our policyholders and other stakeholders we strive to epitomise our values through our conduct. Considering the nature of our business we gather personal and sensitive data about the policyholders. We value our policyholders need for privacy and all confidential information is maintained with utmost care and confidentiality.

**Anti- Corruption**

It is our policy to conduct our business in an honest and ethical manner. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate and implementing and enforcing effective systems to counter bribery and corruption. In 2019, Anti-Corruption and Bribery Policy was approved by the Board of Directors 38. There were no incidents of corruption.

**Compliance**

There were no incidents reported of non-conformity with regulations and voluntary codes of conduct. Furthermore, there were no incidents reported of litigation filed against the Company for anti-competitive behavior, breach of trust and monopoly practices.



**SALES AGENTS**

The sales agent is a vital link between the policyholder and the Company. The Company engages the largest field sales force in the industry with 3,467 sales agents who are attached to our branch offices located island wide. The sales agents attached to a branch office are responsible to promote life insurance products and service the policyholders with their needs. To face up to the challenging and competitive market, the sales team was given training in relevant technical tools as well as personal development and grooming, to serve customers better.

Recently we made a concerted effort to increase female representation and presently we have a 52% of the sales force represented by females. This is a unique feature for Ceylinco Life.

Our commitment towards building a strong, reliable sales force begins at the point of hiring. Each new recruit has to sit for a seven-day pre-recruitment learning program which covers a wide range of areas about the company, company culture, products, computation of premiums and marketing campaigns. At the end of the program the new recruits are required to sit for an examination which is conducted by an independent panel of examiners and a certificate is issued.

At a minimum we require all new hires to be in possession of the "License to sell insurance" issued by the IRCSL upon the successful completion of the examination conducted the Insurance Association of Sri Lanka. The Company grants 'License to sell insurance' to those who have passed the internal examination. All sales consultants need to engage in the continuous learning programs conducted at branch and head office level and earn training credits. Possession of training credits is compulsory and is an eligibility factor when participating in competitions.

Meanwhile to further strengthen the quality of our sales force, we offer a strong value proposition that promises to provide the best all-round experience for each member of our sales force. In this context, our management strategies are focused mainly on keeping the sales force motivated whilst being fully aligned to our corporate strategy. We have a supportive environment with a defined career path which enables our sales agents to perform towards their potential which in turn will boost their career growth and their earning capacity.

During the year the following learning and development interventions were carried out to support the sales agents to enrich technical knowledge and selling skills.

List of sales agents by province and gender is as follows:

As at 31 Dec 2019	Male	Female	Total
Central Province	129	120	249
Eastern Province	137	84	221
North Central Province	126	110	236
North Western Province	199	232	431
Northern Province	165	164	329
Sabaragamuwa Province	115	126	241
Southern Province	161	180	341
Uva Province	104	98	202
Western Province	528	689	1,217
<b>Total</b>	<b>1,664</b>	<b>1,803</b>	<b>3,467</b>

**CASE IN POINT**



"I was a teacher by profession. One day I received a letter to attend an interview from Ceyinco Life. I was selected to join the sales team of the Bandarawela branch. I started work on a part-time basis continuing with my teaching activities. After some time I realised that this was a noble profession which gave me immense satisfaction. This profession has given me the financial strength to move ahead in life and look after my family."

**Tamara Kumari**  
Senior Bussiness Promotion Manager  
Bandarawela Branch

**Continuous Professional Development of Agents**

Ceylinco Life, consistently maintaining leadership in the life insurance industry over the last 16 years, has a customer base of over 1 Mn customers who are serviced through our agents. Recognising the importance of our agents in delivering a superior customer service we have a well-defined strategy to develop, empower, communicate reward and motivate our sales team.

## Rewards and Recognition

The Company has a well-defined reward and recognition system which recognises the high performers. The main recognition scheme which takes centre stage is the Annual Awards Ceremony where the high performers of the sales team are recognised and rewarded. During the year 2019 sales agents were recognised and winners were selected based on different categories. During the year 91 sales agents were recognised with educational tours to Singapore, Malaysia, China and UK.

The Mid-Year Awards held in August 2019 recognised 265 contractual sales agents and was held at Amaya Hills, Kandy.

Annual Award Tours are another form of recognition where high performers

categorised based on their performance levels are admitted into the High Flyers Club. There are four levels of membership namely Associate, Member, Court of Table and Top of Table categorised based on performance criteria. The club members are rewarded based on the performance with foreign tours at the Annual Awards.

We have in place a structured program to assist agents who seek to qualify for the elite Million Dollar Round Table (MDRT) status. The holistic development platform for MDRTs offers bespoke training programs, regular mentoring and exclusive access to client seminars which give potential applicants the ability to refine their sales approach in line with MDRT criteria. A total of 55 agents qualified for MDRT status in 2019.

## Engagement with the Sales Agents

During the year the sales agents and their families had an annual get together organised by the Ceylinco Employees Union which was held at Jetwing Blue Negombo .



During the year 8 sales agents represented the Company in international forums such as the MDRT.

### List of Training Programs Conducted and Participation Levels

Name of the Training program	No of participants	No of trainings
Advance Sales Skills Course	2,392	41
Agent Orientation	1,064	47
Basic Sales Skills Course	396	18
Cross Road	299	32
Health Support	359	27
HOB's Course	207	14
Know Your Product	576	39
Leadership Skills Course	966	36
Management	221	20
Sales Refresher	3,822	929
Skill Sharpening	543	41
Sales Skills Course	479	17

Tour	Selected no. of agents
Star Cruise	50
Singapore	28
Dubai	01
China	10
United Kingdom	02



**COMMUNITY CAPITAL**

As the leading life insurer in the country, ensuring the well-being of our communities is an area of continuous focus, we want to lead by example by reducing social inequalities and introduce the concept of wellbeing to the people of Sri Lanka.

Having eased away from the traditional charity-based approach used in the past, we have followed a strategic Corporate Social Responsibility (CSR) model since 2016 to strike a balance between being a good corporate citizenship and engaging in socially responsive CSR activities. In this way, our strategic CSR model has helped to streamline our social investment program and redirect our focus towards potentially high-impact areas of national significance such as education and healthcare. The company's CSR fund, which is maintained under the stewardship of the Ceylinco Life MD/CEO.

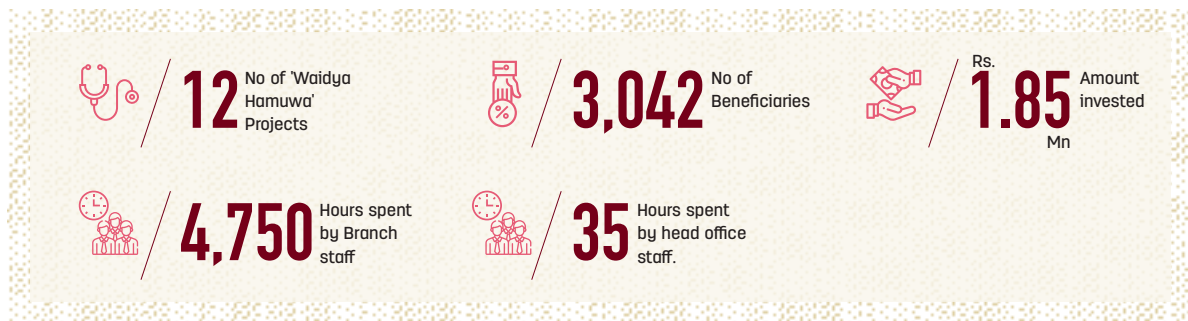
The Company focuses on education and health primarily, in keeping with the UN's Sustainable Development Goals.

**Ceylinco Life 'Waidya Hamuwa'**

Taking the benefits of health and wellness to rural Sri Lanka the 'Waidya Hamuwa' health camps provide access to free medical check-ups. For many Sri Lankans living in rural areas this maybe the first encounter with a qualified medical practitioner. These 'Meet the Doctor' sessions are conducted in identified rural villages where villagers could undergo health screening tests such as BMI, blood sugar, blood pressure, eye check-ups etc. along with medical treatment. These medical camps are led by a team of qualified and experienced doctors and nursing staff who are attached to the state and private health sectors.



During the year the Company continued with its 'Waidya Hamuwa' projects by conducting 12 programmes which reached out to 3,042 beneficiaries. The Company allocated a sum of Rs 1.85Mn for this CSR initiative.



**'Waidya Hamuwa' Programmes in 2019**

Branch	Programme Date	Location	District	No of Participants
Beliatta	23.03.2019	Dambulla Temple, Hambantota	Hambantota	165
Matale	11.05.2019	Aralanagala Temple, Naula	Matale	345
Teldeniya	12.05.2019	Putuhapuwa Community Hall, Putuhapuwa	Kandy	260
Elpitiya	22.06.2019	Sri Bodhirajarama Temple Pitigala	Galle	233
Matara	23.06.2019	Badeegama Maha Vidyalaya	Matara	307
Rathanpura	29.06.2019	Nivitigala Sastraramaya Temple , Nivitigala	Rathnapura	320
Maho	07.09.2019	Maho Town Hall, Maho	Kurunegala	220
Kirindiwela	28.09.2019	Dompe Paradesihiya Sabawa Hall, Dompe	Gampaha	293
Aluthagama	26.10.2019	Walukarama Temple, Aluthgama	Kalutura	240
Baddegama	27.10.2019	Nagoda Primary School Galle , Baddegama	Galle	259
Galgamuwa	30.11.2019	Neelagiri Temple , Galgamuwa	Kurunegala	202
Eheliyagoda	01.12.2019	Bulugahapitiya Temple Eheliyagoda	Ratnapura	198
				<b>3,042</b>

During the programme doctors take the time to educate the patients on the conditions they have and how to overcome them. For instance, if a patient is diagnosed with high blood sugar further details such as family history, lifestyle and occupation are looked into to provide specific recommendations and lifestyle adjustments which the patient needs to adopt. In some instances, medication is prescribed, and the patients are referred to the nearest hospital for further treatment.

**Donation of High Dependency Units to State Hospitals**

During the year under review Ceylinco Life donated a High Dependency Unit (HDU) to the Teaching General Hospital – Kandy investing over Rs 11.5 Million. This is the 5th HDU which has been donated by the Company. The Kandy Hospital is one of the largest hospitals in Sri Lanka with 3,200 beds. This donation which was made to commemorate the Company's 15th year of market leadership was dedicated towards the well-being and health of the people in Kandy. This Kandy Hospital performs operations on more than 1,500 patients a month in major, intermediate and minor categories. On average 2,908 patients are admitted for in – patient care and more than 5,000 patients are treated at the Out Patient Department (OPD).

**Key Highlights of Medical Camps in 2019**

Average number of random blood sugar tests done

**125**

Identified 2 diabetes patients



Average number of ECG tests done

**84**

Identified 4 hypertension patients  
1 Varicose vein patient.

Diagnosed patients with metabolic disorders, heart related issues and with various skin related diseases



Number of spectacles prescribed

**84**



## Capital Management Review | Social and Relationship

Over the years the Company has donated five HDU's to state hospitals as follows:

- 1 The Lady Ridgeway Hospital, Colombo
- 2 The National Hospital, Colombo
- 3 The Teaching Hospital, Jaffna
- 4 The Colombo South Teaching Hospital, Kalubowila
- 5 The Teaching General Hospital, Kandy

Over **1,700** patients have been treated in these HDU's as at 31st December 2019



A hallmark of the CSR initiatives conducted by the Company is that the Company takes responsibility for the project even after the donation is made to ensure that the infrastructure donated is maintained over the years. The HDU's donated by the Company are a classic example where Ceylinco Life ensures that regular maintenance activities are conducted.

### What is a Surgical High Dependency Unit?

A surgical High Dependency Unit supports intensive post-operative care for patients to recuperate after a surgery. An HDU is used to upgrade a patient from normal care and as a step down from intensive care, helping release beds in the intensive care units.

There is generally a high rate of patients in government hospitals who undergo major operations.

Once the operations are completed, they would be observed and kept in the government wards.

However, there are patients who require observation in an ICU setting with an ICU bed. However due to the scarcity of ICU beds these patients are transferred to wards which increases their risk of infection and injury recurring during the observation period.

### CASE IN POINT



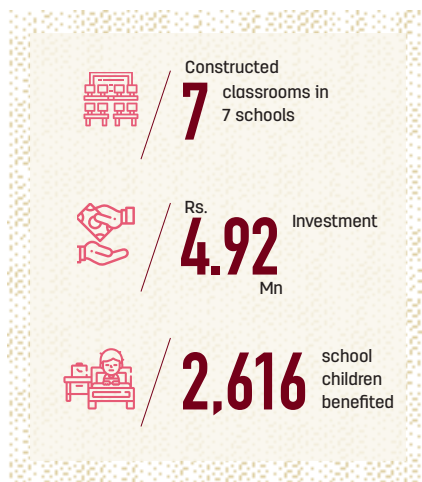
"The High Dependency Unit donated by Ceylinco Life provides post-operative care for patients who require close monitoring after operations. Previously, such patients were kept under observation within the Intensive Care Unit (ICU) till their conditions returned to normalcy. Due to the occupation of the beds within the ICU we had to delay some of the operations of the patients who were on the waiting list as there was limitation of beds to provide post-operative care. Now with Ceylinco Life coming forward to donate the HDU we can expedite these operations as we are now well equipped with the HDU to provide the necessary care within this unit until the condition of the patients stabilise."

**Dr. Saman Rathnayake,**  
Director- Kandy Teaching Hospital

## Education

Education of the country's future generation is a prime area of concern for Ceylinco Life. Ceylinco Life recognised that a vast majority of the schools in rural areas lacked basic infrastructure. As a result, most classroom sessions were conducted under trees and in dilapidated classrooms. The Company identified several class rooms through its vast network of branches. Once these schools which needed help were identified the Company undertook the design and construction of classrooms with dimensions of 20x20. These classrooms are designed in a manner where it can be used for a multitude of purposes.

### Highlights of the class room project in 2019



During the year 2019 Company has donated 7 classrooms and this is the highest in the history at an investment of RS 4.92 Mn.

This year the Company went one step ahead and upgraded the design of the classroom further which has set the benchmark to be followed in the initiatives which are done in the future.

Each of the seven class rooms had its unique requirements considering the school's special needs. Given below is the story of some of the class rooms that were constructed.

#### Wettewa Primary School

This school has a history of 14 years. The school has been developed with the efforts and contributions of the parents and other charitable entities. The students were sharing the main hall to conduct daily classes before they received this classroom.



#### B/Gammedda Vidyalaya Rathkarawwa

According to the principal of this small school in the Uva region the students have excelled in dance and music winning many competitions within the Uva region. However, they did not have a dedicated class room to conduct dance and music sessions and often used other class rooms and the garden area for this purpose. The class room donated by Ceylinco Life is used mainly to conduct dance and music sessions.

#### N/Luxapahanaa Model Primary School – Hatton

This school was initiated in May 2013 with 42 students and 2 teachers.

Initially they had converted a carpentry workshop into a school. Today this school has progressed with 287 students and 17 teachers. Prior to Ceylinco Life constructing a classroom, educational sessions were conducted in the community halls or under trees which was a hazardous environment for children. The specialty of this school is many children perform well in scouting and

they have performed well in recent scouting events in the year 2018.

#### PO/DIM/Sripura PV, Siripura

This classroom will be used for Grade 1 students who will join the school in 2020. This is built under the theme of a "smart classroom" equipped with a projector, computer & sound system. This school started as a primary school in 2009. Their main challenge is limitation of space, in terms of setting up classrooms and unavailability of space for a playground. This school has 6 classrooms in total and five of them are equipped with projectors and other equipment under the smart classroom concept. Students are mostly from a farming background.

#### WP/MT Mahakalupahana Junior School Mahakalupahana

This school is situated in a beautiful area close to nature where the school children have taken an active role in maintaining a beautiful garden. This newly built classroom will solve their issue of limited classrooms. This school is progressing with quality

## Capital Management Review | Social and Relationship

education by involving the students all areas of extra-curricular activities such as aesthetic activities to scouting.

shelters or classrooms made from tin roof and clay walls. By receiving this classroom these students are studying under a safe and conducive environment.

### B / Muslim Maha Vidyalaya

This school had approximately 1,050 students under 41 classrooms out of which 4 classrooms are conducted under temporary

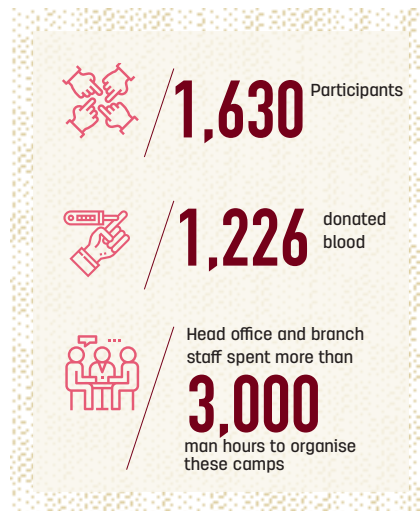
### Class Room Project in 2019

Classroom No	School	Class room used by	District	Coordinated Branch	No of Students in the School
75th Classroom	K/Wettewa Primary School Wattewa, Galagedara	Grade 1	Kandy	Kurunegala	160
76th Classroom	B/Gammedda Vidyalaya Rathkarawwa	Dance Classroom	Bandarawela	Bandarawela	105
77th Classroom	N/Luxapahana Model Primary School - Hatton	Grade 3 B	Nuwara Eliya	Hatton	287
78th Classroom	B / Muslim Maha Vidyalaya	Grade 3	Bandarawela	Welimada	1,050
79th Classroom	P/Vettalai Assenkudhoos Government Muslim Vidyalaya		Puttalam	Norchcholai	600
80th Classroom	PO/DIM/Sripura PV, Siripura.	Grade 1	Polonaruwa	Dehiyatakandiya	260
81st Classroom	WP/MT Mahakalupahana Junior School Mahakalupahana	Grade 1	Kaluthura	Mathugama	154
					2,616

### Blood Donation Programmes

Ceylinco Life has organised a series of blood donation camps at 15 locations across Sri Lanka to commemorate the achievement of 15 consecutive years of market leadership in 2019. This is the first-time that the company has organized a blood donation camps to represent different regions.

The branches in the same region or nearby branches supported the main assigned branch by bringing in people. Each location saw staff of Ceylinco Life, customers, friends and family of employees, suppliers, key opinion leaders in society, other banking partners and stakeholders donating blood at these programmes. We saw people from "all walks of life" coming together to for a worthy cause.



The Company believes that the reason for retaining the market leadership is the strength and support of all stakeholders. Therefore, these camps were initiated with the objective of reinforcing our commitment

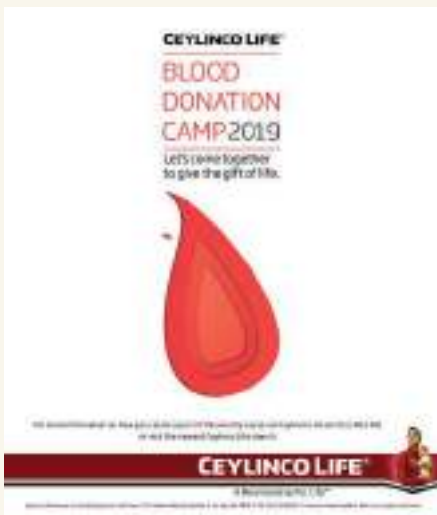
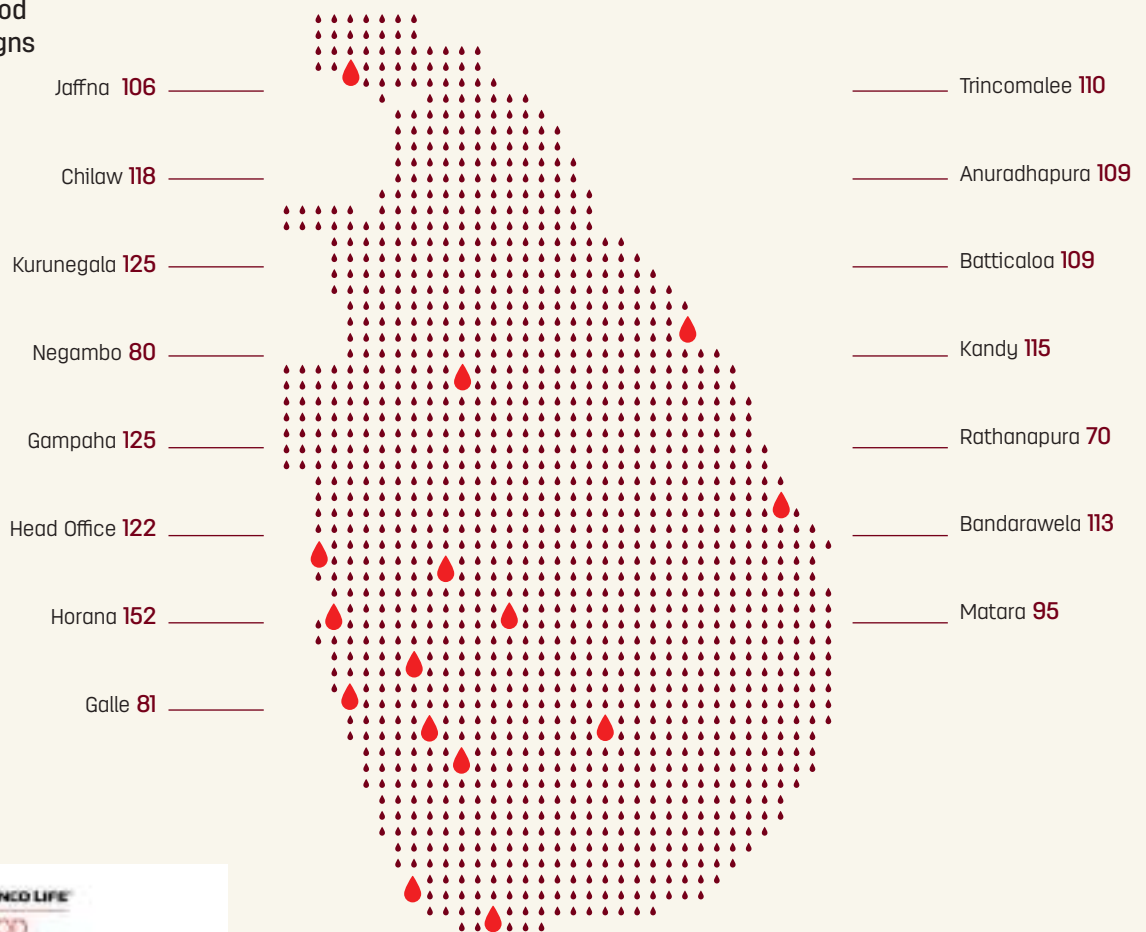
towards all stakeholders who helped us reach this important milestone in our corporate journey and as our way of giving back to the society.

One of the main features of these blood donation campaigns is that these are conducted within Ceylinco Life's own building locations with the active support by the employees and the branch staff.

Information about the blood donation camps in the different areas were shared via the Facebook page of Ceylinco Life, inviting the general public to be a part of this commendable initiative.



No of successful Donors of the blood donation campaigns in 2019





**BUSINESS PARTNERS**

In its quest for excellence the Business Partners of Ceylinco Life form an integral part of the value creating process. The significant business partners are as follows:

- Suppliers
- Banks and financial institutions
- Reinsurers
- Bancassurance partners

Maintaining strong relationships with business partners is of paramount importance. Strong partnerships with business partners create a sustainable competitive advantage. Recognising this we have over the years committed to build a strong supplier chain management system. By building collaborative business relationships we have been able to deliver quality whilst being competitive. During the year under review no significant material changes to the supply chain activities / suppliers of the Company.

**Evaluation of Business Partners**

Ceylinco Life has a comprehensive process whereby all business partners go through a comprehensive screening process prior to registering them as a supplier.

**Supplier management strategy**

We strive to build long-term collaborative partnerships with suppliers who share our values and are willing and capable of helping us achieve our corporate goals. Our efforts to build long term relationships with suppliers are based on the following principles;

- Deal with suppliers in good faith, ethically and responsibly, and make payments in accordance with agreed terms
- When all other requirements remain equal, give preference to suppliers that demonstrate a commitment to sustainably manage their business performance, with values complementary to our own
- Set clear expectations for our suppliers regarding their sustainability performance and embed its minimum requirements within supplier contracts
- Employ appropriate methods for assessing the performance of our key strategic suppliers and monitoring their progress over time
- Encourage our key suppliers to invest in environmentally and socially responsible systems to improve the sustainability performance of their businesses
- Actively engage with key suppliers and provide data and other relevant information to enable innovation and the development of products that meet our aspirations

We believe that this approach results in mutual benefit and enables us to make best use of our suppliers’ knowledge and expertise.

We expect our suppliers to share our values and demonstrate consistency with our values. This involves taking a broader view of value, to determine the social and environmental value our suppliers are able to offer in addition to the commercial outcomes. Accordingly, while price, quality and service levels continue to be key evaluation criteria in our supplier

selection process, more recently we have begun focusing on screening suppliers to ensure that they meet the requirements of our safety, quality and environmental standards as well. We conduct site visits of our suppliers which enable us to verify information provided by the supplier and further support our assessment programme

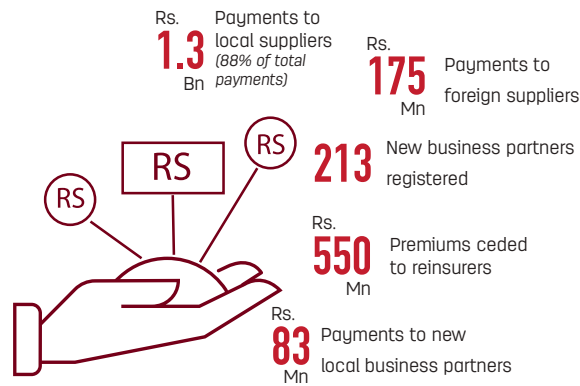
**Key Suppliers Evaluation Criteria**

Price, quality, and delivery	Environment regulation compliance
Management capability	Financial stability
Employees capabilities	Production scheduling and control systems
Cost structure	e-commerce capability
Total quality performance, systems and philosophy	Supplier’s sourcing strategies, policies and techniques
Process and technological capability	Longer-term relationship potential

Supplier assessments are carried out by the central procurement unit, with all suppliers who qualify under the above criteria being registered in our supplier database. The database is updated annually.

A markedly different process is followed for the selection of contractors for construction of buildings. These are handled on a case-by-case basis through a tender process. All tenders are reviewed by a specialized cost consultant, while a special advisory panel further reviews the credentials of each contractor for compliance with the Construction Industry Development Authority (CIDA) guidelines. These recommendations are submitted to the Board for final approval. 3 successful tenders were awarded in 2019.

Mainly one-off purchases such as IT systems are sourced from overseas, with a strict vetting process being applied prior to the decision being made at Board Level.



### Local Sourcing

While our procurement process is mostly centralized, there are instances when we do engage the services of small-scale local suppliers with the intention of supporting local communities in and around our branch network. Local sourcing activities are limited to various maintenance and upkeep activities such as janitorial services, tea services, electrical maintenance etc.

### Monitoring of Suppliers

We constantly monitor our procurement process by reviewing the contractual documents such as procurement contracts at regular review meetings and by carrying out site visits on a regular basis. In accordance with our company policy of sustainability we make sure that our suppliers also adhere to acceptable environmental standards. There were no incidences of our suppliers engaging child or forced labour.

During the year under review there were no negative incidents reported pertaining to the supply chain.

### Building relationships of trust with our suppliers

A significant number of our suppliers have been dealing with us for a considerable period. Through these time-tested partnerships we have built relationships of trust with our suppliers. Building on our corporate philosophy we ensure that we build relationships of mutual trust with our suppliers in the long term. At the outset of the relationship we set and define our expectations so that a solid platform is set.

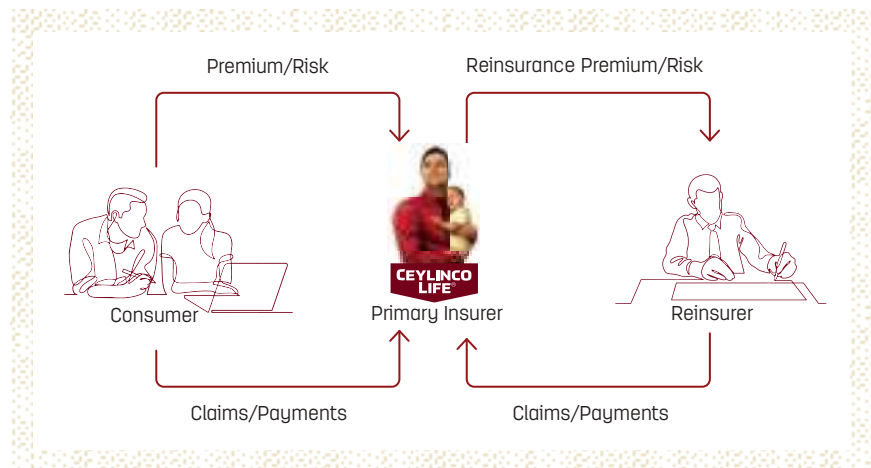
### Priorities for the Future

Going forward, our main priority is to establish a structured supplier development program to help our suppliers to strengthen their alignment with our growth trajectory. In this context, we will focus on encouraging our suppliers to invest in innovation and working with them to improve their social and environmental indicators.

### Reinsurers

The relationship between Ceylinco Life and its reinsurance partners is pivotal as it provides additional safeguards to absorb potentially high value risks and in doing so creates a platform to scale up operations and drive our growth objectives.

### Insurance / Reinsurance Parallels



## Capital Management Review | Social and Relationship

Given the custodial role played by the reinsurer, we maintain relationships with three of the worlds' leading reinsurers; Munich Re of Germany, Swiss Re of Switzerland and Reinsurance Group of America (RGA). Munich Re and Swiss Re are top ranked reinsurance companies.

Munich Re in Germany, founded in 1880, is the world's leading reinsurer, employing over 40,000 people worldwide. Swiss Re, based in Zurich, Switzerland is the world's second-largest reinsurer. In business since 1863, Swiss Re operates through offices in more than 25 countries. RGA is one of the largest global life and health reinsurance companies. RGA supports clients around the world through innovative and customised solutions.

Our long-standing relationship with our reinsurance partners spanning 20+ years has benefitted Ceylinco Life in numerous other ways as well, most notably the knowledge sharing sessions that have enabled us to stay updated with the latest global trends, while their training programs on disciplined underwriting, prudent portfolio management, innovative product development continue to enhance our capacity and increase our leverage in Sri Lanka's highly competitive life insurance market.

### Gross Premium ceded

The ceded gross premium represents the portion of risk insurance policies that are transferred from the primary insurer to the reinsurer. This is exchanged for a predefined

premium. The gross premium ceded to reinsurers during the year under review is Rs. 550 Mn.

### Consulting Actuaries

We seek the services of an independent Actuarial Consultant as needed from time to time and since the inception have maintained strong ties with Willis Towers Watson, a leading global advisory, broking and solutions company. We leverage on our ongoing relationship with Willis Towers Watson to obtain capital planning advice and support our investment strategies to optimize policyholder returns. Willis Towers Watson, a Company with a 200 year old heritage designs and delivers solutions to manage risk, optimise benefits, cultivate talent and expand the power of capital to protect institutions and individuals, employs approximately 40,000 people and serves across 140 countries.

### Industry Associations

#### Insurance Association of Sri Lanka

The Insurance Association of Sri Lanka (IASL) is the apex organization of the insurance industry in Sri Lanka which formulates and takes up joint industry initiatives. The Association coordinates and corresponds with the Insurance Regulatory Commission of Sri Lanka (IRCCL).

There are seven sub-committees which function under the stewardship of the Executive Committee. These seven sub-committees are represented by officials of Ceylinco Life Insurance Ltd.

Reinsurer	2019 Rs. Mn	2018 Rs. Mn	2017 Rs. Mn	2016 Rs. Mn	2015 Rs. Mn
Swiss Re	320	316	306	267	216
Munich Re	195	139	116	107	102
RGA	35	2	-	-	-
Total	550	457	422	374	318

### Reinsurance ratio

Description	2019	2018
Premium income excluding CRA and investments (Rs. Mn)	15,330	16,591
Reinsurance gross premium ceded including catastrophe cover (Rs. Mn)	550	457
Reinsurance ratio (%)	3.6	2.8

Committee Name	Name of Company Representative
Executive Committee	Thushara Ranasinghe (Managing Director/ CEO) / Alternate: Ranga Abeynayake (Director/ Deputy CFO)
Legal Advisory Forum	Kushan Weththasinghe / Alternate: Saman Premarathne
Life Insurance Forum	Asoka Sirisena / Alternate: Saman Kumara
Finance and Technical Sub-Committee	Ranga Abeynayake / Alternate: Hemantha Chandana
Marketing & Sales Forum	Samitha Hemachandra / Alternate: Dhiranjan Canagasabey
HR Forum	Sudharshana Jayathilake / Alternate: H.A Suraweera
IT Forum	Foo Haw Li / Alternate: Vasantha Hemakumara
Actuarial Sub-Committee	Sujeewa Kumrapperuma / Alternate: Roshan Menaka

### Sri Lanka Insurance Institute (SLII)

The Sri Lanka Insurance Institute is the only educational body for those in the local insurance field. It was established in 1981 to enhance professionalism in the practice of insurance in Sri Lanka and develops the necessary human resources in insurance and other related financial services. The institute was established to fulfill the need to create an autonomous educational body devoted to enhancing the standards of the insurance field in Sri Lanka.

### Way Forward

The Company will continue to invest on developing and nurturing strong relationships with the policyholders, sales agents, the community and business partners. Venturing forth by harnessing the power of IT the Company will move ahead to deliver fast and superior customer service levels. This will be a unique differentiator and would enable the Company to maintain its market leadership position.

# Capital Management Review

## Human Capital

Our talented team of 844 employees are a source of competitive advantage as they drive our strategic ambitions to deliver exceptional performance. Our strong HR proposition has enabled us to attract and retain the best talent in the industry.

### Management Approach

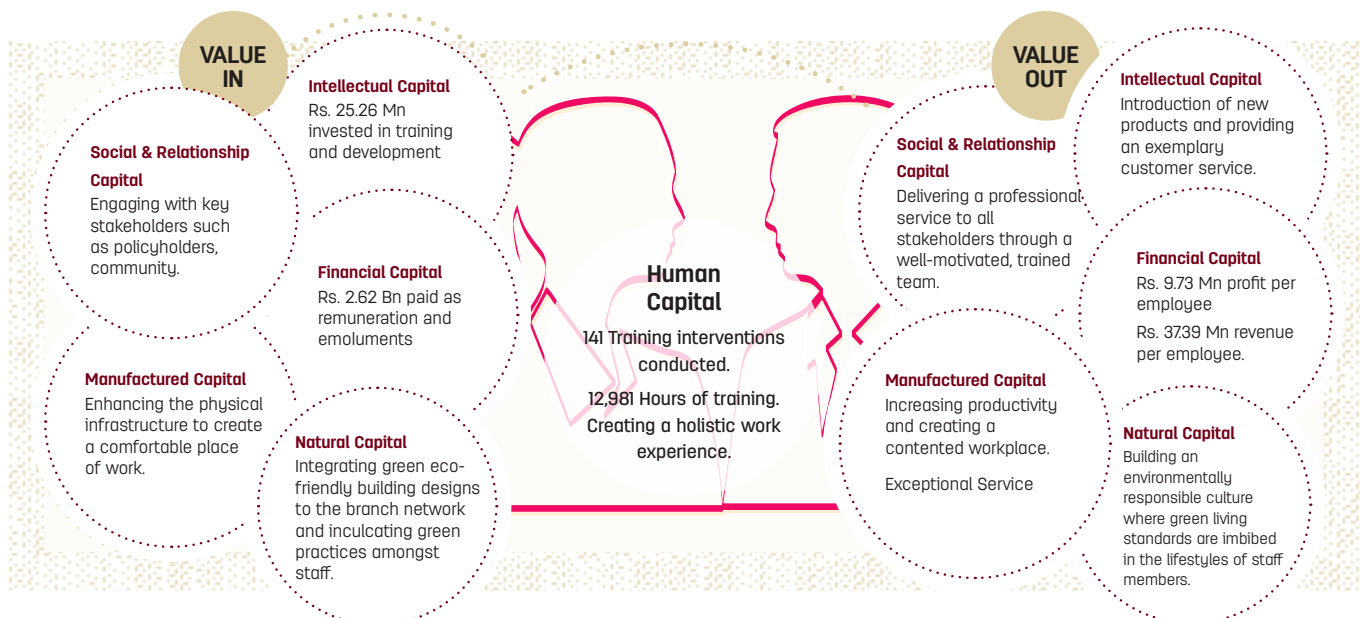
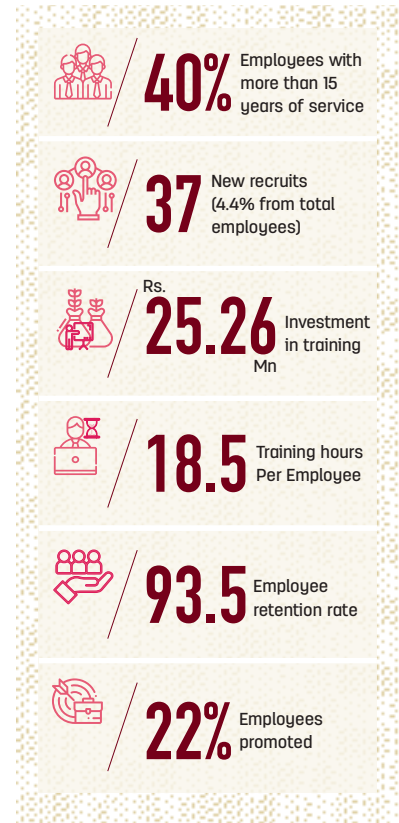
The Company's approach towards its Human Capital is based on the belief that "we ignite the hearts of our associates with humanity in order to illuminate others with dignity". This is underpinned by its' vision, which is to create a sustainable competitive advantage through rewarded talents.

Our employee value proposition is centred on providing an attractive remuneration package along with a conducive work environment which builds our employees professionally as well as personally. We provide a range of opportunities for our employees for skill and career development with local and international training opportunities.

We have extended our customer proposition 'Relationship for Life' to our employees to enrich and nurture our employees across the lifetime of the employees. As such, we believe the recruitment of an employee for a service, needs to be done with the longevity of the relationship in mind whereby we enrich and nurture our employees to grow professionally and as wholesome individuals during the period of employment.

The Company's work ethic is based on its values 'PRIDE', which translates to Professionalism, Rewarding, Integrity, Dedication and Excellence.

### Key Indicators of Value Generated In 2019



### Our Pool of Talents

Our permanent cadre represents diversity of gender, ethnicity, religion and a multi – generational mix of employees. Over the last 13 years, the Company has been recognised as the SLIM Nielson People’s Life Insurance Brand of the Year, reflecting the commitment and excellence of our team, consisting of 844 employees. All employees of the Company are on a full-time basis.

Employment Type	2019	2018
Permanent	812	838
Contract	12	9
*Special Contract	20	16
Total	844	863

\*Employees who have been short term contracts as post retirement orientation



#### Employees by type of engagement

Category	Employment Type			Grand Total
	Contract	Permanent	Special Contract	
Director	0	5	0	5
Senior Manager	1	38	6	45
Manager	0	23	1	24
Assistant Manager	0	44	0	44
Branch Head	2	81	2	85
Career Sales	0	52	0	52
Executive	9	534	9	552
Staff	0	35	2	37
Total	12	812	20	844
	2%	96%	2%	100%

#### Employees by Region

Province	Gender		Grand Total
Central	6	44	50
Eastern	2	28	30
North	6	31	37
North Central	0	34	34
North Western	2	56	58
Sabaragamuwa	5	27	32
Southern	5	45	50
Uva	3	27	30
Western	133	390	523
Total	162	682	844
	19%	81%	100%

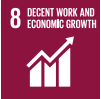


#### Employees by Age, Gender and Designation

Age	18-25		26-35		36-45		46-55		55<		Total	
Directors	0	0	0	0	0	0	1	0	4	0	5	1%
Senior Managers	0	0	3	0	9	0	26	1	5	1	45	5%
Manager	0	0	2	1	9	0	11	0	1	0	24	3%
Asst. Manager	0	0	10	6	8	7	12	1	0	0	44	5%
Branch Head	0	0	4	0	43	2	34	0	2	0	85	10%
Career Sales	0	0	0	0	13	1	36	2	0	0	52	6%
Executive	19	23	147	74	157	10	83	31	7	1	552	65%
Staff	0	0	0	0	9	0	25	1	2	0	37	4%
Total	19	23	166	81	248	20	228	36	21	2	844	100%
	2.3%	2.7%	19.7%	9.6%	29.4%	2.4%	27.0%	4.3%	2.5%	0.2%	100.0%	

# Capital Management Review | Human Capital

## Strategic Priorities

### KEY FOCUS AREAS IN 2019 & SDG GOALS

	SDG Goals	Key Focus Area in 2019	Achievements and Value Creation
	Decent work and Economic Growth - Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	Provide a safe and healthy work environment that promotes progress and career advancement.	Rs. 25.26 Mn spent on training and development, career opportunities and further learning.
	Achieve gender equality and empower all women.	Be an equal opportunity employer providing employment opportunities by including a 19% of women in the Executive cadre and afford them opportunities for career growth. Ensure their safety and well-being in the work place.	Recruited 17 females to the work force.  Provided a female-helpline i.e. Liya Saviya to escalate any issues and concerns that impact women, to the higher management.  Open invitations through all advertisements without gender discriminations.
	Ensure healthy lives and promote well-being for all at all ages.	Work place health and safety and personal health.	Invested Rs. 0.5 Mn to ensure the work environment is conducive to the health and safety of the employees. 100% workplace Ergonomics Audit with feedback and free health camp for all. Well trained fire and first aid teams are established to act proactively to manage possible contingencies.

### HR Strategy

With our mission and belief uppermost in mind and aligning our HR strategy to the Company's business model, we recruit and compensate the best in the market for our business. We align the goals, skills, experience and knowledge of our people to our corporate strategy so that the end user of our services i.e. the policy holder, will have the best benefit through professionalism and integrity.

To achieve this, our HR strategy is focused on:

- △ Understanding the evolving business needs and fix suitable talents to deal with it
- △ Use organisational talent as the key competitive advantage with the belief "Talents Unlimited"

- △ Reward talents according to the contribution towards the set objectives

During the year we upgraded/redefined the performance appraisal scheme with clearly defined Key Performance Indicators (KPIs). Thereby each employee is assessed on clearly defined criteria.

### HR Governance Structure

With the key HR functions consisting of HR planning, talent acquisition, retention, performance management, grievance handling and rewards, total employee development and training banked under the purview of the HR Department, its direct reporting is to the Director (HR & Training), who is a member of the Board of Directors. The department's activities are escalated to the Board of Directors on a regular basis.



### Human Resource Management

Our human resource management is based on the material aspects which provide a blueprint for planning, creating an ethical culture for our employees which enables us to grow our human capital to achieve our overall vision.



- △ Resourcing Strategy
- △ Talent Development and talent management
- △ Employee engagement and employee branding
- △ Performance management and total rewards

### HR Planning

Human Capital is the Company’s wealth in ensuring that its corporate objectives are well achieved in the long term. As such, HR planning is a strategically important exercise that takes place at the beginning of each year. The process involves a gap analysis that includes staff cadre, skill and training gaps and solutions, to overcome gaps.

### Talent Acquisition and Retention

Talent, mindset and attitude are the main competencies we rely on, when recruiting. As the leader in the life insurance industry we are considered a preferred employer in the insurance sector. A transparent process ensures both, internal and external applicants are considered on similar grounds to fill a vacancy. Competency based interviews are conducted with a scientific approach to gaining the best-fit for our Company’s existing staff cadre and its business model.

The Company hires all senior managers from local communities

### On-Boarding Process

A recruit is exposed to several layers of training in the on-boarding experience. After an initial induction training to equip the recruit with the required tools, they also move through the following training/ briefing sessions:

Induction by the Head of Department (HOD) - introducing the new employees to the organization and acclimatizing them to the overall organisational environment

Cross-functional induction – this is done if the recruit will need to interact with a cross-functional level in his job role.

E-Induction – where new recruits are required to log into the HR Portal on the Intranet and familiarize themselves with the

requirements and procedures of the Company. A test is conducted. This score has a direct impact at the stage where the employee is confirmed for employment. This test needs to be completed within fourteen days of joining the Company.

Quarterly Induction – this is conducted by the HR Department on a quarterly basis. The Company’s vision, mission, values and key functional areas are discussed in detail at this session. The Heads of the key departments address the new recruits to give a better understanding about the departmental functions. Further, this provides an opportunity for the new recruits to know each other for better networking. Thereafter, a visit is arranged to the Corporate Head Office of the Company, at Havelock Road, Colombo 5.

### Training and Development

Having placed a strong platform with our comprehensive induction process, our employees are offered training in a variety of aspects that relates to our corporate objectives. Within the year under review, we have conducted the following training sessions, covering both technical, soft skills and life skills.



#### Category wise total training hours

Training Type	Training Hours	Percentage
Conference	963.5	7.4%
Functional Training	8,693.8	67.0%
General	20	0.2%
Soft Skill training	2,935.8	22.6%
Workshops and Seminars	367.4	2.8%
<b>Grand Total</b>	<b>12,980.5</b>	<b>100.0%</b>

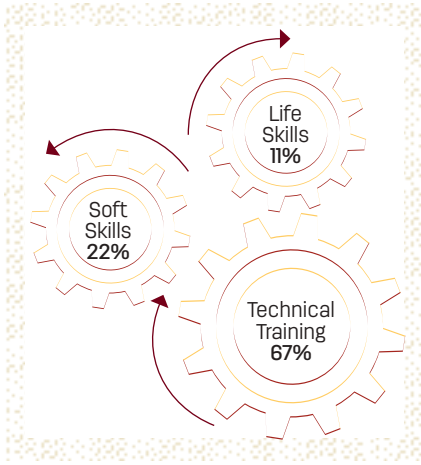
#### Category wise total training hours

Category	Total Training Hours	Average Training Hours
Senior Manager	1,332.2	29.6
Manager	529.5	22.1
Assistant Manager	1,243.2	28.3
Executive	9,598.4	17.4
Staff	277.3	7.5
<b>Average Training Hours per Employee</b>		<b>18.5</b>

#### Average Training Hours

Gender	
Female	Male
18.49	18.48

## Capital Management Review | Human Capital



It is mandatory that a staff member should obtain specific number of CPD points according to the category by attending to training programmes within the year. These are aligned to their Key Performance Indicators (KPI) and are reflected in their incentives or bonuses. The Head of Department (HOD) is overall responsible to ensure this, which in turn, is indicated in the HOD's KPIs. HR Department maintains a robust monitoring system to achieve the desired outcome.

As the Company in the business of managing human relationships, we place great value in managing and mentoring our Human Capital. To this end, we not only conduct business-specific technical training, but also offer life skill training in managing their individual and family life. As we believe imparting humanity into our staff will naturally allow them to treat others with dignity, we take thoughtful planning to achieve that objective.



During the year under review, we carried out several training programmes that were geared to their personal development where

we invited the spouses as observers. A highlight is the defensive driving training, where we endeavoured to build conscious and ethical driving skills in our staff.

We paid the following amounts as remuneration and benefits to employees.

	2019 Rs. Mn	2018 Rs. Mn	2017 Rs. Mn
Salaries and benefits	1,854	1,831	1,839
Employers EPF Contribution	110	103	96
Employers ETF Contribution	28	26	24
Gratuity Contribution	627	618	610

The Yoga sessions generated great enthusiasm among our staff as well as the Step Counter Game, where we encouraged staff to walk-more as a fitness routine. One day workshop on "Brain Science of Work –Life balance" enabled associates and their spouses to discover new ways adding more value to both the working place and family.



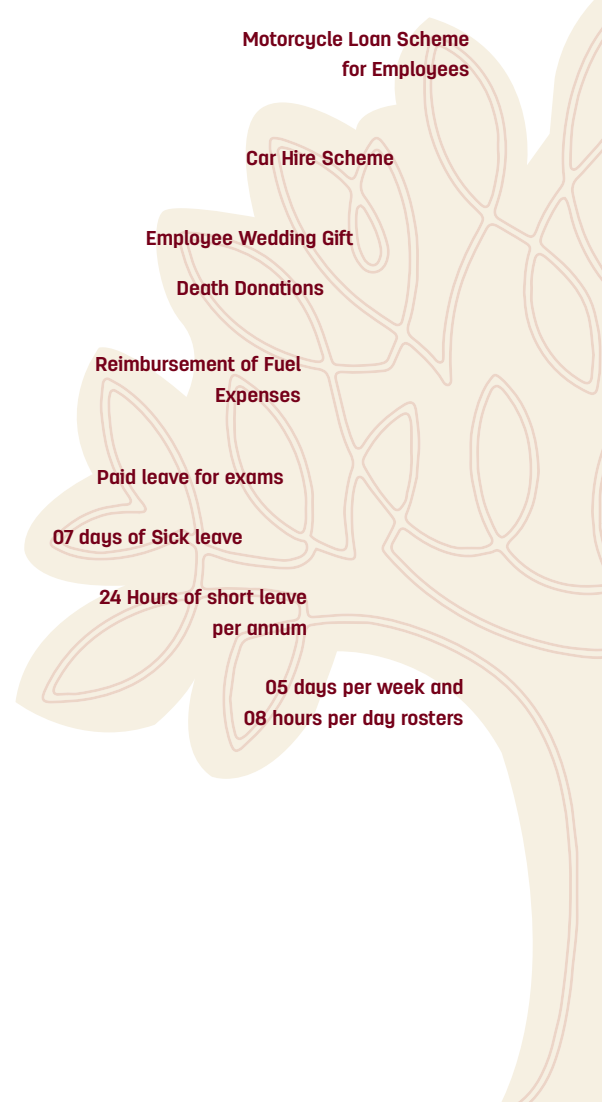
In the year under review, an Outward Bound Training (OBT) session was included as on-going training for the permanent staff. Team work, coherence and problem solving as a team being the underlying objectives. The feedback received from the participants was encouraging. We hope to build on this aspect further, in 2020.

Leadership Training to build the next layer who will ensure growth and maintain market leadership of the Company, is another key area in HR division's training schedule. As the Company is essentially oriented towards human relations, the building of soft skills of this segment, is also given priority in the training schedule.

### Performance Management and Total Rewards

Employee rewards are directly aligned to their performance, based on our business model and the customer reach. All permanent employees are entitled to a free life insurance cover, free medical benefits, staff loans, a wedding gift and death donations in addition to their basic salary. Honouring those who serve the company in the long term, it established a special retirement fund. Employees with a service record of over fifteen years are entitled to this benefit in their retirement years.

As is the practice of any organization, the Company's promotions strategy is linked to employee performance and their contribution towards achieving its objectives and goals. Department-wise performance requirements ensure that



Motorcycle Loan Scheme for Employees

Car Hire Scheme

Employee Wedding Gift

Death Donations

Reimbursement of Fuel Expenses

Paid leave for exams

07 days of Sick leave

24 Hours of short leave per annum

05 days per week and 08 hours per day rosters

rewards and incentives are structured within the requirements expected from the employees, where they are placed.

**This area is processed by two key criteria:**

**1** Setting of Key Performance Indicators (KPIs) – First the Strategic Planning Steering committee decides the corporate objectives for the year and each HOD is required to draw up the KPIs for their departments in alignment with the set corporate objectives. Then the departmental objectives are cascaded down to the individual level of their teams. The set KPI structure will then link these up with the departmental KPIs and finally, the overall KPIs of the Company. 30% of the overall marks are allocated to job specific competencies and the balance 70% directly linked to the functional or job specific KPIs.

**2** Performance Management Programme – Mid-year review and the Annual review complete this cycle for each employee in the Company. The self evaluation by the employee is further evaluated by the HOD and the immediate senior of the HOD. Where performance does not measure up to the mid-year target as set by the KPIs, the individual has the next six months to leverage to fill any gaps.

**3** For those employees who are target driven, a continuous assessment scheme as against the set targets is set that is self-monitored.

Culmination of this process is the year end review and the performance appraisal that sets a final performance rating to the for every employee. Further, these tools are used to identify training or skill gaps and establish personal career development plans.

The Company believes in internal ascension to suitable positions. Any external recruitment is done only where the role requires technical qualification or experience. This, no doubt, has ensured a low staff turnover at the Company.

**Employee Benefits**

Our employees are compensated based on the contribution to the Company with compensation packages and benefits which are on par or above industry standards. All employees on Fixed Term contracts are entitled to statutory contributions to the employee Provident Fund (EPF) and the Employee Trust Fund (ETF).

The contributions made to these two funds amount to Rs. 110 Mn and Rs. 28 Mn

respectively The Company also provides gratuity and the employee benefit liability as at 31st December 2019 is Rs. 669 Mn.

**Gender Parity**

Ceylinco Life is an equal opportunity employer and recognises the female workforce of the Company without any discrimination. Currently 20% of the workforce of Ceylinco Life comprises of women.

The Company has a formidable female representation at all levels of the Management from the Board of Directors, senior management to the junior levels. All female employees are given equal opportunities and there are no salary discriminations. Ceylinco Life has a standard entry level salary scale which is determined to be in par with the industry standards and which is equal for males and females.

**Liya Saviya – A Helpline for the Female Work Force**

The Liya Saviya dedicated helpline for females was introduced in 2019 as a specific route for the female cadre, to escalate any grievances to an independent committee. Gender equality and fair treatment being a cornerstone of the Company, this whistle-blower process for any undue harassment within the Company, is a support service to ensure that the Company remains a healthy and responsible organization for women. A non-prejudicial panel consisting of senior management personnel are ready to address issues and find solutions, if any.

The Company grants maternity leave as per the labour laws of Sri Lanka. It is encouraging to note that all female employees who went on maternity leave returned to work after the leave period.



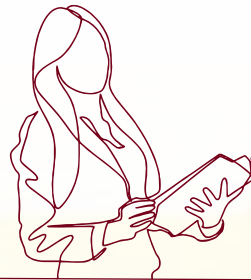
**Employees by Gender**

Category	Gender		Grand Total
	Male	Female	
Director	0	5	5
Senior Manager	2	43	45
Manager	1	23	24
Assistant Manager	14	30	44
Branch Head	2	83	85
Career Sales	3	49	52
Executive	139	413	552
Staff	1	36	37
<b>Total</b>	<b>162</b>	<b>682</b>	<b>844</b>

Maternity leave details

No of employees entitled for maternity leave	No of employees on maternity leave	Returned to work	Not Returned to work	Returning due in 2020
162	14	8	0	6

Return to work rate



100%

CASE IN POINT



Awarded the Female ICT Leader in 2013  
 Awarded the CIO of the Year - in Women in IT Forum in 2017

"I started my career at People's Bank as a school leaver. With the automation of the bank, I was selected to join the IT division where I was employed for a period of 19 years. In the year 1999, I joined Ceylinco Life as an Assistant Manager- IS Audit division. My career at Ceylinco Life has been rewarding as I received many opportunities to get engaged actively in IT implementations.

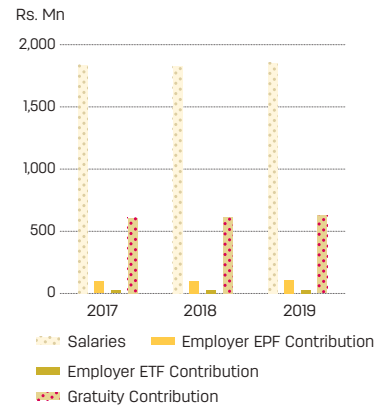
In 2005, I was involved in the implementation of the 'Life Asia System', which was a significant project. As I recollect this project was a significant commitment where we used

to work around the clock during the year.

I have progressed in my career while I received several opportunities to develop my professional expertise through training and development. After six years of joining, I was promoted as an AGM and thereafter as a Chief Information Officer in 2011. at present I function as the Chief Digital Officer."

**Upamalika Ratnayake**  
 Chief Digital Officer – Ceylinco Life

Employee Compensation and Benefits



Employee Engagement

Employees, fully engaged with the Company and its objectives and vision, are foundational to achieving business success and long-term growth of the Company. Ceylinco Life has a plethora of activities to this end which act to promote camaraderie and unity amongst the employees whilst building a sense of loyalty towards the Company. Bhakthi Geetha programmes, Carol Service and the Sports Meet take pride of place among these. These activities provide a platform for the employees to showcase their talents.



In 2019, the employees participated in many Employee engagement activities with following objectives.

**Common Objectives**

- 1 Create the feeling of ownership.
- 2 Strengthen the mental and physical capabilities for better performance and contribution.
- 3 Develop a strong network within the associates and their family members.

The following engagement activities were conducted in 2019:

- 1 Outward Bound training (OBT) program for two days combining five departments i.e. Finance, Administration, Projects, Legal and Investment at MAS Athena residential training centre. The objective of this program was to gain a deeper understanding of individual values and different personalities, develop trust within team mates and improve coordination within cross functional teams.
- 2 Training on 'Brain science of Work – Life Balance' for associates and their spouses with the objectives of creating a cohesive and united family units for personal and organisational success.
- 3 '10,000 Hearts' Campaign – an internal program held with the objective of reviving 10,000 lapsed policies with the contribution of all the non-sales associates. This increased the ownership level within all associates to drive towards the key KPIs of the company while supporting the Sales Force.
- 4 International Womens' day Quiz Competition to improve the self-esteem of female employees while encouraging a spirit of camaraderie.
- 5 New Year greeting cards for all employees who retired during last 10 years with the objective of living our tagline tag line "A relationship for life" and give them the assurance and a sense of gratitude that Ceylinco Life is with them.

6 Annual Awards ceremony to appreciate 59 employees below Assistant Manager Category for their performance, commitment and engagement.

7 Staff represented the Company at the Quiz competition organized by the Chartered Management Institute and won the sector championship and emerged fourth in the overall competition.



8 Commenced a weekly Yoga programme for all associates with the objective of building a healthy mind, healthy life and healthy work relationships.

9 Departmental day outings with get-together for all the departmental associates to ease off, jingle and mingle. Some departments had extended this event to their families in order to build relationships with the spouses and kids.



10 Birthday celebrations on daily basis with well wishes and sharing of gifts.

**Employee Voluntarism**

Employees of the Company engage in an active manner in the CSR activities conducted by the Company. The branch staff take an active role in the renovation / maintenance activities of classrooms built by the Company.

The Company promotes a culture of voluntarism whereby staff devote time and energy towards the upliftment and welfare of the community and environment.

**Promoting Health and Safety**

As the Company is in the business of life insurance, we place a significant level of importance in promoting good health practices and wellbeing among our staff. The following programmes were conducted with the objective promoting wellbeing:

- △ A healthy work-life balance by working the stipulated working hours i.e. 8.30 am to 5 pm. Where a staff member is required to work after 5.30 pm, special approval is required from a senior officer, justifying the requirement.
- △ Employees are encouraged to utilise seven-day continuous annual leave. It is noteworthy that a 56% annual leave has been utilized by the staff, during the year under review.
- △ While maintaining a healthy lifestyle themselves, the Managers are encouraged to promote this among their staff members.
- △ A mandatory health camp is conducted by the Company for its staff on an annual basis.
- △ A work place Ergonomics audit was conducted with one- on-one consultation by an expert doctor in order to create a work space which increases efficiency, productivity and reduce discomfort.



- △ 'Million Step Count' Competition among associates to promote good health practices. Under this three groups competed to mark 1,000,000 steps

## Capital Management Review | Human Capital

within 03 weeks and the associates were encouraged to be more conscious about their health. Main health indicators were monitored through an App during this competition which resulted in associates continuing this as a daily habit.

### Employee Satisfaction











Employee satisfaction is primarily measured through feedback received from the employees during the performance appraisal process. In the year under review, the employee turnover rate was 6.5% which indicates that the staff are satisfied with the Company.

During the year 56 employees resigned from the Company. Over the past three years we have maintained a stable employee tenure whereby our average tenure is 13 years and 10 months.

### Employee resignations by region according to category of employment

Category	Province								Grand Total	%
	Central	Eastern	North Central	North Western	Sabaragamuwa	Southern	Uva	Western		
DIRECTOR	0	0	0	0	0	0	0	0	0	0
SENIOR MANAGER	0	0	0	0	0	0	0	2	2	3.6
MANAGER	0	0	0	0	0	0	0	0	0	0
ASSISTANT MANAGER	0	0	0	0	0	0	0	10	10	17.8
BRANCH HEAD	1	1	1	0	0	1	0	2	6	10.7
CAREER SALES	1	1	0	0	1	1	0	2	6	10.7
EXECUTIVE	0	0	1	4	0	3	2	22	32	57.2
STAFF	0	0	0	0	0	0	0	0	0	0
Grand Total	2	2	2	4	1	5	2	38	56	100

### Employee resignations by age composition according to category of employment

Age	18-25		26-35		36-45		46-55		55+		Total	
Category												
Directors	0	0	0	0	0	0	0	0	0	0	0	0%
Senior Managers	0	0	0	0	0	0	1	0	1	0	2	3.6%
Manager	0	0	0	0	0	0	0	0	0	0	0	0%
Asst. Manager	0	0	2	0	1	0	2	0	4	1	10	17.9%
Branch Head	0	0	0	0	4	0	1	0	1	0	6	10.7%
Career Sales	0	0	0	0	2	0	4	0	0	0	6	10.7%
Executive	3	4	5	8	1	2	1	2	3	3	32	57.1%
Staff	0	0	0	0	0	0	0	0	0	0	0	0
Total	3	4	7	8	8	2	9	2	9	4	56	100%
	5.4%	7%	12.5%	14.3%	14.3%	3.6%	16.1%	3.6%	16.1%	7%	100%	

## Succession Planning

Second layer grooming to take over the helm of business is another aspect that is done with great care and attention. Having identified the suitable candidates for succession, one-to-one discussion by the HOD with the successor and the HRD with the HOD, comprehensive training in the business and the, building of soft skills are done with great care. The identified candidates are placed on a monitoring plan and receive leadership skills and other related training and development required to fit into the expected roles.

A structured method is adopted in ensuring the Company has the best fit for succession, for the longevity of the Company and achievement its objectives. Having followed a well-crafted curriculum in all aspects of the Company's business, the selectees are then required to source out an appreciate CSR project and present it to the Senior Management, to reflect the application of the skills and knowledge they acquired during training. They are subjected to the 360-degree leadership assessment process, where their leadership qualities are evaluated by the Head of Department, five peers and five subordinates together with a self-assessment.

Further it is compulsory for all the employees who are identified to be in the leadership pipeline to be active members of Ceylinco Life Toastmasters Club in order to upgrade their competencies in leadership and public speaking.



## Health and Safety

The Health and Safety Committee comprises of managerial and executive staff who are well trained in first aid, safety procedures

during a fire, evacuation and physiological assistance, where necessary. A dedicated safety committee provides oversight on health and safety matters that are aligned to national safety standards.

In keeping with the Company's 'zero harm to people' emergency control and protocols are well maintained and rehearsed to ensure the safety of our staff, in case of exigencies. Regular reporting is in place to ensure such safety measures are always in force, at all our premises.

All branch managers are responsible to ensure the health and safety of the branches under their purview. Any possible breach to health and safety can be logged on the intranet, which reaches the escalation point for action. The Business Continuity Plan goes through dry run once a year, to ensure the robustness of the plan and to fix any gaps that may be identified. The Company's disaster recovery unit is based in Gampaha.

Considering the nature of the business the risk of work-related fatalities and injuries are minimal.

## Continuous Learning

A learning organization is a growing organization. As such, the Company fosters a learning culture and recognize professional qualifications and individual training hours as KPIs. Study leave is granted to those who are vying for such qualifications, that are in line with the Company's business. Knowledge sharing is a key component of this learning process, as are department-wise knowledge tests that are conducted periodically, to motivate the employees to gain and expand technical learning relating to the Company's business. Further, promotions are aligned with the qualifications required.

## Collective Bargaining and Freedom of Association

Recognizing the Freedom of Association as a fundamental right protected by the Constitution of Sri Lanka, Ceylinco Life encourages constant, open and cordial dialogue between the management and Ceylinco Life Employees Union. All permanent members of the Company are

covered by the terms and conditions of Ceylinco Life Insurance Employees Union and the Company has maintained good relations with the Union and addresses any concerns the Union may have, directly at Board level. Therefore, there is no requirement for a collective bargaining agreement at Ceylinco Life.

Engagement with the Union for their considerations and feedback at critical junctures of introducing or reforming various processes of the Company or on any other relevant issue, has further cemented the good relations, cultivated over a long period of time between the Company and the Union.

## Diversity and Inclusion

Committed to equal opportunity as an employer, the Company does not discriminate in any way, whether at recruitment or at employment. Gender-wise recruitment ratio for the year under review was 54% males and 46% females. The Company is committed to the values embodied in the United Nations Global Compact which states, "Non-discrimination in employment means simply that employees are selected based on their ability to do the job and that there is no distinction, exclusion or preference made on other grounds. Employees who experience discrimination at work are denied opportunities and have their basic human rights infringed". The Company abides by this Principle. Further, the Whistle Blowing Policy introduce reinforces the transparency within the culture.

# Capital Management Review | Human Capital

## Diversity of Employees Service Category

	2>		3-5		6-10		11-15		16-20		21-25		25<		Total	%
Directors	0	0	0	0	0	0	0	0	0	0	1	0	4	0	5	0.58
Senior Managers	0	1	0	0	10	0	5	0	6	1	8	0	13	0	44	5.10
Manager	0	1	1	0	2	0	5	0	6	0	8	0	1	0	24	2.78
Asst. Manager	6	2	4	2	2	4	5	1	4	2	9	0	5	1	47	5.45
Branch Head	7	0	1	0	21	3	37	0	15	0	9	0	4	0	97	11.24
Career Sales	0	0	0	0	8	1	11	1	14	0	14	0	2	0	51	5.91
Executive	34	38	53	28	75	29	103	12	71	0	47	11	32	23	556	64.43
Staff	0	0	1	0	4	1	3	0	5	0	13	1	11	0	39	4.52
Total	47	42	60	30	122	38	169	14	121	3	109	12	72	24	863	100.00
Percentage	5.45	4.87	6.95	3.48	14.14	4.40	19.58	1.62	14.02	0.35	12.63	1.39	8.34	2.78	100.00	

## Recruitments by Gender and Province

Province	Gender		Grand Total	%
North Central	0	2	2	5.4
North Western	0	4	4	10.8
Southern	0	2	2	5.4
Uva	0	2	2	5.4
Western	17	10	27	73
Grand Total	17	20	37	100
%	46	54	100	

## Recruitments by Gender and Province (Contract)

Province	Gender		Grand Total
Western	5	2	7
Grand Total	5	2	7

## Recruitments by Age and Gender

Age	18-25		26-35		36-45		46-55		55<		Total	
Directors	0	0	0	0	0	0	0	0	0	0	0	0%
Senior Managers	0	0	0	0	0	0	0	0	0	0	0	0%
Manager	0	0	0	0	0	0	0	0	0	0	0	0%
Asst. Manager	0	0	0	0	0	0	0	0	0	0	0	0%
Branch Head	0	0	0	0	0	0	0	0	0	0	0	0%
Career Sales	0	0	0	0	0	0	0	0	0	0	0	
Executive	0	2	0	2	0	0	1	0	1	1	7	100%
Staff	0	0	0	0	0	0	0	0	0	0	0	0%
Total	0	2	0	2	0	0	1	0	1	1	7	100%
	0%	29%	0%	29%	0%	0%	14%	0%	14%	14%	100%	



## Protection of Human Rights

The Company upholds local and internationally recognised human rights practices and promotes a culture of equality of opportunities and tolerates no discrimination. All employees recruited by the Company are over the age of 18 years. During the year under review no cases of discrimination, violation of human rights and employment of child labour or forced compulsory labour were reported.

As a responsible corporate citizen Ceylinco Life such, does not make use of child labour nor forced labour.

The company has introduced a strong Whistle Blowing policy to serve as a communication channel as an integral part of its Enterprise Risk Management process. Under this policy, even a human right violation could be brought to the notice of the Management for necessary actions.

## Counselling

As the Company evolves and sets its targets and objectives in line with the dynamic business environment, there have been instances where some employees feel stressed due to the changes that take place within their sphere of work. Digitalization and increased use of mobile devices could especially escalate such stress levels and the Company has stepped forward to help and support such employees. The HR division carries out counselling sessions so that they are well able to acclimatise themselves to the changes and evolve with the changing environment.

## Employee Grievance Handling

The Company has an established formal employee grievance handling procedure. All employees are encouraged to voice their concerns relating to employment matters. An open-door policy is encouraged whereby quick and speedy solutions are offered whenever an employee has a concern. There were no incidents of labour disputes in 2019. This bears witness to the robust management of the Company's business and fair treatment to the members of its staff.

The Company policy for grievance handling is well communicated and executed by the Sectional Heads in order to eliminate any possible biases.

The company intranet serves as a platform for all individuals connected to the company to self-train on company practices on anti-corruption policies and procedures.

## Communication of Changes in Processes

The Company gives appropriate notice periods for its staff when operational changes and significant changes to processes and procedures are conducted.

## Sustainable Committee Oversight

Three independent committees are set up to ascertain the viability and impact level of any CSR project the Company undertakes. The Environmental Committee is set up to measure the Company's carbon footprint and the Social Committee, evaluates the relevance and impact of selected CSR Project. The Economic Committee monitors and facilitates the functioning of the Environmental and Social committees to ensure the best utilisation of budgets.

## WAY FORWARD

The Company continues with the best practices hitherto adopted in recruiting and managing the human capital and will seek out further ways and means, where necessary, to enhance the value creation to our work force.

As the Company positions itself as the preferred employer of choice in the industry, we are committed to build and nurture a strong and motivated team who possess the right skills and the aptitudes to meet the challenges of a dynamic business environment. With our strident focus on implementing globally accepted best HR practices, we were recognised within the Ten Most Admired Companies of the country by the International Chamber of Commerce- Sri Lanka. Keeping in mind the human resource vision of 'igniting the hearts of our associates with humanity in order to illuminate others with dignity' we hope to extend the paradigm of relationship for life to all our employees where we maintain a

strong and cohesive bond even after the employees have left employment.

With the upgrading of the HRIS platform we have enriched the experiences of our team with sophisticated IT facilitates which cater to their HR requirements.

The Leadership Development Programme which was introduced has paved the way for identified successors to be groomed over a period to take up enhanced responsibilities.

We are cognizant of the following challenges posed to us in the context of our organisation and its evolutionary journey.

- 1 The need to create a performance-based culture whereby we align our HR objectives with the corporate objectives of 2020.
- 2 Develop a sustainability driven culture through the involvement and contribution of all the associates.
- 3 Enrich the existing competencies of selected team members earmarked as successors for key positions. Develop a strong second tier to take up possible challenges within the next decade is also of paramount importance.
- 4 Recognising the changing demographic pattern of our work force with more millennials who possess unique expectations and aspirations. We hope to evolve our workplace to suit the needs and expectations of this segment.
- 5 With digital advancements taking over we hope to support and equip our team members to upskill and adapt to a fully digitalised environment.

## Capital Management Review

# Manufactured Capital

Our network of branches, IT infrastructure provides the framework and mechanics to add a customer-centric dimension to our business and create value.

### Management Approach

The Company adopts a conscientious and prudent approach when investing in fixed assets. All capital expenditure is forecast in the annual budget which is linked to the Annual Business Plan which sets out the strategic direction of the Company. All investments be it branch expansion or investment in fixed assets are planned and strategically deliberated. The Company takes a prudent approach to rationalise its expenditure on fixed assets to ensure that assets are not underutilised.

We ensured the maintenance and construction of the varied components of our Manufactured Capital, i.e. branch network, transportation, office equipment and IT infrastructure. Our branch expansion

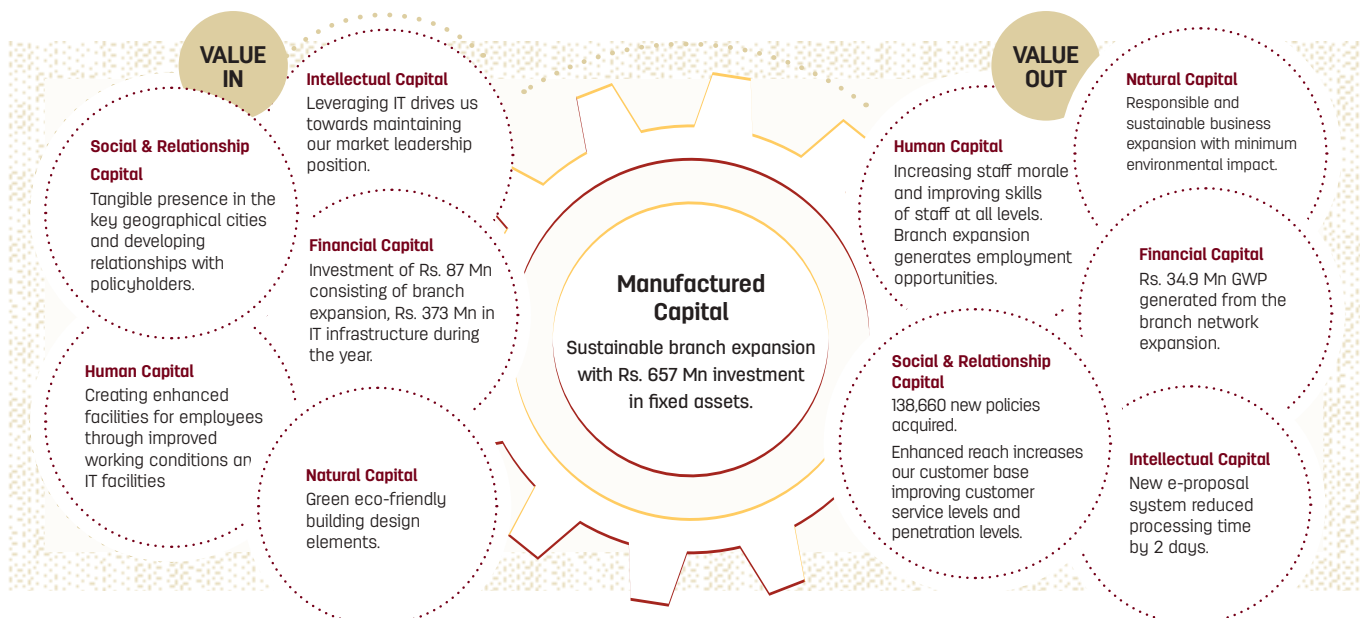
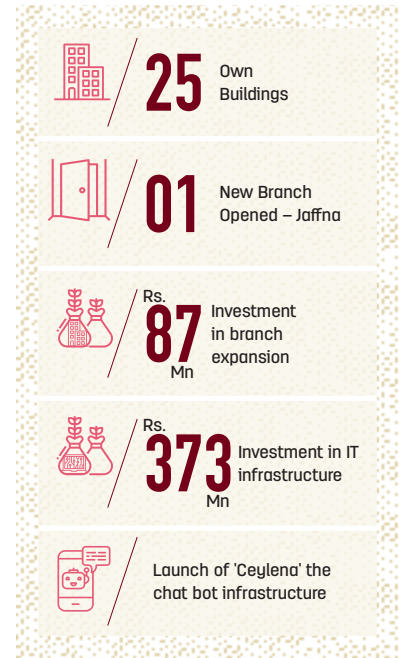
policy is founded on eco-friendly 'Go Green' principles whereby we strive to construct buildings in line with environmentally friendly concepts and energy efficient features with the objectives of minimising wastage and optimising costs. We use solar power for all our branches. Our Head Office is the one of the largest solar power installations in Colombo.

Our road map towards digitalisation is founded on the objective of improving efficiency at all levels of service delivery. We have taken a holistic step forward by commencing several IT initiatives that will improve our response to digitisation and position us in the growing online environment.

### Value Creation Process



Through our branch expansion strategy, we create a tangible presence in the geographical markets that we serve which leads to enhanced new business growth bringing in additional revenue. Presence in key cities helps to build tangible relationships with the communities that we interact with.

### Key Indicators of Value Generated In 2019



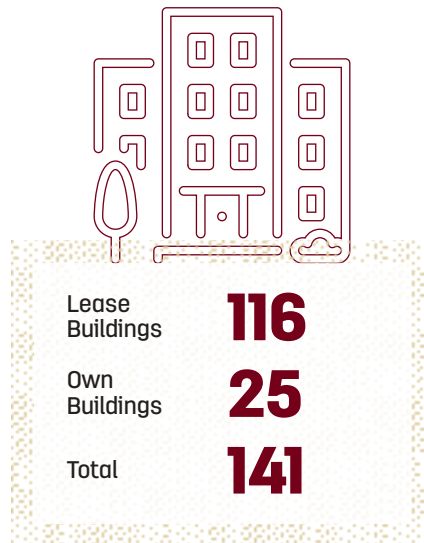
### Strategic Priorities

During the year 2019 we focussed on several initiatives which have a direct impact on the Sustainability Development Goals.

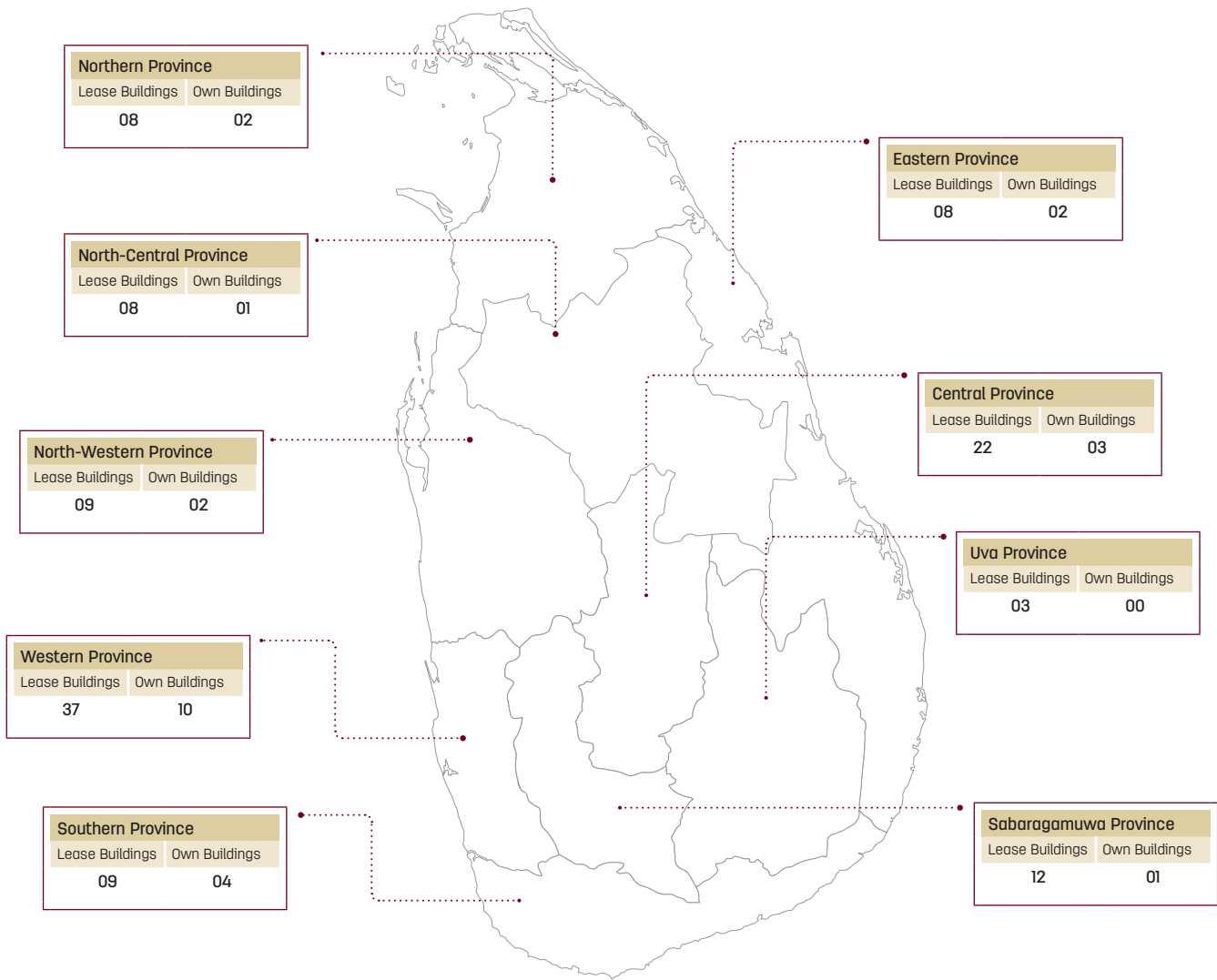
	SDG Goals	Key Focus Area in 2019	Achievements and Value Creation
	Responsible Consumption & Production	<p>Conscious and responsible purchasing of new furniture.</p> <p>Recycling of existing building materials such as partitions and glass when relocating branches. Utilising existing furniture which is not used to furnish the new branches,</p>	Rs. 195,000 saving on furniture for new branch in Jaffna and MD's refurbished office at Rs. 3.4 Mn.
	Industry, Innovation and Infrastructure	<p>Investments in fixed assets are made after assessing the return on investment potential.</p> <p>Use of digital IT infrastructure by equipping sales agents with tabs and smart devices.</p> <p>Leveraging robotics for process efficiency in the SAP implementation and enhancing greater customer interaction.</p>	<p>Island-wide branch network to enhance customer convenience.</p> <p>Enhances speed in processing of policies and uplifts customer service.</p> <p>Launch of the chat bot 'Ceylena' the first of its kind in the insurance industry creates value to the Company.</p>

### Expansion of our branch network

Ceylinco Life considers its branch network of 141 branches as an integral part of its value proposition. Over its journey of three decades the branches of the Company have been recognised as key touch points for our policyholders. Hence investing in branch expansion is a strategic decision which is conducted based on a very rational manner considering a multitude of variables. The Company has focussed establishing its presence in hub cities which has the potential to generate business from the towns and villages within its environs.



Our branch expansion strategy is focused on investing in our company owned buildings which accrues two-fold benefits of cost savings and capital appreciation through the enhancement of the land value with time. Furthermore, we believe that establishing and building our brand in our own location creates a sense of stability as well as creating a tangible brand presence within that location resulting in a strong relationship with the community as well.



**Opening our Jaffna Branch**

During the year 2019 we opened the largest branch in our branch network by officially inaugurating our Jaffna branch on 17th September, 2019. The purpose designed, eco-friendly building has been dubbed the 'North Wing Building' as it stands next to an older building of Ceylinco Life at the location, which will also continue to be used.

The new building is a milestone, as it is the 25th branch built by Ceylinco Life on company-owned land. Intended to be the nucleus of Ceylinco Life's branches in Achchuvely, Chavakachcheri, Chunnakam, Manipay, and Nelliady, the North Wing Building has a multi-function training room cum auditorium that can accommodate up to 200 people.

We adopted an eco-friendly approach towards the construction of this branch to ensure that the new branch symbolise the Company's 'Go Green' concept while conserving the immediate environs of the construction to achieve that.

The entire furniture needed for this branch was sourced internally through our existing network of branches. Carrying out repair work where necessary to outfit the branch,



the Company saved Rs. 195,000 in costs, as opposed to the estimated cost of Rs. 550,000 on account of new purchases.

Generating 41KW of electricity, the solar system commissioned at our Jaffna branch preserves the environment by saving 22 tons of CO2, which is equal to the CO2 generation of 259 trees. Further, this result in a saving of Rs. 75,000/- on the electricity consumption. The branch is also fitted with

energy efficient air conditioning and lighting systems. To compensate for the essential limited number of trees that had to be felled to construct the branch and to replace its footprint, a vertical garden concept has been adopted with plant troughs placed on each floor.

**Investment in Other Capital Assets**

Our products and services, naturally, are intertwined with the daily lives of our people. Therefore, visits by our customers and stakeholders to our branches help to build strong and lasting relationships. Therefore, our branches must reflect the stability and the permanency reflected by the Ceylinco Life brand. This we achieve by acquiring suitable commercial real estate and constructing the branches according to the specifications set by the Company, based on our signature 'Go Green' concept.

We acquired the following capital assets in 2019:

	Cost Rs. Mn	Carrying Value Rs. Mn
Office Equipment	69	63
Furniture, Fitting and Fixtures	5	5
IT Equipment	24	20
Long Term premises	86	85
Motor Vehicles	327	299

**Responsible Business Expansion**

We ensure that our business expansion is conducted on a very responsible manner. We ensure that we create the minimal adverse impact on the environment, its community through our branch expansion.

Our Anuradhpura branch is equipped with the largest solar power system in the branch network, generating a capacity of 50KW. This contributes to a saving of approximately 277 tons of CO2, which in turn, is the output of about 314 trees to the environment. This also attracts a saving of approximately Rs. 52,000/- on the electricity consumption of the branch.

The office layout within the branch building were designed building in energy and

cost savings in mind. Offices scattered on several floors were ergonomically arranged on one floor using the open office concept to optimise the usage of air conditioning and lighting. This initiative was made on an investment of Rs. 1.5 Million which in turn reduced the electricity consumption by approximately 1,375 units per month.

Natural light being the key focus in lighting, the Company's building projects are geared to ensure maximum usage of it. Tempered glass is used to ensure this on the East and West sides of the buildings. This was applied in renovating the CEO's office at the Head Office branch in Colombo.

Where electricity is consumed, the total conversion to LED across the Company's properties, has resulted in further cost savings.

Solar systems installed across our island-wide branch network contributes to the saving of approximately 426.9 tons of CO2, which is the equivalent of about 4851 trees.

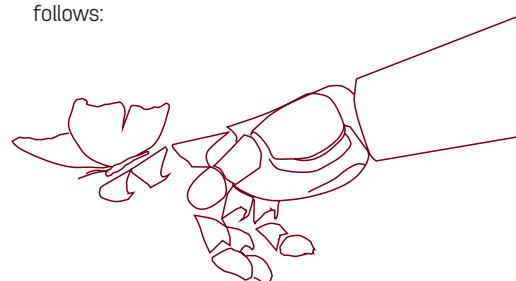
**Investment in IT Initiatives**

Digitalisation is recognised as a lever which creates efficiency in work flows and delivering unique customer experiences. Ceylinco Life in its endeavour to be a digitally driven insurer in the life insurance industry invested a sum of Rs. 373 Mn on IT infrastructure during the year. These investments were made in acquisition and maintenance of networks and procuring of computers and other equipment such as printers, scanners etc. The network infrastructure of our branch network was

enhanced during the year generating considerable benefits in speed of service and efficiency.

Furthermore, in 2019 the Company reached significant milestones three of its main IT projects the e-submissions, 'Life 360' CRM module and SAP Integration. The Company made a significant milestone by launching 'Ceylenda' the chatbot - Artificial Conversational Entity.

During the year under review we reached significant milestones in our IT road map as follows:



- Rollout of SAP using robotic technology
- Life 360° CRM module
- Rollout of SAP eCeyLife e-Submission system
- Upgrade of Lotus Note mail system
- Enhancement of branch network with higher bandwidth
- Upgraded the total IT Firewall Infrastructure
- Replacement of IT Server infrastructure to hyper converged solution

## Capital Management Review | Manufactured Capital

### Roll out of SAP

#### Robotic Process Automation

Robotics, an inter-disciplinary innovation of engineering and science has influenced the world than ever, making the world to move forward rapidly without human interventions. Robots in software applications, are referred to as 'bots'. Bots can think like humans, take actions based on external stimuli, keep things in memory, analyse and choose the best possible way without human instructions. Artificial Intelligence (AI) is the underlying technology for both bots and robots combined with many other sophisticated technology. Enterprises embrace this technology as it can make the business processes work seamlessly while reducing the errors more efficiently than other information systems. The ultimate business goals could be realized through the retention of satisfied customers while increasing the customer base.

The Company invested in bots in progressing to its SAP system. The bots embedded to the SAP system will automatically link the branch network. Through the use of bots, we have been able to significantly reduce operational costs while ensuring the quality of the process by reducing the error rates.

The cost savings achieved and the reduction in processing times is as follows:

Process	No of monthly transactions	Time consumed per transaction (minutes)	Saved man hours per month
Budget work flow	3,300	1	55
Material Management	3,200	1	53

### Life 360 Customer Relationship Module

The Life 360 CRM platform enables lead generation and tracking of sales leads in order to ensure that business enquiries are attended to within stipulated time periods.

With the introduction of system-based tools, a greater transparency in conducting business from the sales pitch to the complaint process is envisaged. Any lapses in service standards or a violation of minimum turnaround times in conducting business, is easily tracked, escalated and resolved.

#### ECeyLife e-submission system

The Company has successfully implemented the online application process by equipping its sales force with tabs and smart devices. E-submission will digitize the manual proposal and leverage the process from prospect creation to policy issuance, while reducing the turnaround time & operational costs and increasing the productivity of the sales agents.

The adoption rate of these smart devices by the sales force has increased to 80% in 2019. This facilitated a majority of our sales proposals to be transmitted online thereby generating considerable cost savings and enhancing customer service

levels significantly This system is platform independent and it has the Contact/Lead/Prospect Management, Financial Needs Analysis (FNA), Product information, Quotation, e-Applicaion/Proposal, submission, e-mail facilities, Payment Gateway Connectivity modules which will enable most of the sales agents functions to be carried out via this system.



#### Upgrade of Lotus Notes e-mail system

The Lotus Notes e-mail infrastructure was upgraded during the year with the latest version. In this process, the Company obtained licenses for all users which enhanced the overall user experience.

#### Upgrade of branch network bandwidth

The network of branches was upgraded with enhanced bandwidth to improve the application performance. This enhanced data connectivity speed has a positive impact on service levels.

Upgrading bandwidth at branch level has significantly improved processing times and customer service levels.

#### Replacement of IT server infrastructure

The IT server infrastructure was upgraded with higher capacity enhancing overall performance. All outdated servers were replaced with a new server, which reduced

space utilisation and power consumption. The data backup solutions of the Company were also upgraded with the latest hardware. The Company's entire IT infrastructure is now adept with full disaster recovery capability.

Further details of the innovative IT initiatives made by the Company are detailed in the Intellectual Capital of this report in page 114 to page 119.

### Way Forward

At Ceylinco Life we consider market expansion and maintaining our market share as a key strategic imperative. Recognising the fact that Sri Lanka possesses the lowest insurance penetration levels in South Asia, our branch network is a key enabler to drive business expansion across the nation. As a progressive and growth-oriented insurer expanding our geographical footprint will be a key strategy to increase our penetration levels to untapped areas. We believe that our brand presence in key cities will generate greater awareness about the Company and provide an opportunity for us to interact and move closely with the communities. This would also pave the way for many within the localities of the branches to gain employment in new branches. We recognise the fact that our employees perform an integral role within our branches in delivering superior customer service. Thereby considerable value is placed on training and developing our staff within our branches to deliver a superior customer experience to our policyholders.

Moving into the fourth industrial revolution digitisation is another area which we focus on. Recognising the way forward for our policyholders who interact with digital devices we wish to get closer to our policyholders through digital channels to be more relevant in a digital environment. Therefore, we hope to leverage mobile technology to interact with greater intensity with our policyholders. The Company is focussed on harnessing the power of data analytics and big data to further understand customer behaviour levels in order to introduce impactful products and services.

# Natural Capital

At Ceylinco Life, being a responsible and sustainable company is the foundation of our business. We strive to make a tangible difference through our 'Go Green' initiatives and have taken steps to reduce our carbon footprint.

### Management Approach

While delivering value to our customers and stakeholders, it is our desire, as a responsible corporate citizen to ensure that the Company's behaviour towards earth's limited natural resources, is responsible. Careful consideration is given to the extent of water, soil, energy and fuel usage and consumption, in its day to day operations, as well as in the Company's business expansion strategy. We use renewable energy sources to conduct our business operations. We approach branch expansion in a very sustainable manner with a detailed focus on managing our environmental footprint from the planning stage of the construction, designing of the branches and organising and furnishing our branches.

Energy conservation, reduction of the carbon footprint, waste management and

### Value Creation Process

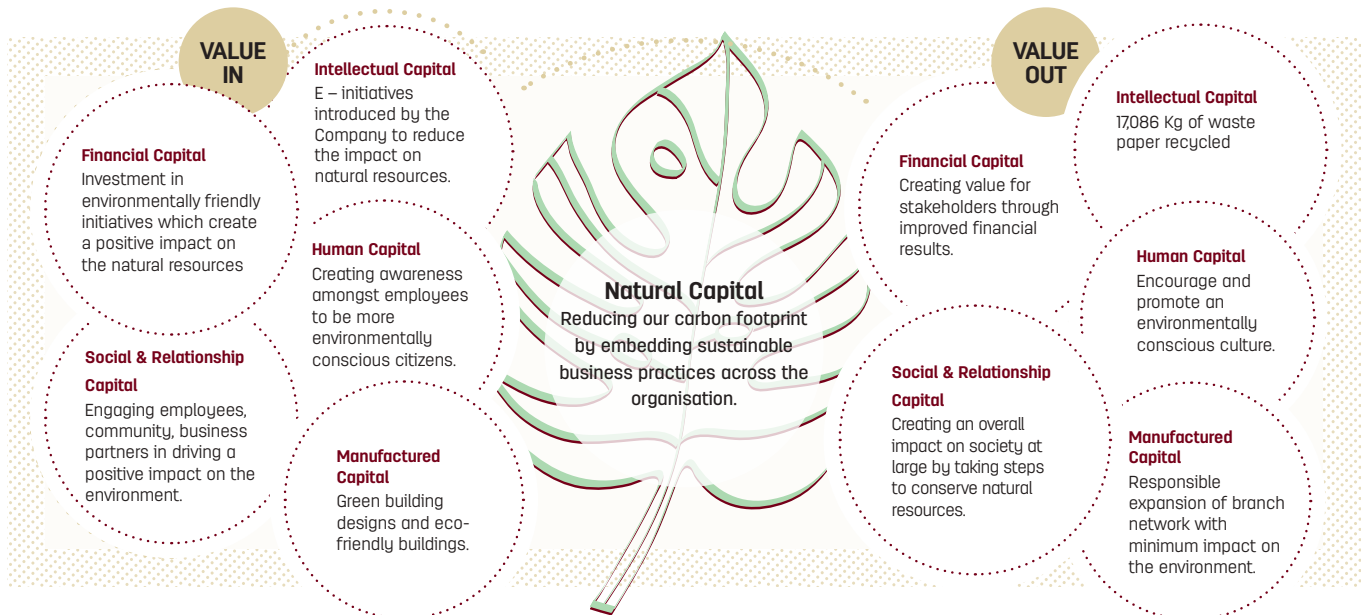
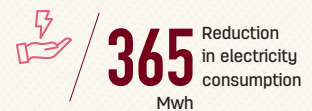
Our commitment towards environmental sustainability has created a positive impact on the environment which accrues many benefits all our stakeholders.

optimum usage of water, is a significant priority in our Environmental Policy. The 'Go Green' project launched in 2016, based on the three pillars of 'Reduce' Reuse' and 'Recycle' continues to create a greater impact on our environmental footprint and environmental stewardship amongst our stakeholders.

Our digital strategy contributes significantly in reducing our environmental footprint. As sales agents adopt submission of proposal forms via tabs and other devices we are able to save on the usage of paper.

Our staff are a strong pillar when implementing our 'Go Green' initiatives as they support and drive these initiatives at office whilst taking it forward one step further to their personal lives as well.


### Key Indicators of Value Generated





## Strategic Priorities

### KEY FOCUS AREAS IN 2019 & SDG GOALS

	SDG Goals	Key Focus Area in 2019	Achievements and Value Creation
	Responsible Consumption & Production	<p>Conserving energy</p> <p>Reduce usage of paper</p> <p>Conscious and responsible purchasing of new furniture.</p> <p>Recycling of material</p>	<p>Automation of business processes has reduced the overall carbon foot print as sales agents are able to send the details of their proposals electronically.</p> <p>Introduction of paperless initiatives such as the e Proposal form, SMS reminders.</p> <p>Re-using building materials and furniture.</p> <p>Recycling paper waste.</p> <p>Segregation of all waste into recycle, composite and non – degradable waste.</p> <p>Recycling waste water.</p>
	Affordable & Clean Energy	Use of clean energy sources	Use of solar power as a source of electricity at Head Office and branches.
	Climate Action and Life on Land	Driving a spirit of eco-consciousness across the organisation	Building a team of employees committed to preserve the environment.

### Investment in environmentally friendly initiatives in last decade

Investment in solar panels  
**82.1** Mn

Investments in Green Buildings  
**724** Mn



### 'Go Green' initiatives

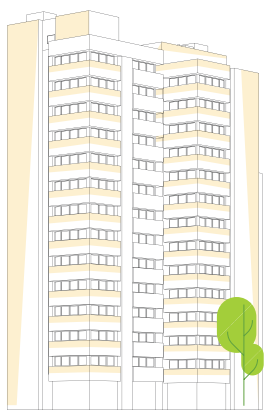
The Company's expansion to cover new segments of policyholders by facilitating easy access through our branch network is a key strategy. Continuing our investment strategy that evolved over a thirty-year period, we expanded our presence into hub cities surrounded by large townships and clustered by fringe villages.









However, in line with our green philosophy we have set up a network of green branches which embody green principles in building design, construction. at Present Ceylinco Life has a network of 15 green branches.

**GREEN BRANCHES**



Anuradhapura	Kurunegala
Batticaloa	Kaluthara
Bandarawela	Kotahena
Chilaw	Panadura
Gampaha	Ratnapura
Horana	Trincomalee
Jaffna	Wennapuwa
	Kadawatha



-  Use of solar power
-  Use inverter air conditioners
-  Use of quarry dust
-  Eco-friendly pest control solutions
-  Use of energy saving lighting
-  Use of fly-ash bricks
-  Wood free construction
-  No use of granite

## Capital Management Review | Natural Capital

### Construction

During the year the Company focussed on constructing the Jaffna branch which is the largest Branch in our network of branches. Adopting the green vertical garden concept, the building was constructed prioritizing the preservation of the surrounding environment while maximizing the usage of available resources, on the building site. In fact, the old building with a 4,500 sq. ft was preserved without demolition and the utility connection thereto was diverted to support the new building introducing enhancements.

We are guided by our 'Go Green' concept in all new constructions, the land-fill required for the building site was completed with limestone dust and crushed building material, available in the Jaffna Peninsula. This averted a possible soil excavation elsewhere. We are committed that our Company's expansion strategy does not come at a cost to the country's environment.

We have advised the architects to construct the branch in line with the topography of the earth in order to reduce the usage of soil for filling the earth. In addition, this method avoided the import of 14,000cu.ft of excess soil that would have been required to carry out the filling.

Maximum utilization of space as our guide-post, our construction style reflects smart common areas and well-appointed work spaces to achieve it.

Construction of the Malabe branch is planned for 2020 and will be carried out with an environment friendly fly ash cement block (instead of using common clay brick) at less cost and with no soil excavation for manufacturing the brick.

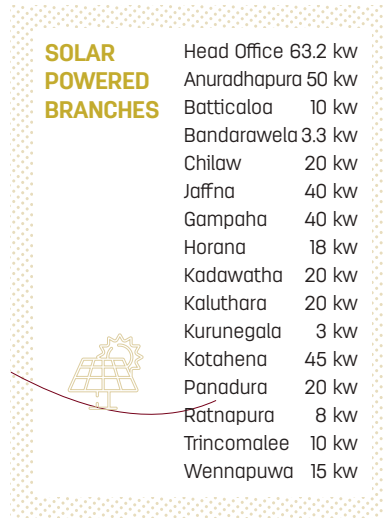
### Efficient Use of Energy

The Company uses energy efficient designing methods in the pre and post building phases. The company places great emphasis in site planning, building form, building plan and appropriate space using renewable energy resources. The recent branches which have been constructed by the Company embody these green design principles.

Our Head Office is powered by a solar installation which has a capacity of 63.18Kw contributing to a reduction of 34.8 tonnes of

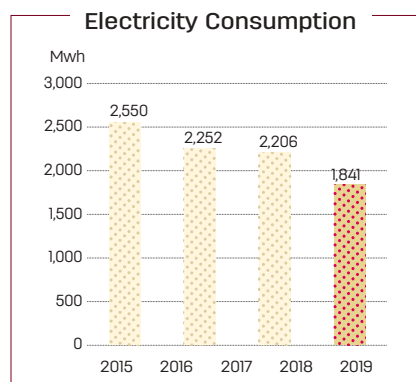
Co2 emissions annually. This translates to a saving of 92,000 units of electricity per year.

As we expand our geographical footprint, we are committed to ensure that all our new branches are powered by solar energy. Currently we generate 385 Kw of power from the following solar powered branches:



### Our energy saving initiatives

- LED Lights at existing and new branches
- In rented branches customer area's are powered by LED lights
- Low usage spaces such as corridors, lobbies are not air conditioned.
- The temperatures of centralised AC systems are maintained at 26 degrees and this is practiced across our branches as well
- The electricity connection of each branch is limited to 42 KVA
- Each branch is provided with a backup generator with sufficient capacity to provide power for only the customer areas and the training room
- Staff are required to switch off equipment, air conditioners at 4.45 pm.



Electricity consumption reduced from 2,206 Mwh in 2018 to 1,841 Mwh in 2019.

### Water Management

Our Head Office and all our branches except for the Bandarawela branch use pipe-borne water and drinking water is sourced through third party suppliers.

	2019	2018
Pipe-borne water (Ltr)	31,332	30,064

Utilisation of water is another aspect well managed with a sewer water recycling plant in existence at Bandarawela, Panadura and Negombo branches, for gardening purposes. Rainwater harvesting saves about 1,800,000 litres of pipe borne water consumption that not only reduces the cost to the company but saves a scarce resource for the nation. As a further initiative, we have fitted the wash rooms with sensor controlled and flow-controlled water fittings.

### Waste Management

Waste, in our business comprise entirely of paper and e-waste. We are in a journey of progressively converting paper-based communications with our customers and stakeholders to technology platforms, where appropriate. To this end, general information to the customer base is converted to SMS and phone-alerts based models.

A decision to discontinue the issuance of the paper diaries was taken in the year under review, which will be implemented in 2020. Similarly, the Company will print its wall calendar for 2021 on both sides of paper, contributing further to the reduction of usage of paper.

### Impact of Waste Management Initiatives

Initiative	2019	2018
Paper (Kg)	17,086	12,047
Trees (no)	1,217	205
Oil (Litres)	29,986	21,142
Electricity (kWh)	68,344	48,188
Water (Litres)	542,993	382,854
Landfill (m3)	51	36
GHC Emission Saving (Carbon equivalent Kg)	17,086	12,047

### Leverage Technology to Minimise Carbon Footprint

In addition, the daily management of usage of paper is strictly controlled, as was done in the past. The following initiatives have reduced the usage of paper considerably :

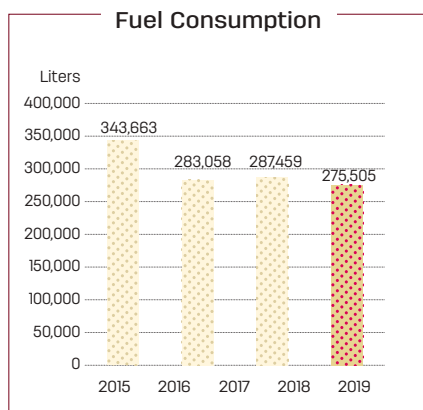
- Routine customer communications are carried out on electronic platforms i.e. premium reminders, renewal notices and payment receipts.
- Centrally controlled stationery issuance to branches ensures usage monitoring and where excess is seen, prompt engagement with branch managers are activated to investigate the root cause.
- Ongoing developments to the intranet to further reduce courier delivered documents.
- Internal document transfers are done in a re-useable envelope.
- E-Proposal has significantly reduced the requirement for hard copy proposal forms.
- Strict control of printing to ensure where a hard copy is mandatory, has reduced usage of toner resulting in reduced e-waste.

### Transport and Emissions

With our 3,467 sales force that is needed to be mobile in order to serve our customers, we are keenly aware that vehicle usage and its emissions will significantly impact our environmental footprint. This is a key

area that we continue to monitor and have encouraged our sales force to convert to plug-in hybrids that have a lower carbon emissions rate. The requirement we enforced that a vehicle should be used for a maximum of six years or up to 250,000 km, is still in force.

The fuel consumption details over the years is as follows:



During the year we have consumed 275,505 litres of fuel for our fleet of vehicles and generators. In 2019 the year we converted the senior management fleet of vehicles to hybrid vehicles which has seen a considerable decrease in the monthly fuel consumption by 4.2%.

The e-Proposal system will enable sales agents to transmit the proposal forms and other documents electronically. This will reduce the number of visits the agent will make to a branch office to hand over documents. Once fully operational we envisage this initiative to have a tangible impact.

### Carbon Footprint Measurement

Recognising the fundamental tenet that what gets measured gets monitored we have decided to measure the Company's carbon footprint on a voluntary basis. Therefore we have made a goal for 2020 and will be measuring the carbon footprint of the branches and head office in line with the GHG Protocol Corporate Standard developed by the World Resources Institute and the World Business Council for Sustainability Development.

### Environmental, Social and Economic Area Compliance

We place a high degree of priority in managing the Natural Capital in compliance with environmental laws and regulations in construction, waste management and managing our carbon footprint. Further, our branch network does not infringe on the protected areas, reservations or disturb the biodiversity of our country.

### Way Forward

Our strident focus and commitment towards an environmentally sustainable business will continue with greater intensity. We hope to take an active role by taking part in carbon - off setting. We are cognisant that the first step to this will be to calculate our carbon emissions which will enable us to plan and implement emission management and energy saving initiatives.

Going forward in 2020 we hope to commence a new project to plant trees in a forest reserve of 125 acres in the Puttalam district.

		2018		2019	
		tCO2e	%	tCO2e	%
Scope 01 (Direct)	Stationary Combustion	6.02	0.35	10.97	0.73
	Mobile Combustion	725.33	42.52	700.3	46.47
	Total Scope 01	731.35	42.87	711.27	47.2
Scope 02 (Indirect)	Purchased Electricity (CEB)	904.66	53.03	776.33	51.52
	Total Scope 02	904.66	53.03	776.33	51.52
Scope 03 (Indirect)	Employee Air Travel	69.82	4.1	19.34	1.28
	Total Scope 03	69.82	4.1	19.34	1.28
Total Scope 01,02,03		1705.83	100	1506.94	100

## Capital Management Review

# Intellectual Capital

Our Intellectual Capital consisting of our brand value, product offerings, technological prowess and technical competencies are developed continuously in order to enhance our competitive positioning.

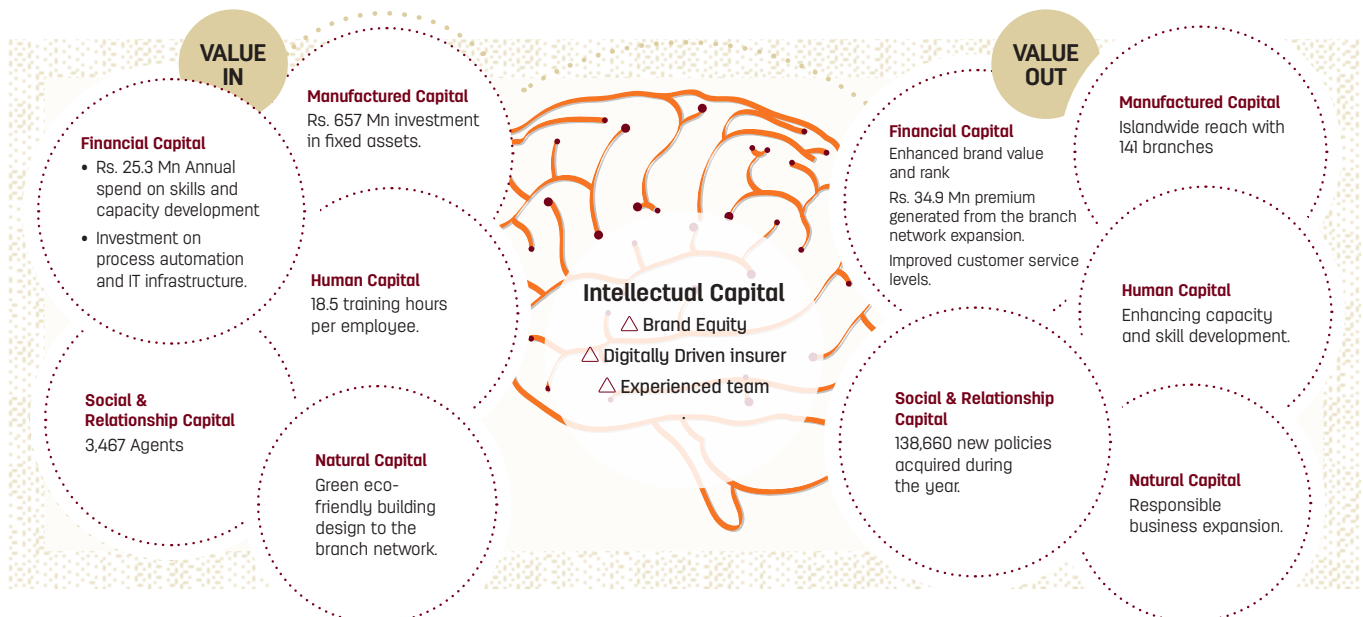
### Management Approach

We recognise Intellectual Capital as a potent area which has a direct link on the Company's growth and development. Our brand value, IT infrastructure, product development and the competencies of our people are a source of competitive advantage which enables us to be ahead of the curve.

Our brand identity is associated with the name, logo, brand perceptions and brand affinity. We ensure that our processes and systems adapt to the needs of the dynamic business environment. This translates into value and service enhancements to our main stakeholders. Digital innovation opens opportunities to connect with our customers at a deeper level and sustaining our innovation is a key management imperative. As a customer-centric organisation we


keep pace with our customers' evolving requirements and needs along with the demographic shifts in our country by introducing products which are relevant and competitive. In delivering our unique value proposition our experienced and skilled team is a vital force. The Company invests and focusses on sharpening these four areas in order to continuously deliver value to its primary stakeholders.

### Key Indicators of Value Generated In 2019



## Strategic Priorities

### KEY FOCUS AREAS IN 2019 & SDG GOALS

	SDG Goals	Key Focus Area in 2019	Achievements and Value Creation
	Industry, Innovation and Infrastructure	Investments in fixed assets are made after assessing the return on investment generated.	Island wide branch network to enhance customer convenience.
		Launch of the 'Ceylenda' digital interface / chat bot	A monthly average of 160 hits on the use of the chatbot

## Our Brand

The stewardship of our brand is anchored on the primary goal of taking the message of life insurance and retirement planning to every Sri Lankan. To achieve this, we have established comprehensive brand guidelines to ensure clarity and consistency in our product strategies, communication, advertising and promotional activities.

Our customer relationships are founded on projecting Ceylinco Life as a symbol of enduring trust. We groom our sales teams to be Ceylinco Life brand ambassadors who epitomise and reflect the values of the Company - PRIDE (Professionalism, Rewards Integrity Dedication and Excellence). Our core brand values are portrayed through their conduct and professional demeanor. We ensure that the frontline of our team comprising of the sales force and all front office staff attire themselves in the official uniform and regularly support them with grooming advice.

As part of our brand stewardship strategy, we have commissioned a quarterly brand equity study, an initiative that commenced following the brand revamp conducted in 2016. Conducted alternatively to cover all regions of the country, the brand equity study aims to track our reach and brand strength vis-a-vis brand recall, top-of-the-mind awareness etc. The results of our most recent cycle indicate that the Ceylinco Life brand continues to remain the most trusted life insurance brand in Sri Lanka and holds a commanding lead in the

local life insurance market, with a top of mind awareness of 43% and an island-wide market share of 21% in 2019. Our findings also reveal that thirty years on, Ceylinco Life is not only the longest serving private life insurance brand, it has also become synonymous with strength, stability and leadership.

The study also indicates that Ceylinco Life is a strong brand with a brand equity rating of 3.6. (Brands that have a score higher than 3 are considered strong brands). The brand equity index is formulated by Nielson Lanka a reputed research agency.

### Building relationships for Life

The "Ceylinco Life Family Savari" is a unique engagement initiative that strengthens relationships between the customer and the company. Similarly, the Company organizes several activities to coincide with the life insurance week in February and retirement planning month in May. These initiatives serve to demonstrate our commitment to build relationships with our policyholders and differentiates the Ceylinco Life brand from other players in the industry.

Our brand position has been further reaffirmed by the recognition received from independent brand tracking agencies such as Brand Finance Lanka, which has valued the Ceylinco Life brand equity at an estimated Rs. 3.8 Bn in 2019. Based on this, the Ceylinco Life brand rating was upgraded from AA to AA+ and the company was listed among the 40 most valuable brands in Sri Lanka in the 2019 Brand Finance Lanka rankings.

## Brand Communications

The company engages in a multitude of channels from electronic, print, outdoor and digital channels to reach out to the targeted segments of customers. The Company has a formidable social media presence with Facebook leading the way with 128,889 FB fanbase. We have also established ourselves within other social media platforms such as LinkedIn and Instagram.

### Pranama Video

The Pranama video was made to raise awareness regarding the importance of children not being dependent on the digital means such as mobile phones, and encourages to be more aware of the relationships they have with their family etc.



**Friendship Day**

An Instagram focused campaign was developed for Friendship Day where we invited people to tag their best friend and to stand a chance to take part in an exclusive event hosted by Ceylinco Life. The event was held with the participation of 20 groups of friends where the importance of relationships was communicated and dinner, games and live music was present as well as gifts for the participants.



**Pension Saver**

The Pension Saver campaign focused on the things which the target group engaged with as kids such as cassette tapes and Yahoo Messenger, where the people who remember them and engaged with them are now at an age range where they need to start planning for their retirement. This was met initially with denial. We took the comments in relation to the denial and made it into a video where we showcased the importance of planning early and how it is not something which is done when they are near retirement or elderly



**Sri Lanka's 10 Most Admired Companies**

Ceylinco Life was the only insurer to be ranked amongst the 'Top 10 Most Admired Companies' in Sri Lanka presented by the International Chamber of Commerce, Sri Lanka (ICCSL) in collaboration with the Chartered Institute of Management Accountants (CIMA). This award focused not only on financial performance and stability but the value created for shareholders, customers, employees and the wider community.

Variables such as quality of products and services, competitiveness, ability to attract, develop, and keep talent, innovation, and environmental, social and corporate responsibility, including the track record of integrity and business ethics were some of the criteria the Company was ranked on.

**Fathers Day**

We invited people to recreate our corporate logo of father and child with their son/ daughter. This was done in order to spread awareness in relation to the core elements of the brand i.e. the main logo.



**Awards & Accolades**

The awards and recognitions we have received in the local and international platforms affirm our strength and our continuous pursuit of excellence.



**Gold for 'Market Reach' at 2019 National Business Excellence Awards**

Ceylinco Life won the Gold for 'Excellence in Local Market Reach' at the 2019 National Business Excellence Awards (NBEA) presented by the National Chamber of Commerce. The judging process comprised of a preliminary evaluation of submissions by a technical panel, interviews of shortlisted candidates and a final review of all preliminary evaluation reports.



**Most Popular Life Insurer in Sri Lanka for 13th year**

Ceylinco Life was adjudged the 'Peoples Life Insurance Service Provider of the Year' at the 2019 SLIM-Nielsen Peoples Awards reaffirming its status as the only company in its sector to win this coveted accolade every year since the inception of the awards 13 years ago.

The SLIM-Nielsen Peoples Awards is the hallmark awards event of the Sri Lanka Institute of Marketing (SLIM). The country's top brands across multiple sectors are honoured each year, following a nationwide assessment of public opinion covering 3,000 men and women aged 15 to 60.



**'Best Life Insurer in Sri Lanka' by World Finance for 6th year**

Ceylinco Life was declared the 'Best Life Insurer in Sri Lanka' for the sixth consecutive time at the 'World Finance Global Insurance Awards' that recognised companies that tread the fine line between prudence and profitability in an innovative and responsible way.

The accolade was presented in appreciation of Ceylinco Life's performance, and its excellence across multiple aspects of operational performance by the UK-based international magazine that analyses the financial industry, international business and the global economy.

The assessment criteria included underwriting processes and process efficiency; policy maintenance – the process of reviewing clients' policies, appropriateness of coverage and cost per policy; exposure to risk; customer retention rate; time taken to settle claims; new customer acquisition rate and financial stability – Premium Income, Market share, Life fund and company profits.

**Most Valuable Life Insurance brand in Sri Lanka in 2019**

Ceylinco Life was ranked the most valuable life insurance brand in Sri Lanka in 2019 in the 16th edition of the Brand Finance rankings of the country's most valuable brands. Ceylinco Life is also one of the Top 40 consumer brands overall in the ranking of the 100 most valuable brands in the country, a list that includes the largest banks, Telco's and retail giants.

Brand Finance assigned Ceylinco Life a brand value of Rs. 3.8 Billion, 5% higher than the Rs. 3.6 Billion valuation of 2018 and upgraded the Company's brand rating to AA+ from AA.

**Ceylinco Life's Sales stars win 5 awards at NASCO 2019**

Five members of the Ceylinco Life sales team were awarded two Golds, a Silver, a Bronze and a Merit award at the 2019 National Sales Congress (NASCO) Awards presented by the Sri Lanka Institute of Marketing (SLIM). Ceylinco Life has been taking part in the NASCO Awards since 2011 and has produced winners from Colombo, Am-balantota, Bandarawela, Embilipitiya, Horana, Kalutara, Kurunegala, Matara, Moratuwa, Negomba, Nittambuwa, and Teldeniya across all categories. The Company was also the winner of the award for the Most Outstanding Female Sales Person of the Year in 2015 and 2016.

**IASL's Life Insurance Industry Awards - 2 Gold & 2 Bronze Awards**

Two of Ceylinco Life Insurance's finest sales agents Messrs G. G. Botheju and A. I. P. Manjula, triumphed as 'Best Advisors' at the Life Industry Sales Awards presented at the recent National Forum for Life Insurance Advisors (NAFLIA) 2019 Insurance Congress. Conducted by the Insurance Association of Sri Lanka (IASL), the 2018 industry-wide competition recognised winners in September 2019 at the celebrations of the National Life Insurance Month. Best Advisor Gold and Bronze awards in National and Category level were presented to Mr G G Botheju and Mr A I P Manjula respectively.

**IT Systems**

Our IT systems have always been a source of competitive advantage for the company. Over the years we have significantly increased our investment in the IT infrastructure to ensure that our IT systems are up-to-date in order to perform its role as a key business enabler.

In 2019 we undertook four key initiatives to enhance our IT capability and align our IT resources towards achieving corporate objectives.

**1** Implementation of the e-submission module, enabling sales agents to digitally submit proposals while in the field, greatly enhancing their productivity. The implementation of the e-submission module follows the automation of the routine underwriting process, which allows our in-house underwriters to complete their task on the system.

**2** Roll out of the CRM (Customer Relationship Management) system to migrate the call center to a more efficient operational model that would greatly enhance the effectiveness of the customer experience. The main development in this regard was the implementation of a 360 degree customer dashboard to offer greater visibility of the customer journey- from the point of first contact, all the way through to continuous account maintenance and client servicing. This system links to social media platforms as well enabling leads generated through such platforms to be routed to sales agents swiftly and speedily. Thereafter the response times and lead conversation rates are also monitored and tracked.

The higher degree of customer interaction has made it possible to evaluate the level of customer satisfaction at every step of the customer journey creating a platform maximize cross selling and up-selling of our products and services.

## Capital Management Review | Intellectual Capital

**3** SAP integration to improve internal workflow efficiency, enhance company-wide MIS strengthen the treasury and financial reporting framework. Cascading from this, a mobile-based front-end system was also rolled out to give senior management the ability to access information remotely, thereby further improving the overall efficiency of workflow system. The other key development under the first phase of the SAP implementation, was the completion of the system integration to facilitate seamless connectivity with banking partners.

In order to facilitate the data migration an employee of the Company attached to the IT Division has devised a software which enables large volumes of files to be converted in order to facilitate the data migration.

### IT Governance

Aside from these major projects, we also continued with efforts to improve our IT security and governance frameworks. The activities undertaken in 2019 are as follows:

- △ Commissioned an independent consultant to audit specific IT areas, including vulnerability assessment and network security
- △ Enhancement of AML (Anti-Money Laundering) monitoring protocols to comply with CBSL requirements
- △ Routine information systems audit mainly to verify the performance of information system applications and check effectiveness of cyber-security protocols. This audit is conducted every month, by the in-house CESA-certified auditor in line with globally accepted best practices recommended by the Information Control Association including the CORBIT standards

More details are provided in the Corporate Governance section of this report on pages 137 to 160.

### Knowledge-based Business Support Systems

Our Business Intelligence Unit (BIU) is another vital component of our knowledge-based business support system. Managing fraudulent claims is a key area that comes under the purview of the BIU, leading to a total of 87 fraudulent claim investigations being conducted in 2019.

### Product Development

Constantly keeping abreast with the needs of the policyholders and the feedback received from the sales force on emerging new requirements, Ceylinco Life ensures that its product portfolio reflects the current market needs. During the year under review the Ceylinco Life Pension Saver Plan was introduced to fill the growing need for a pension scheme in the market in response to the demographic changes in the country. This new product has been a success with it being the highest selling plan in the product portfolio.

Further a Healthcare rider cover which reimburses hospital bills was also introduced in 2019 which aims to add value to existing insurance products launched by the Company.

To provide loan protection policies speedily and meet the demand, the 'DTAfast' online loan protection system was launched in 2019. This new product has many features which guarantees speed of service from the initial stage of obtaining quotations and confirmations for Housing, Personal, Leasing and Pensioner's loans.

### Special features of the DTA fast system

- △ 24 x 7 Availability
- △ All Housing, Personal, Leasing and Pensioner's loan quotations could be obtained/ emailed
- △ Cover confirmations for JET /STP cases to be obtained/ emailed
- △ Declaration downloading and emailing facility
- △ Pending documents uploading facility
- △ Viewing facility of Ceylinco Life status (Proposal/ Verified/Confirmed/Policy)
- △ Availability of quotation and proposal summaries for inquiries

Upgraded and introduced a new HRIS system introducing a new performance evaluation process

### Data Classification Project

Data classification is about identifying data types, and evaluating storage, sensitivity, access and protection. By classifying data, steps can be taken to manage the risk and impact of unauthorized access and enable a more efficient and effective approach to information technology security.

### Technical Knowledge of Team

Being a service organisation, knowledge is one of our most important assets. In addition to the knowledge and experience of our employees and our sales teams, we rely on the specialized expertise of our underwriting team and our actuaries who provide critical support to ensure smooth functioning of our day to day operations.



Our underwriters are a highly skilled team who use research and intuitive knowledge of customer behavior to validate the authenticity of the information disclosed under each new policy application, while our actuarial department makes vital contribution to our business primarily through their involvement in the predictive pricing strategy and their investigative role in mortality claims, bonus claims etc. The actuarial department also provides support towards the product development process.

We encourage our staff to be creative and innovative to adapt to the fast-changing market dynamics. Hence, we promote a culture which fuels new ideas and innovation across our daily operations. There have been several instances where our staff has demonstrated their potential by coming up with 'out of the box' creative ideas which have been executed. During the year a staff member of the IT department introduced an AI driven program which facilitated the smooth data conversion which had a positive impact on the ongoing SAP implementation.

### **Commitment to maintain ethical standards**

In our business, we gain credibility by adhering to our commitments, displaying honesty and integrity and reaching corporate goals solely through honorable conduct. We believe that acting with integrity is the cornerstone in building trust in our brand and our company. For us, this means complying with all legal and regulatory requirements applicable to our business and our company.

To further clarify the company's position on integrity and enforce the highest of standards of ethical conduct across all our operations, we have a comprehensive Ethics and Integrity framework including a set of strict guidelines for our employees and a Code of Business Ethics for our sales agents. The main aim of this framework is to promote a culture of transparency and

accountability and ensure that employees and sales agents are committed to act in the best interest of the Company at all times.

The above framework also includes our Anti-Bribery and Corruption Policy, which explicitly prohibits employees and sales agents from engaging in any transaction which could constitute a bribe or a corrupt payment to or from a public official or body, or a private entity or individual. We also conduct necessary due diligence to ensure our business partners and suppliers stay aligned to our Anti-Bribery and Corruption Policy.

We take proactive action in seeking to assess and mitigate our exposure to corruption risk. Continuous and ongoing risk assessments plays a vital role in identifying the risks associated with our activities and ensures any potential violations of the policies are investigated and reported to relevant governance committees.

In this regard our Business Intelligence Unit (BIU) conducts integrity audits to determine if sales agents have followed required protocols in the handling of customer money. If there is a reported case of misappropriation, the BIU will visit the customer to carry out a thorough investigation, with the outcome of the investigation being escalated to the risk management committee for necessary action.

### **Business Continuity Planning (BCP)**

We have in place a robust Business Continuity Plan (BCP) that has been benchmarked against international standards including the Disaster Recovery Institute International (DRI), USA, British Standards Institute (BSI) and the ISO 27031 Business Continuity Standard. The BCP programme which has been implemented has been designed as a total fail-safe mechanism offering comprehensive protection for people, processes, buildings, technology and information systems.

## **Way Forward**

It is imperative that the Company place strategic importance to the brand, IT infrastructure, product development and technical competencies. These four areas are critical success factors that enable the Company to clearly differentiate itself in the industry.

We will continue to focus on improving and building on our corporate brand value to ensure that Ceylinco Life continues to capture the hearts and minds of the evolving customers.

As we make significant inroads in our digital journey with the objective of improving the overall customer experience at varying touchpoints in the customer journey.

We encourage and foster an environment where staff are encouraged to upskill and reskill themselves in line with the technological changes and technical developments. In order to maintain a steady leadership succession, we have identified team members who will succeed to key positions and have taken proactive steps to enhance their skills through our well-defined succession plan.

The Company in moving ahead with its developments needs to ensure that all initiatives are implemented and rolled out in tandem with the changes in the dynamic market.

# Year at a Glance

## Financial Capital

GWP

# 18.7 Bn

PBT

# 8.2 Bn

Investment Income

# 13.4 Bn

CAR Ratio

# 345%

Net Claims

# 10.6 Bn

Commencement of

# IFRS 17

Implementation of

# SAP HANA

## Manufactured Capital



**March**

Ceylinco Life lays foundation stone for 4-storey Green branch in Nelliady



**April**

Ceylinco Life Green Branch to rise in Divulapitiya



**August**

Ceylinco Life's Negombo Branch goes Green with new expansion



**September**

Ceylinco Life opens its 2nd largest building & 25th eco-friendly branch in Jaffna

## Social and Relationship Capital



**January**

Ceylinco Life treats 66 new 'High Flyer' Club members to four foreign tours



**February**

Family Savari 12 Grand Draw



**February**

Ceylinco Life upholds power of education with 160 new 'Pranama' scholarships



**February**

Ceylinco Life donates first set of classrooms for 2019 to 3 rural schools

Social and Relationship Capital



**May**

Ceylinco Life policyholders go sightseeing around Sydney



**May**

Ceylinco Life's Family Savari winners enjoy 12th Singapore tour hosted by Company



**June**

Ceylinco Life policyholder families on 'Family Savari' in China



**July**

Ceylinco Life gifts 4-bed High Dependency Unit to Kandy Teaching Hospital

Social and Relationship Capital



**July**

Ceylinco Life policyholders treated to vantage viewing of Kandy Esala Perahera



**August**

Ceylinco Life hosts 15 blood donation camps to mark 15th year of market leadership



**August**

Ceylinco Life leisure world tour



**September**

Ceylinco Life reveals Netherlands as grand prize in next 'Family Savari' promotion

Social and Relationship Capital



**September**

Ceylinco Life donates milestone 80th classroom building to Siripura Primary School



**December**

Ceylinco Life donates 81st classroom building to Mathugama school

## Year at a Glance

### Human Capital

#### Annual awards



#### Carols



#### Work Ergonomic Study



### Natural Capital

Electricity saving

**365 Mwh**

Fuel Saving

**11,954 liters**

Fully grown trees saved

**1,217**

### Intellectual Capital



#### March

Ceylinco Life is the most popular life insurer in Sri Lanka for the 13th year



#### May

Ceylinco Life ranked Most Valuable Life Insurance brand in Sri Lanka in 2019



#### October

Ceylinco Life named one of Sri Lanka's 10 Most Admired Companies



#### October

Ceylinco Life's Sales stars win 5 awards at NASCO 2019

### Intellectual Capital



#### November

Ceylinco Life launches 'Pension Saver' Retirement cum Life Protection Plan



#### December

Ceylinco Life wins Gold for 'Market Reach' at 2019 National Business Excellence Awards

# External Assurance Report



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Independent Assurance Report to Ceylinco Life Insurance Limited on the Sustainability Reporting Criteria Presented in the Integrated Annual Report- 2019

## Introduction and scope of the engagement

The management of Ceylinco Life Insurance Limited ("the Company") engaged us to provide an independent assurance on the following elements of the sustainability reporting criteria presented in the annual report- 2019 ("the Report").

- Reasonable assurance on the information on financial performance as specified on page 22 of the Report.
- Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative GRI Standards: 'In accordance' – Core guidelines.

## Basis of our work and level of assurance

We performed our procedures to provide limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information', issued by the Institute of Chartered Accountants of Sri Lanka ("CASL").

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting Guidelines ("GRI Guidelines") and related information in particular, the requirements to achieve GRI Standards 'In accordance' - Core guideline publication, publicly available at GRI's global website at "www.globalreporting.org".

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance.

## Management of the Company's responsibility for the Report

The management of the Company is responsible for the preparation of the self-declaration, the information and statements contained within the Report, and for maintaining adequate records and internal controls that are designed to support the sustainability reporting

process in line with the GRI Sustainability Reporting Guidelines.

## Ernst & Young's responsibility

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative, GRI Standards: 'In accordance' - Core guidelines. This report is made solely to the Company in accordance with our engagement letter dated 23rd December 2019. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the CASL.

## Key assurance procedures

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusions. Key assurance procedures included:

- Interviewing relevant the company's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Reviewing and validation of the information contained in the Report.

Partners: M R H Fernando FCA FICMA, R N de Silva FCA FICMA, M N R De Silva FCA, M Y A De Silva FCA, M R H De Silva FCA FICMA, M H B S Perera FCA FICMA, M S M U Fernando FCA FICMA, M L M H Fernando FCA, A P A Gunawardena FCA FICMA, A Henth FCA, D K Kulasarama FCA FICMA, L L D (Lond) H M A Jayasinghe FCA FICMA, M S A Lushyantha FCA FICMA, M G S Mahipala FCA, M P V R N Rajendran FCA, H P Sumanaratne FCA FICMA, B E Rajaguru FCA FICMA

Members: C B Gunawardena, A S J R Perera FCA FICMA, T P M Rajaratne FCA FICMA

Assurance team of Ernst & Young (Seylan) Private Limited

## External Assurance Report

- Checking the calculations performed by the Company on a sample basis through recalculation.
- Reconciling and agreeing the data on financial performance are properly derived from the Company's audited financial statements for the year ended 31 December 2019.
- Comparison of the content of the Report against the criteria for a Global Reporting Initiative, GRI Standards: 'In accordance' – Core guidelines.
- The information on financial performance as specified on page 22 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 December 2019.
- Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from Sustainability Reporting Guideline, GRI Standards- 'In accordance' Core.

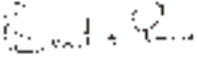
Our procedures did not include testing electronic systems used to collect and aggregate the information.

### Limitations and considerations

Environmental and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

### Conclusion

Based on the procedures performed, as described above, we conclude that;



Ernst & Young  
Chartered Accountants

18 February 2020  
Colombo

# Derisking The Future

By derisking the future, we provide you with the drive and the confidence to explore beyond the realms of your comfort zone.



# Board of Directors



**R RENGANATHAN**  
EXECUTIVE CHAIRMAN

**E T L RANASINGHE**  
MANAGING DIRECTOR/  
CHIEF EXECUTIVE OFFICER

**P D M COORAY**  
EXECUTIVE DIRECTOR /  
HEAD OF HR AND TRAINING

**P A JAYAWARDENA**  
EXECUTIVE DIRECTOR /  
CFO



**S R ABEYNAYAKE**  
EXECUTIVE DIRECTOR /  
DEPUTY CFO

**D H J GUNAWARDENA**  
NON-EXECUTIVE DIRECTOR

**GEN. C S WEERASOORIYA**  
NON-EXECUTIVE DIRECTOR

**R S W SENANAYAKE**  
NON-EXECUTIVE DIRECTOR





**J A SETUKAVALAR**  
INDEPENDENT  
NON-EXECUTIVE DIRECTOR

**PROF. EMERITUS W M  
M DE SILVA**  
INDEPENDENT NON-  
EXECUTIVE DIRECTOR

**DR. B G S DE SILVA**  
INDEPENDENT  
NON-EXECUTIVE DIRECTOR

**W M P J K WICKRAMASINGHE**  
INDEPENDENT NON-  
EXECUTIVE DIRECTOR /  
SENIOR INDEPENDENT  
DIRECTOR



**H S B CALDERA**  
INDEPENDENT NON-  
EXECUTIVE DIRECTOR

**MS. A K SENEVIRATNE**  
INDEPENDENT  
NON-EXECUTIVE  
DIRECTOR

**J DURAIRATNAM**  
INDEPENDENT  
NON-EXECUTIVE  
DIRECTOR

## Board of Directors

### **R Renganathan**

*Executive Chairman*

*Appointed as a Director in April 2014 and became the Chairman of the Board in November 2018. He has been with the Company for a tenure of 5 years & 8 months.*

*Chairman of the Board Investment Committee, Member of the Nomination Committee*

#### **Skills and experience**

He joined Ceylinco Limited in 1983 and has had a long career in the Group's insurance business. He was responsible for setting up the Life Division of Ceylinco Insurance after the Government of Sri Lanka permitted private insurers to enter the Insurance Industry in 1987.

He functioned as the MD/ CEO of Ceylinco Insurance PLC (Life Division) until the segregation became fully operational in 2015.

He is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Institute of Certified Management Accountants of Sri Lanka

#### **Other current appointments**

Non-Executive Director - Ceylinco Insurance PLC, Chairman - Ceylinco Healthcare Services Limited, Chairman - Serene Resorts Limited

#### **Previous appointments**

Chairman – Ceylinco Seraka Limited

### **E T L Ranasinghe**

*Managing Director/Chief Executive Officer*

*Appointed as a Director in April 2014 and became the Managing Director and Chief Executive Officer of the Board in November 2018. He has been with the Company for a tenure of 5 years & 8 months.*

*Member of the Board Investment Committee*

#### **Skills and experience**

He joined Ceylinco Limited as a Product Manager in 1986, counting over 40 years in sales, marketing and strategic planning and is one of the pioneer members who set up Ceylinco Insurance PLC (Life Division).

He holds an MBA from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura, and is a Fellow of the Chartered Institute of Marketing, UK.

#### **Other current appointments**

Executive Director - Ceylinco Insurance PLC, Executive Director - Ceylinco Healthcare

Services Limited, Executive Director – Serene Resorts Limited

#### **Previous appointments**

Founder Member - Chartered Institute of Marketing, Sri Lanka, Executive Committee memberships including the post of Senior Vice Chairman of CIM, Executive Director – Ceylinco Seraka Limited

### **P D M Cooray**

*Executive Director / Head of Human Resources and Training*

*Appointed as the Executive Director – Head of Human Resources and Training in April 2014. He has been with the Company for a tenure of 5 years & 8 months.*

#### **Skills and experience**

Having joined Ceylinco Insurance as an Assistant Manager - Training in 1987, Mr. Cooray played a key role in setting up the sales force for Ceylinco life insurance.

He is an internationally reputed speaker on life insurance and the first South Asian non-member to address the Million Dollar Round Table (MDRT), a prestigious international life insurance convention.

He is a Fellow of the Life Underwriters Training Council, USA (LUTCF) and a Chartered Insurance Agency Manager (CIAM), Certified Manager of Financial Advisors (CMFA), Executive Diploma in Business Administration, University of Colombo, CII (Award) on Financial Planning from the Chartered Insurance Institute, London.

#### **Other current appointments**

Executive Director - Ceylinco Insurance PLC, Director – Serene Resorts Limited

### **P A Jayawardena**

*Executive Director / CFO*

*Appointed as the Executive Director/CFO in April 2014. He has been with the Company for a tenure of 5 years & 8 months.*

*Member - Board Investment Committee*

#### **Skills and experience**

He joined the Life Division of Ceylinco Insurance PLC in 1990 as Chief Accountant (Branches) and counts over 29 years' experience in the insurance industry.

He is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Institute of Certified Management Accountants, Sri Lanka.

#### **Other current appointments**

Non-Executive Director - Ceylinco Insurance PLC, Executive Director - Serene Resorts Limited, Executive Director - Ceylinco Healthcare Services Limited

### **S R Abeynayake**

*Executive Director / Deputy CFO*

*Appointed as the Executive Director/Deputy CFO in April 2014. He has been with the Company for a tenure of 5 years & 8 months.*

*Member - Board Investment Committee*

#### **Skills and experience**

Having joined the Life Division of Ceylinco Insurance PLC as the Financial Accountant in 1998, he counts over 20 years' experience in finance.

He holds an MBA from the Postgraduate Institute of Management (PIM), University of the Sri Jayewardenepura and a Fellow of the Institute of Chartered Accountants, Sri Lanka and the Institute of Certified Management Accountants, Sri Lanka.

#### **Other current appointments**

Chairman/Non-Executive Director - Citizens Development Business Finance PLC, Non-Executive Director - Ceylinco Insurance PLC, Executive Director – Serene Resorts Limited

### **D H J Gunawardena**

*Non-Executive Director*

*Appointed as the Non-Executive Director in April 2014. He was last re-elected in March 2019 and has been with the Company for a tenure of 5 years & 8 months.*

*Chairman – RPTR Committee, Member - Audit Committee & Remuneration Committee*

#### **Skills and experience**

He counts over 45 years of experience in shipping, airline, finance, mining, export and import trade.

He was a Fellow of the Chartered Institute of Management Accountants, UK, and is a Chartered Global Management Accountant.

#### **Other current appointments**

Director - Hunter & Company PLC, Director - Lanka Canneries (Pvt) Limited, Director

-Heath & Co. (Ceylon) Limited, Director  
-Pelwatte Dairy Industries Limited,  
Chairman/Non-Executive Director - Techinc  
Global Advisory (Pvt) Ltd and Non - Executive  
Independent Director -Ceylinco Insurance  
PLC

#### Previous appointments

Chairman - Citizens Development Business  
Finance PLC

#### **Gen. C S Weerasooriya** (Retired)

Non-Executive Director

*Appointed as the Non-Executive Director in April 2014. He was last re-elected in March 2019 and has been with the Company for a tenure of 5 years & 8 months.*

#### Skills and experience

Following a 37-year career in the military, Gen. Weerasooriya was appointed Commander of the Sri Lanka Army in 1998. He was conferred the prestigious Civil Award Sitar-e-Pakistan by the President of Pakistan in 2014.

Gen. Weerasooriya is a Graduate of the Pakistan Military Academy, Kakul and the National Defense College in India and has a master's degree in Defence Studies.

#### Previous appointments

On retirement, Gen. Weerasooriya was appointed as the High Commissioner to Pakistan and simultaneously served as the Ambassador Extraordinary and Plenipotentiary for Sri Lanka to Tajikistan and Kyrgyzstan.

Director – Ceylinco Insurance PLC

#### **R S W Senanayake**

Non-Executive Director

*Appointed as the Non-Executive Director in April 2014. He was last re-elected in March 2017 and has been with the Company for a tenure of 5 years & 8 months.*

*Member of the Risk and Board Investment Committees*

#### Skills and experience

He serves as a member of the Board Investment Committee of the Company having previously served in Ceylinco Insurance PLC from 1995 to 2009 in the field of investments and counts over 25 years' experience in financial markets including

insurance, stock broking, fund management and corporate finance.

Associate of the Chartered Institute of Management Accountants, UK and a Fellow of the Certified Management Accountants, Sri Lanka

#### Other current appointments

Director - AKLAW Consultancy Services (Pvt) Ltd, Chairman- Corporate Capital Market Ltd., Director - Kenanga Investment Corporation Limited, Director – Kenanga Capital Holdings Ltd, Director - SMB Securities (Pvt) Limited, Director - SMB Real Estate Limited, Director - SMB Money Brokers (Pvt) Limited, Director - K Seeds Investments (Pvt) Limited, Director – The Magnum Fund Ltd, Director – Ceyline Holdings (Pvt) Ltd., Director – Ceyline Engineering Services (pvt) Ltd, Director – Ceyline Shipping Ltd.

#### **J A Setukavalar**

Independent Non-Executive Director

*Appointed as an Independent Non-Executive Director in April 2014. He was last re-elected in March 2017 and has been with the Company for a tenure of 5 years & 8 months.*

*Chairman of the Audit Committee*

#### Skills and experience

Mr Setukavalar has over 40 years of experience in auditing, accounting and finance.

A recipient of scholarships awarded by the British Foreign and Commonwealth Office, UK and the Colombo Plan Bureau, he has been trained at INSEAD – France, IBM – Rochester, USA and JICA – Japan.

He also had worked for KPMG Colombo and Price Waterhouse Coopers in Dubai.

He is a Fellow of the Institute of Chartered Accountants of Sri Lanka, Chartered Institute of Management Accountants, UK, and Certified Management Accountants, Sri Lanka, a Certified Global Management Accountant and a Fellow of the Institute of Certified Professional Managers.

#### Other current appointments

Member of the Board of Governors of the CMS schools in Sri Lanka and is the current Chairman of its Finance Committee, Member of the Board of Trustees of the Ceylon School for the Deaf and Blind

#### Previous appointments

Director - A. Baur & Co. (Pvt) Limited, Director - Baur Air Services Limited, Director - A. Baur & Company (Travel) Limited, Director - A. Baur Trading (Pvt) Limited, Director - Baur Agri Exports (Pvt) Limited, Swiss Trading Group (Pvt) Limited, Director - Singer Finance (Lanka) PLC

#### **Prof. Emeritus W M M de Silva**

Independent Non-Executive Director

*Appointed as an Independent Non-Executive Director in April 2014. He was last re-elected in March 2018 and has been with the Company for a tenure of 5 years & 8 months.*

*Chairman of the Remuneration Committee*

#### Skills and experience

Prof. de Silva has served as a Civil Volunteer Surgeon for the Sri Lanka Armed Forces and has received several accolades in recognition of his outstanding contributions. He is also the temporary advisor to WHO-SEARO on Patient Safety.

He holds a Master's Degree in Surgery from the University of Colombo, a Fellow of the Royal College of Surgeons, Edinburgh, an Honorary Fellow of the Asia Pacific Society of Digestive Endoscopy and an Honorary Consultant Surgeon, Colombo South Teaching Hospital.

#### Previous appointments

President - College of Surgeons of Sri Lanka, Vice President - Sri Lanka Medical Association, Director Education of the College of Surgeons of Sri Lanka, the Former Dean of the Faculty of Medical Sciences, University of Sri Jayewardenepura, Chairman - University Grants Commission of Sri Lanka and Senior Professor and Chair in Surgery.

#### **Dr. B G S de Silva**

Independent Non-Executive Director

*Appointed as an Independent Non-Executive Director in April 2014. He was last re-elected in March 2018 and has been with the Company for a tenure of 5 years & 8 months.*

*Chairman of the Nomination Committee*

#### Skills and experience

Dr. de Silva is a Consultant Dental Surgeon with nearly 40 years' experience.

## Board of Directors

He has a BDS (Sri Lanka), Degree from the University of Peradeniya and an FFDRCS (Ireland) in Oral Surgery.

### Other current appointments

Director - Intercom (Pvt) Limited, Trustee of Ceylinco Insurance Employee Gratuity Trust Fund.

### Previous appointments

President - Sri Lanka Dental Association and Chairman - Commission on Oral Diseases, Asia Pacific Dental Federation

### **J Wickramasinghe**

*Independent Non-Executive Director  
Senior Independent Director (SID)*

*Appointed as an Independent Non-Executive Director/Senior Independent Director in April 2014. He was last re-elected in March 2018 and has been with the Company for a tenure of 5 years & 8 months.*

*Member - Risk, Nomination, RPTR and Audit Committees.*

### Skills and experience

He counts over 35 years' experience in engineering and IT. He is a member of the Chartered Institute of Logistics and Transport.

### Other current appointments

Director – LINTA Enterprises (Private) Ltd, Chairman - Coconut Cultivation Board, Coconut Development Authority, Coconut Research Institute, Kapruka Trust Fund

### Previous appointments

Chief Executive Officer of state-owned Lanka Logistics & Technologies Limited and a member of the Board of Management of the Urban Development Authority.

### **Sugath Caldera**

*Independent Non-Executive Director*

*Appointed as an Independent Non-Executive Director in April 2014. He was last re-elected in March 2019 and has been with the Company for a tenure of 5 years & 8 months.*

### Skills and experience

He is a practitioner in the Civil Courts in the areas of civil, corporate and commercial litigation together with commercial arbitrations, fundamental rights, administrative law and constitutional law.

He is an active member of the Bar Association of Sri Lanka, Attorney-at-Law and a graduate of the Faculty of Law, University of Colombo.

### **Ms. A K Seneviratne**

*Independent Non-Executive Director*

*Appointed as an Independent Non-Executive Director in April 2014. She was last re-elected in March 2019 and has been with the Company for a tenure of 5 years & 8 months.*

*Chairperson - Risk Committee*

### Skills and experience

Ms. Seneviratne is an actuary with over 20 years of experience, including 16 years in the life insurance industry in Sri Lanka. She had previously served as the in-house actuary of the Life Division of Ceylinco Insurance PLC.

She holds a BSc Degree with specialisation in Actuarial Mathematics from Concordia University (Canada) and the Canadian Risk Management (CRM) designation awarded by the Global Risk Management Institute (GRMI).

She is an Associate of the Society of Actuaries (USA).

### Other current appointments

Director- Technical Activities of the International Actuarial Association

### **Jegatheesan Durairatnam**

*Independent Non-Executive Director*

*Appointed as an Independent Non-Executive Director in November 2018. He was last re-elected in March 2019 and has been with the Company for a tenure of one year & one month.*

### Skills and experience

He has substantial professional experience in Banking, covering all aspects of International Trade, Off-shore Banking, Credit, Operations and Information Technology.

He holds a Bachelor's Degree from the University of Peradeniya.

### Other current appointments

Director- DFCC Bank PLC, Director – Assetline Leasing Co. Ltd, Director – Asian Hotel and Properties PLC.

### Previous appointments

MD/CEO- Commercial Bank of Ceylon PLC, Director- Commercial Development Company PLC, Director – Lanka Financial Services Bureau Ltd, Director – Sri Lanka Banks Association (Guarantee) Ltd, Director- Lanka Clear Ltd.

# Strategic Management



**P A J Jayawardena** General Manager - Business Development, **R M U K Ratnayake** General Manager / Chief Digital Officer, **A H R Udayasiri** General Manager - Business Development, **E R S G S Hemachandra** General Manager - Marketing, **J P Abhayaratne** General Manager - Operations



**T N Y Morseth** Senior Deputy General Manager - Takaful / Business Development, **M Thenuwara** Senior Deputy General Manager - Bancassurance, **W A W C Wijesinghe** Senior Deputy General Manager, **H G A Sirisena** Senior Deputy General Manager - Technical, **S Kumarapperuma** Senior Deputy General Manager - Risk Management / Chief Risk Officer

# Corporate Management



**T D De Silva** Senior Assistant General Manager - Projects, **R M P Bandara** Senior Assistant General Manager - Business Development, **T Vijayananth** Senior Assistant General Manager - Business Development, **L V Keragala** Senior Assistant General Manager - Customer Relations, **D S Thilakarathne** Senior Assistant General Manager - Business Development,



**H A Suraweera** Senior Assistant General Manager - Agency Administration, **P P D V Hemakumara** Assistant General Manager ICT/ Chief Information Security Officer, **J L N Jayawardena** Assistant General Manager - Customer Service, **R D Vipulatheja** Assistant General Manager - Training, **P A C D Wijayasekara** Assistant General Manager - Internal Audit,



**F H Li** Assistant General Manager - ICT/ Chief Information Officer, **D M G L Alwis** Assistant General Manager - Portfolio, **B S E M Perera** Senior Manager - Customer Services, **R M S Wijeyesekera** Senior Manager - Systems, **G A H Chandana** Senior Manager Finance,



**B A Nandalal** Senior Manager - Business Development, **V M G Kariyawasam** Senior Manager - Database Administration  
**L G H A S Kumara** Senior Manager-Technical, **P U C Pathinagoda** Senior Manager - Information Systems Audit, **C R P Liyanage** Senior Manager - Group Insurance



**K I Wethasinghe** Senior Manager - Legal, **M J N S A Jayatilake** Senior Manager - Human Resources, **M H Y A Silva** Senior Manager - Business Development, **A A T S A Weerakkody** Senior Manager Actuarial Services, **P Vincent** Senior Manager - Projects,



**W S Dabarera** Senior Manager Finance, **D H Canagasabey** Senior Manager - Brand Development, **K A D R Menaka** Senior Manager Actuarial Services, **K N De Silva** Senior Manager - Financial Services, **J S K Ratnayaka** Senior Manager - Business Development,



**K Sumanthiran** Senior Manager - Business Development, **N K Subapanditha** Senior Manager - Business Development, **P P S Kalyaniwansa** Senior Manager - Business Development, **M R N L Fonseka** Senior Manager- Operations, **G K S Sriyananda** Senior Manager - Operations

## Managers



**S P K Senadeera** Manager Projects, **S P Mamaduwa** Training Manager, **M A C P Wijeratne** Manager - IT Projects, **D A Wijewardena** Manager - IT Projects, **K M S N Karunanayake** Manager Claims



**K L U Priyantha** Manager - Business Development, **D R M T N D Bandara** Manager - Business Development, **N T Senavirathne** Manager - Business Development, **M T A Peiris** MBD - Bancassurance, **A K D D C Perera** Manager - Business Development



## Managers



**T Nirojan** Manager - Business Development, **I B L Wijesinghe** Zonal Manager, **M N Abdeen** Zonal Manager, **D S Hettiarachchi** Zonal Manager, **L P K Rupasiri** Manager - Operations



**B A K S M Dharmasena** Manager - ICT, **M C Jayasinghe** Manager - Information Systems Audit, **V Thanusath** Manager - Internal Audit, **P H Samarasinghe** Category Manager, **W A C R Alwis** Brand Manager,



**S A T M Wijesinghe** Manager - It Projects, **T D M P C Pulle** Manager - Training, **H H U S C Fernando** Acting Zonal Manager, **H E S M Fernando** Manager - Administration

## Managers

### Regional Sales Managers

**Mr. H M J Banda**

Regional Sales Manager (Branch Head)

**Mr. E B J I Kumara**

Regional Sales Manager (Branch Head)

**Mr. M A S N Peter**

Regional Sales Manager (Branch Head)

**Mr. S S Wettasinghe**

Regional Sales Manager (Branch Head)

**Mr. A R P S Amarakoon**

Regional Sales Manager (Branch Head)

**Mr. S A S Chandralal**

Regional Sales Manager (Branch Head)

### Acting Regional Sales Managers

**Mr. S N Hettiarachchi**

Acting Regional Sales Manager

### Assistant Regional Sales Managers

**Mr. P D H Rasanga**

Assistant Regional Sales Manager (Branch Head)

**Mr. S A A S Kumara**

Assistant Regional Sales Manager

**Mr. N. Kiriwandeniya**

Assistant Regional Sales Manager (Branch Head)

**Mr. K M P D Chandradasa**

Assistant Regional Sales Manager (Branch Head)

**Mr. R P L Dammika**

Assistant Regional Sales Manager

**Mr. S Dharshan**

Assistant Regional Sales Manager

**Mr. T V M Lakmal**

Assistant Regional Sales Manager (Branch Head)

**Mr. W S R Fernando**

Assistant Regional Sales Manager (Branch Head)

**Mr. M P W Cooray**

Assistant Regional Sales Manager (Branch Head)

**Mr. M M R L Perera**

Assistant Regional Sales Manager (Branch Head)

### Acting Assistant Regional Sales Managers

**Mr. D R J Silva**

Acting Assistant Regional Sales Manager

**Mr. T J R Perera**

Acting Assistant Regional Sales Manager

**Mr. T Thayaseelan**

Acting Assistant Regional Sales Manager

**Mr. R A D U Kumara**

Acting Assistant Regional Sales Manager

**Mr. H A C C S Kumara**

Acting Assistant Regional Sales Manager

**Mr. W S Perera**

Acting Assistant Regional Sales Manager

### Senior Branch Sales Managers

**Mr. H L Munasinghe**

Senior Branch Sales Manager (Branch Head)

**Mr. A P Perera**

Senior Branch Sales Manager (Branch Head)

**Mr. S A S R Senanayaka**

Senior Branch Sales Manager (Branch Head)

**Mr. R Mayuran**

Senior Branch Sales Manager (Branch Head)

**Mr. J Piratheev**

Senior Branch Sales Manager (Branch Head)

**Mr. J A R S Jayasinghe**

Senior Branch Sales Manager (Branch Head)

**Mr. B A Priyantha**

Senior Branch Sales Manager (Branch Head)

**Mr. K D M Nishantha**

Senior Branch Sales Manager (Branch Head)

**Mr. J M S Jayasundara**

Senior Branch Sales Manager (Branch Head)

### Corporate Sales Team

**Mr. M Priyaviraj**

Senior Business Promotion Manager - Corporate Sales

### Business Promotion Team

**Mr. A I P Manjula**

Senior Business Promotion Manager

**Ms. W G T K Danapala**

Senior Business Promotion Manager

**Mr. K B A Thushara**

Senior Business Promotion Manager

**Mr. N Pushpaharan**

Senior Business Promotion Manager

**Mr. W A Ravindranath**

Business Promotion Manager

**Mr. W S Fernando**

Business Promotion Manager

**Mr. W K M C Wickramasinghe**

Business Promotion Manager

**Mr. S M C Bandara**

Business Promotion Manager

**Mr. N A J Fernando**

Business Promotion Manager

**Mr. A P S Wijayakumar**

Business Promotion Manager

# Corporate Governance



## Chairman’s Statement on Corporate Governance

Dear Valued Stakeholders,

Your Company firmly believes that strong good governance is an important foundation for sustainable performance and is fundamental to its success. The Board strives to create shared value by delivering on our purpose and ensuring that our business model is relevant and sustainable. This strategic focus enables us to conduct our operations, underpinned by a strong corporate governance framework, to ensure that we deliver on our financial objectives.

We are guided by values-driven objectives and hence, our governance and oversight are guided by the commitment to our responsibilities and governance objectives. The Board sets the tone to lead the Company guided by ethical standards and responsibility and acts independently to ensure that the Company plays an integral role in the community and society as a leading insurer. Whilst taking ownership and accountability for performance, we adopt a stakeholder inclusive approach towards business growth and other key objectives. It is these sound governance practices that have enabled your Company to successfully withstand and overcome numerous challenges and risks over the years.

Your Company implemented several initiatives to improve the Corporate Governance process, which are disclosed under the key initiatives taken during the year.

The Corporate Governance Report presented on pages 137 to 160 details the governance framework of your Company. This report shows the status of compliance with the Code of Best Practice on Corporate Governance 2017 (The Code), issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). As required by the above Code, to the best of my knowledge and available information, I hereby confirm that I am not aware of any material violations of the provisions of the aforesaid Code of Corporate Governance by any Director or any member of the Corporate Management team of the Company/Group as of the date of the Annual Report.

A handwritten signature in black ink, appearing to read 'R Renganathan'.

**R Renganathan**  
Executive Chairman

27th February 2020  
Colombo

### Key Corporate Governance Highlights of the Year

- |   |  |   |
|---|--|---|
| <ul style="list-style-type: none"> <li>△ Voluntary publication of quarterly Financial Statements.</li> <li>△ An Annual Board evaluation was carried out to assess the Board's performance during the year.</li> <li>△ The Remuneration Committee (RC) and the Related Party Transactions Review Committee (RPTRC) were reconstituted to be in line with the new Corporate Governance Code.</li> <li>△ Appointment of the Senior Independent Director and conducted meetings with the Executive Directors and Non – Executive Directors, as required by the Code.</li> <li>△ Commencement of obtaining quarterly Related Party transaction declarations from the Board of Directors/KMPs and to place the same as an regular agenda item at Board Meetings.</li> <li>△ Appointment of a new Chief Risk Officer (CRO) to review the ERM processes of the Company. (ref. Risk Committee Report on pages 188 to 189)</li> <li>△ Implementation/ revision of the Risk Appetite Statement (RAS),</li> </ul> | <p>Policy on Prevention of Money Laundering and Terrorist Financing, Anti-Corruption and Bribery Policy, Whistle Blowing-Policy and Data Protection Policy. (ref. Risk Committee Report on pages 188 to 189)</p> <ul style="list-style-type: none"> <li>△ Commencement of the Implementation of IFRS 17 and purchase of Prophet software to accommodate same. (ref. Audit Committee Report on pages 178 to 180)</li> <li>△ Roll-out of three major IT projects. (ref. Report on Intellectual Capital on pages 114 to 119.);</li> </ul> <p>a) SAP integration to improve internal workflow efficiency, enhance company-wide MIS, strengthen the treasury and financial reporting framework.</p> <p>b) An E-submission module was implemented to enable sales agents to digitally submit proposals which will enhance their productivity significantly.</p> <p>c) Life 360 supports Customer Relationship Management (CRM) to migrate the call center to a</p> | <p>more efficient operational model to enhance the customer experience greatly.</p> <ul style="list-style-type: none"> <li>△ Conducted a audit on data migration and infrastructure review on SAP.</li> <li>△ Continuation of Business Continuity Planning (BCP).</li> <li>△ Replaced IT Server infrastructure to hyper converged solution. (ref. Report on Manufacture Capital on pages 104 to 109.)</li> <li>△ Upgraded and rolled out of a new HRIS system. Introducing new performance evaluation process. (ref. Report on Human Capital on pages 92 to 103)</li> <li>△ Implemented a Data Classification project. (ref. Risk Committee Report on pages 188 to 189)</li> <li>△ Upgraded the total IT Firewall Infrastructure to improve network security. (ref. Risk Committee Report on pages 188 to 189)</li> </ul> |
|---|--|---|

### Highlights of the last AGM held on 29th March 2019

- △ Audited Financial Statements, Annual Report of Board of Directors together with the Auditors Report for the year ended 31st Dec. 2018 were adopted by the shareholder at the meeting.
- △ Gen. C S Weerasooriya (retired) who retired at the AGM as a Director, in terms of Sec. 210 of the Companies Act No.07 of 2007 was re-elected by the shareholders as a Director until the next AGM.
- △ The Following Directors who retired at the AGM, in terms of Article 18B of the Articles of Association of the Company were re-elected by the shareholder as Directors;
  - Mr. Sugath Caldera
  - Ms. A K Seneviratne
  - Mr. D H J Gunawardena
- △ Mr. J Durairatnam, who was appointed as an Independent Non-Exe. Director on 14th Nov. 2018, was re-elected as a Director by the shareholder, in terms of Rule A.8.2 of the Code of Best Practice on Corporate Governance and Articles of Association.
- △ Messrs. Ernst & Young, Chartered Accountants were re-appointed as the Auditors of the Company until the next AGM and authorised the Directors to determine their remuneration.
- △ The shareholder noted that the interim dividend of Rs. 11.90 per share constituting a total sum of Rs. 595,000,595/-(Gross) declared and paid by the company on 27th Dec. 2018 as the first and final dividend for the year 2018.

### Statement of Compliance

The Board of Directors hereby confirm that, to the best of its knowledge and belief, that the Company has been compliant with all the provisions under the Companies Act No. 07 of 2007, Regulation of Insurance Industry (RII) Act No. 43 of 2000 and subsequent amendments thereto issued by the Insurance Regulatory Commission of Sri Lanka ("IRCSL"), Code of Best Practice on Corporate Governance 2017 issued by the ICASL and that all the relevant statutory payment obligations have been made by the Company to the Government institutions/regulatory bodies during the year under review.

Refer to the Statement of Directors' Responsibility to Financial reporting on page 190 for more details.

The nature of compliance of Codes/Acts of governance and compliance of the Company during the year under review is depicted as follows;

List of mandatory and voluntary adoption of codes of governance and compliance	
Standard / Principle / Code	Compliance
Regulation of Insurance Industry Act No.43 of 2000 and its subsequent amendments (under this direction it is mandatory to adhere to Sec.710 of the Listing Rules of the CSE)	Mandatory
Companies Act No 07 of 2007	Mandatory
IRCSL rules, regulations, directives, and determinations	Mandatory
Inland Revenue Act No. 10 of 2006 and subsequent amendments	Mandatory
Code of Best Practice on Corporate Governance 2017 issued by ICASL	Voluntary

## Corporate Governance

### How We Approach Corporate Governance

We, at Ceylinco Life Insurance Limited, believe that strong corporate governance is fundamental to our sustainable performance and long-term success. A credible platform of corporate governance will enable our company to operate more efficiently, improves access to capital, mitigate risks and safeguard stakeholders thereby allowing the performance of its day-to-day business functions in a responsible manner.

The Board of Directors, which is the highest governing authority of the Company, strives to ensure that sound, good governance practices are entrenched within the organization by going beyond the mere compliance with mandatory corporate governance requirements and best practices, and even voluntarily adopting best Corporate Governance practices to ensure greater transparency, integrity, and accountability in all our business activities.

The Board of Directors through providing governance supervision and executing their collective and individual responsibilities in an ethical and professional manner navigate the Company in creating and delivering long term value to the stakeholders. In this process, the Board is also assisted by sub-committees operating under approved charters/terms of reference, developed in accordance with applicable regulations.

Over the years, it is this unrelenting commitment to sound good governance practices that have enabled the Company to successfully endure and overcome numerous challenges and risks.

### Our Governance Structure

The Board's governance responsibilities are driven by the Company's Corporate Governance Model, the mechanism that facilitates responsible management and oversight of the business to sufficiently protect the interest of all stakeholders. This Corporate Governance framework assists the Board of Directors in executing its leadership obligations with judicious and effective controls, while successfully assessing and managing the risk of the Company.

CLIL's governance practices stand to ensure that;

- △ The business is conducted with integrity, in a transparent, ethical and sustainable manner.
- △ A stable foundation for business is created in order to overcome numerous challenges that emerge in economic, social and environmental aspects.
- △ A well-balanced and judicious empowerment is maintained within the Company between authority and responsibility.
- △ Authority is delegated by the Board amongst its sub-committees and Executive committees within the defined terms in the respective Mandates, whilst maintaining its accountability.
- △ A correct balance of multiple interests of all the stakeholders is considered when developing the corporate strategies of the Company and for this purpose the input of stakeholders is obtained via a interactive stakeholder engagement mechanism.
- △ The managerial skills and capacities of the employees are boosted to drive the corporate strategy in order to achieve growth and return.
- △ The expectations of the regulators are met with the internal governance practices of the Company

### Internal Governance Structure

The Company's internal governance structure concentrates on the responsibilities of the Board of Directors, Board sub-committees and the senior management. These controls monitor the progress and activities of the Company and take corrective action when necessary. They formulate, execute and monitor business objectives, define the risk appetite, allocate levels of responsibilities, define reporting lines and organize internal controls including risk controls, compliance, and internal audit.

A Summary of the elements of the internal governance structure and assurance are highlighted in the Company's corporate governance model.

### External Governance Structure

The Company's external governance structure refers to the relevant laws, contracts, regulatory guidelines or best practices that are imposed by the external stakeholders. The Company is governed by mandatory rules and regulations and voluntary adoption of codes of best practice as depicted in the above list of mandatory and voluntary adoption of codes of governance and compliance.

### Company Structure and Shareholder's Description of CLIL's Operational Structure

CLIL's Organization Structure is illustrated on pages 142 to 143 of this report.

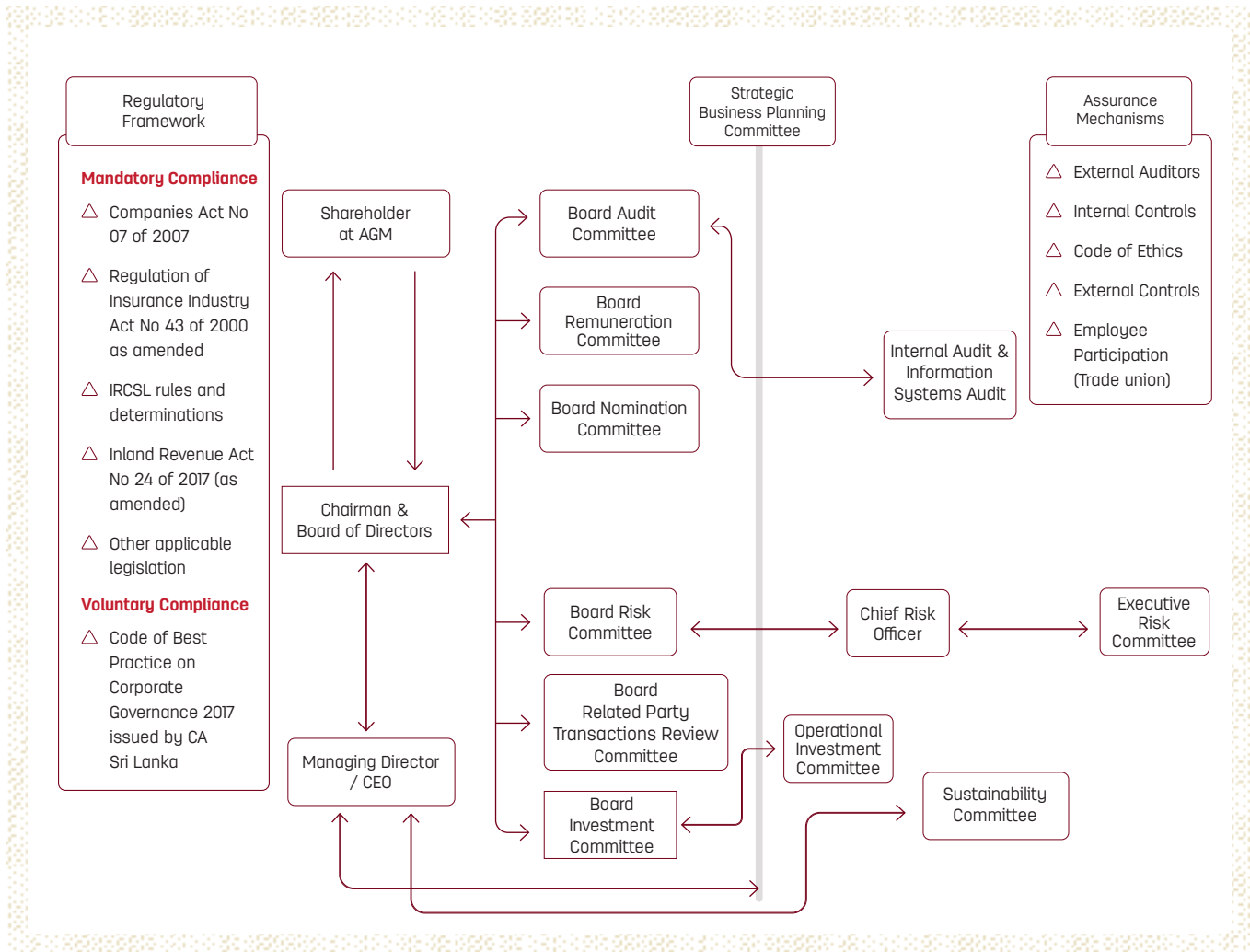
### Shareholding Structure

Ceylinco Insurance PLC held 100% of the total shareholding of the Company as of 31st December 2019. CLIL is not a Public Listed Company and it maintains a healthy dialogue with its sole Shareholder, Ceylinco Insurance PLC, at all times.

### Capital Structure

The Total Stated Capital of the Company as of 31st December 2019 was Rs. 500,000,500/- which was well above the stated capital requirements for a life insurance company imposed by the IRCSL.

## Our Governance Structure



# Corporate Governance

## Composition of the Board

Executive Directors



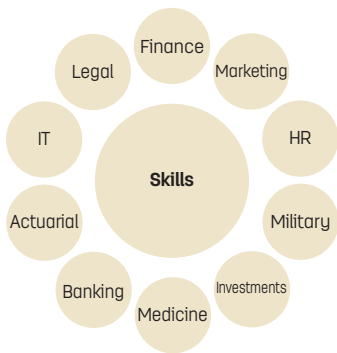
Non-Executive Directors



Independent Non-Executive Directors



## Skills of the Board



## Gender Diversity

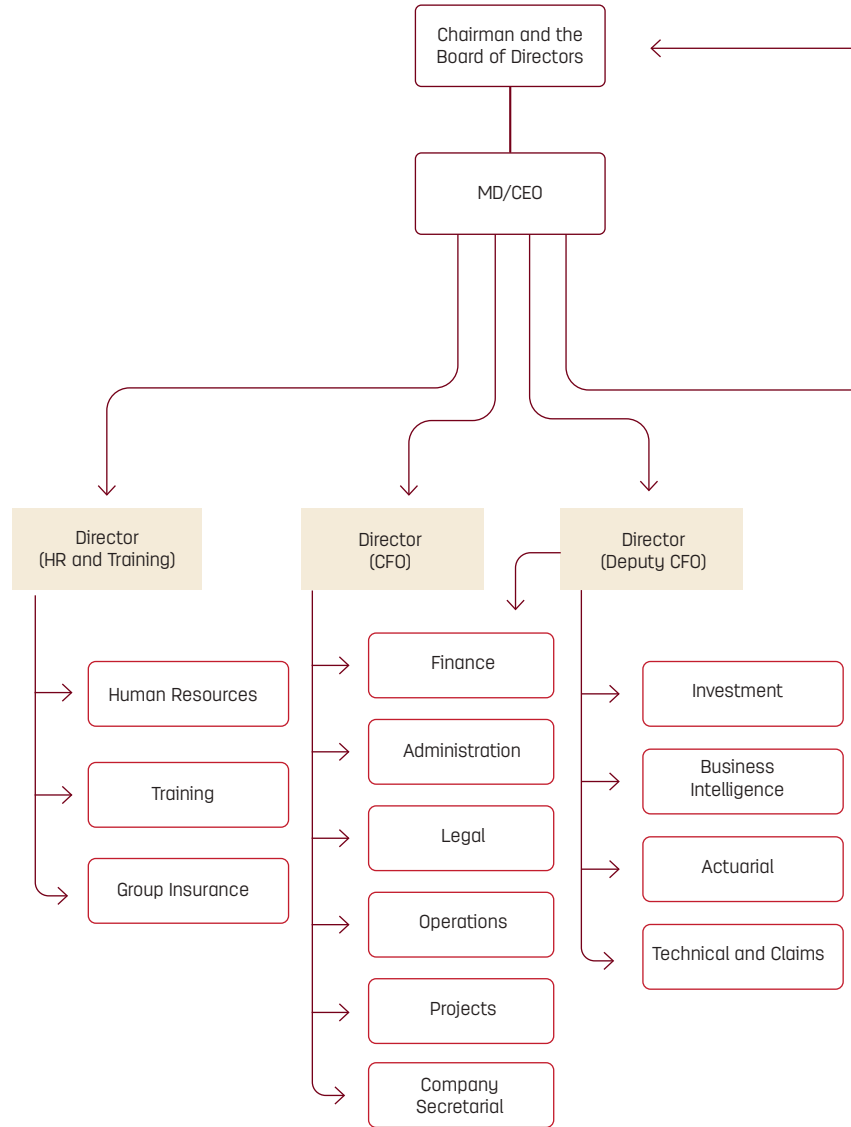
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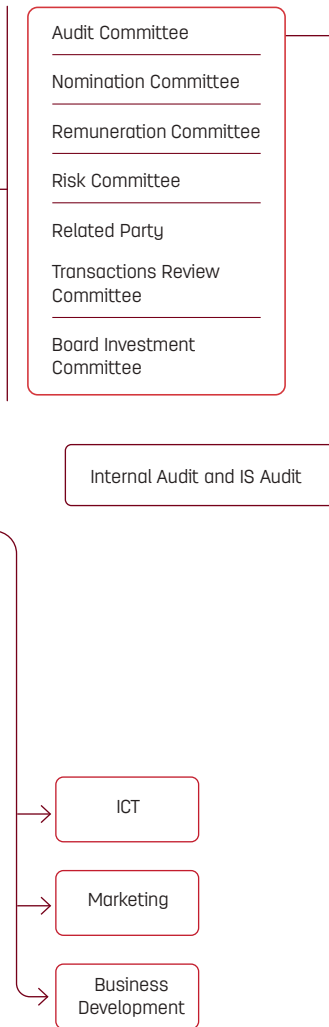
## Age Composition

- 41-50 years: Male 1
- 51-60 years: Male / Female 5
- 61-70 years: Male 8
- 71 and above: Male 1

## Organisational Structure







## 1. Board of Directors

### 1.1 Board structure

The Company is headed by a unitary Board that includes five Executive Directors and ten Non-Executive Directors who make strategic decisions of the Company as a single body.

### 1.2 Composition of the Board of Directors, their Skills and Diversity

The Board comprises of 15 Directors and maintains a healthy balance between the Executive, Non-Executive and Independent Non-Executive Directors. While the Executive Directors bring in in-depth knowledge of the business, the Non-Executive Directors bring in experience, objectivity, and independent supervision. A brief profile of each Board member is provided on pages 128 to 130.

The CLIL is headed by a qualified and effective Board, which directs, leads and controls all its business activities. It is also supported by sub-committees which facilitate effective discharge of its responsibilities. The Board executes its duties within the framework of the Corporate Governance Model of CLIL which enables them to constantly assess and manage the risks and opportunities emanating from the business context thereby exercising prudent and effective control over the Company's affairs. They are responsible to the shareholders, regulatory and statutory bodies and all other stakeholders of the Company, to ensure that the Company is growing in a sustainable way while establishing a strong Corporate Governance Framework to maintain transparency and confidence. The key objectives of the Company adopted in 2019 are discussed in detail under page nos 23 to 27.

### 1.3 The Chairman

The Chairman is responsible for facilitating the effective discharge of Board functions through carrying out Board proceedings in a proper manner while encouraging the participation of all Board members in effective decision making. He also ensures that all the required accurate and timely information is available to all the members, in order to make informed decisions.

In ensuring a balance of power between the Executive and Non-Executive Directors, the Chairman openly welcomes their comments and views, especially from the Independent Non-Executive Directors and Non-Executive Directors. The Chairman also facilitates the relationship between the MD/CEO, Senior Independent Director and Non-Executive Directors, to reach a consensus amongst the Board members in making Board decisions. He takes appropriate steps to provide effective communication with all the stakeholders of the Company to ensure that their concerns and views are communicated to the Board as a whole.

Furthermore, he initiates the process of Board self-assessment by its members and uses the overall outcome of the exercise for the improvement of the Board.

### 1.4 Board's role and responsibilities

The Board of Directors provides strategic direction to the Management to develop short, medium and long-term Corporate Business Strategies, in addition to reviewing and providing necessary guidance on Corporate Governance, statutory compliance, assisting internal audit and Integrated Risk Management. The objectives of the Company are disclosed with the Directors at the first Board Meeting of the year and the progress is evaluated throughout the year.

The Board performs the following key responsibilities;

- △ Appointing the Chairman and the Senior Independent Director, if relevant.
- △ Ensuring that the CEO and management team possess the skills, experience, and knowledge to implement the strategy.
- △ Ensuring the adoption of an effective succession strategy for CEO and Key Management Personnel.
- △ Approving budgets and major capital expenditure.

## Corporate Governance

- △ Determining the matters expressly reserved to the Board and those delegated to the Management including limits of authority and financial delegation.
- △ Ensuring effective systems to secure the integrity of information, internal controls, business continuity & risk management.
- △ Ensuring compliance with laws, regulations and ethical standards.
- △ Ensuring all stakeholder interests are considered in corporate decisions.
- △ Recognizing sustainable business development in Corporate Strategy, decisions and activities and considering the need for adopting Integrated reporting.
- △ Ensuring that the Company's values and standards are set with an emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations.
- △ Establish a process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks.
- △ Ensuring that a process is established for corporate reporting on an annual and quarterly basis or more regularly as relevant to the Company.
- △ Fulfilling such other Board functions as are vital, given the scale, nature, and complexity of the business concerned.

The key initiatives taken by the Board during the year are more fully described in the Corporate Governance Highlights table provided on page 138.

The Board has delegated its authority to the following Board sub-committees and Executive Committees in order to achieve competence and effectiveness;

### Board sub-committees

(The scope and proceedings of each Sub-committee is more fully described in their respective reports)

- △ Audit Committee
- △ Risk Committee
- △ Related Party Transactions Review Committee
- △ Remuneration Committee
- △ Investment Committee
- △ Nomination Committee

### Management Committees

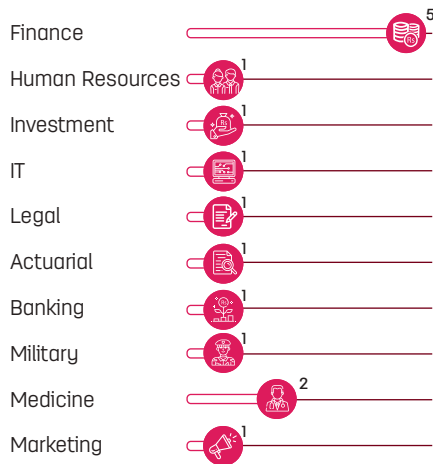
- △ Strategic Planning Committee
- △ Executive Risk Management Committee
- △ Operational Investment Committee

### Board's Skills and Experience

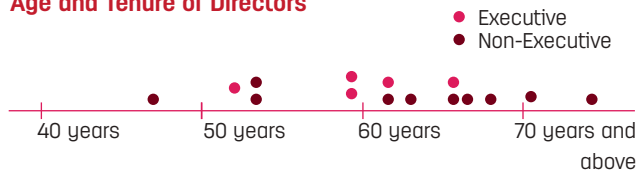
Board diversity is an integral component that we strive for in terms of optimizing the right mix of skills, experience and female representation. With the right mix of skills and experience, the Board can act collectively to guide and drive the strategy of the Company, thereby creating value.

### 1.5 Board Tenure and Experience

A blend of experience and business acumen of our Board of Directors infuses strategic thinking to the Business.



### Age and Tenure of Directors



The Board comprises professionals from diverse fields including finance, marketing, human resources, military, investment, medicine, IT, legal, actuarial and banking. They collectively bring invaluable knowledge and the right mix of skills and experience to the Company in achieving its objectives.

### 1.6 A well balanced Board

The Company has ensured a correct balance of Executive and Non-Executive Directors within the Board. CLIL's Board of Directors comprises 15 members of whom 5 are Executive Directors and 10 are Non-Executive Directors. Since the existing Chairman of the Board is an Executive Director, a majority of the Board comprises Non-Executive Directors.

The 10 Non-Executive Directors, who are well-experienced professionals in their respective fields, bring valuable experience to the Board. The Non-Executive Directors examine the Management's performance in attaining agreed-upon corporate goals and objectives while constructively challenging the Executive Management in their decision making.

Out of the 10 Non-Executive Directors, there are 7 Independent Directors who represent more than 2/3 of the Non-Executive Directors of the Board. Based on

the specific criteria set out in the code, the independence of the Directors was determined by the Board during the year.

### 1.7 Conflicts of Interest and Ensuring Independence of Directors

The Board of Directors is responsible to give advance notice of any conflict of interest to the Company Secretary prior to their appointment as well and at the beginning of each financial year. Further, they are also required to disclose their interests in each quarter during the Board meetings. Such measures are taken to safeguard the Board's integrity and independence and to avoid any favorable terms are being provided by the Company any to the related party by engaging in any transaction. Any Director, who has an interest in a transaction, gets excluded from the quorum and vote in respect of such matters.

With the assistance of the Company Secretary, additional information on the functions/ duties performed by the Board that are vital and complex, given the nature of the Life insurance business is given in the Chairman's Report on pages 12 to 15.

### 1.8 Re-election

On par with the Board mandate, which clearly defines the procedure to be adopted in appointing new members to the Board, the Nomination Committee makes recommendations to the Board on all new Board appointments. All Directors including the Chairman of the Board hold office until the next AGM and are eligible for re-election by the shareholders. The retiring Directors are also eligible for re-election by the shareholders.

### 1.9 Board Induction and Training

New Directors are inducted to the Board by providing them with a comprehensive understanding of their duties and responsibilities by the existing Directors. Continuous self-development is decided and executed by the Directors. The Board is kept constantly updated by the Management on all industry and regulatory changes and their effects on the operations of the Company.

The Non-Executive Directors are led by the Chairman prior to or following Board Meetings when they require any clarification on technical matters. In addition, they are given a detailed briefing on the products and Company's business by the Executive Directors and the Senior Management during Board and other sub-committee meetings. Key training carried out for the Board of Directors during the year included "Principles of Underwriting" and "Basic Concepts of Actuarial Valuation".

### 1.10 Procedures to Obtain Professional Advice

The Board collectively and the Directors individually, act in accordance with the laws of the country, as applicable and the Board obtains professional advice from the most qualified external independent parties, at the expense of the Company and from the internal Legal Dept. and the Compliance Officer.

### 1.11 Timely Supply of Information

Board papers that are to be tabled at the Board meetings are sent to all the Directors by the Company Secretary, seven days prior to the meeting, giving adequate time for Directors to study the said documents and prepare themselves for meaningful discussions at respective Board meetings. The required information for the Board Sub-committees is provided by the Management as per the frequency in which meetings are held. The Board/Committee members call for additional information in cases where the Directors find that the information provided to them is inadequate or not clear. Further, the members of Corporate Management are invited to the meeting whenever the Board/Committee members require to be briefed on certain papers during the meeting. Absentees are updated on proceedings of the meeting, by way of sending the Minutes to the Board/Committee members by the Company Secretary at least within two weeks after the meeting.

### 1.12 Appraisal of Board Performance

The Board has a formal and rigorous system in place for annually reviewing its performance in the discharge of its key responsibilities as set out in the code. The Board has adopted a system of self-assessment of their own performance for the year and the results of the assessments are duly summarised and presented by the Company Secretary at the Board Meeting held on 27th February 2020. The information is tabled for discussion by the Board, along with the recommendations made by the Nomination Committee. Considering the recommendations by the Nomination Committee, the Board discussed in detail the areas that require improvement and steps to ensure the continuity and effectiveness of the Board's performance in the coming years.

### 1.13 Board Meetings

The Board of Directors meets once in every 2 months to discharge their duties and responsibilities towards the Company. In addition to the Sub-Committee meetings convened during the year, the Board of Directors met 07 times for the year 2019. (Refer the list of attendance on page 146)

The Company Secretary prepares the Agenda for the Meetings with the Chairman of the Board or respective Sub-Committee and circulates the same amongst the Directors within a minimum of one week prior to the meeting in order for them to contribute effectively towards the Board discussions. The Minutes of the previous Board Meetings and Sub-Committee meetings are sent to all Directors in a timely manner for their comments and record. The Board Sub-Committee Minutes are tabled at every subsequent Board Meeting for their information.

Board Meeting attendance and the total number of other Directorships held by each Director during the year

No.	Name of the Directors	Board Meeting Attendance		Total number of other Directorships held by each Director			
		No. of meetings	Attendance	Listed	Unlisted	Exe.	Non-Exe.
1	R RENGANATHAN	7	7/7	1	6	1	6
2	E T L RANASINGHE	7	7/7	1	2	3	-
3	P D M COORAY	7	7/7	1	1	2	-
4	P A JAYAWARDENA	7	7/7	1	4	4	1
5	S R ABEYNAYAKE	7	6/7	2	1	-	3
6	D H J GUNAWARDENA	7	6/7	2	4	4	2
7	C S WEERASOORIYA	7	4/7	1	-	-	1
8	R S W SENANAYAKE	7	7/7	-	12	8	4
9	J A SETUKAVALAR	7	6/7	1	6	6	1
10	W M M DE SILVA	7	5/7	-	-	-	-
11	B G S DE SILVA	7	6/7	-	1	-	1
12	W M P J K WICKRAMASINGHE	7	7/7	-	1	1	-
13	H S B CALDERA	7	6/7	-	-	-	-
14	A K SENEVIRATNE	7	5/7	-	-	-	-
15	J DURAIRATNAM	7	7/7	2	1	-	3

### 1.14 Key Board Topics in 2019

In 2019 the following topics were discussed prominently in Board meetings

- △ Company's financial performance and strategic direction
- △ Data and IT security
- △ Key regulatory changes
- △ Key IT projects
- △ Changes in life insurance industry
- △ Anti Money Laundering and Terrorist Financing Risk Management

### 1.15 Company Secretary

The Board is responsible for the appointment and removal of the Company Secretary. The Company Secretary performs a major role in ensuring that good governance practices are maintained within the Company at all times. Every member

of the Board has access to the advice and services of the Company Secretary for matters relating to Board procedures and any clarification on applicable rules and regulations.

### 1.16 Board Sub-Committees

The Board functions are delegated to the Board sub-committees while retaining its right to decision making. These sub-committees comprise members who are able to focus on their designated areas of responsibility and impart knowledge and oversight in areas where they have greater expertise. The recommendations by these committees are directly addressed by the Board and minutes of meetings are tabled and discussed at the Board meetings.

Sub-Committees of the Board are as follows;

1. Audit Committee
2. Nomination Committee
3. Risk Committee
4. RPTR Committee
5. Investment committee
6. Remuneration Committee

## Special Activities carried out by the Committees of the Board during the Year 2019

Sub-Committee	Activities during the year
RPTR Committee	Revision of the existing mandate of the RPTR Committee in order to comply with the new Code of Best Practice on Corporate Governance 2017.
Risk Committee	<p>Reviewed the Risk Management Framework/Risk Appetite Statement and recommended to amend the same.</p> <p>Reviewed the Risk Mandate to be in line with the revised Risk Appetite Statement.</p> <p>An independent consultant was appointed by the Company as the official partner responsible for informing the Board with regard to issues pertaining to Cyber-Security.</p> <p>Data classification and data leakage prevention projects were implemented in addition to the Data Protection Policy.</p> <p>Recommended to revise the policy on Prevention of Money Laundering and Terrorist Financing.</p> <p>Recommended an Anti-corruption and Bribery Policy for approval of the Board.</p> <p>A recommendation was made to appoint a new Chief Risk Officer who was accordingly appointed.</p>
Audit Committee	<p>The Committee closely monitored and reviewed the level of compliance with all the mandatory statutory requirements and internal procedures in place with the assistance of the internal and external auditors on a regular basis.</p> <p>Recommended to carry out a post-audit on SAP migration.</p> <p>Recommended the re-appointment of the External Auditors for the ensuing year, Audited Accounts were recommended for shareholder's approval at their meeting held in February 2019.</p> <p>The Management letter for 2018 was discussed and the management was requested to rectify the observations highlighted by the Auditors in due course.</p> <p>Recommended to commence a gap analysis on the implementation of IFRS 17 and to purchase of a new actuarial software to accommodate same.</p>
Nomination Committee	<p>The Annual evaluation on the composition of the Board and their expertise were conducted by the Nomination Committee and based on the outcome of the evaluation, training and induction programs were conducted.</p> <p>Rotation and retirements of the Directors as approved at the previous AGM were recommended by the Committee.</p> <p>Reviewed the outcome of the Annual Performance evaluation of the Board for the year 2019 and recommendations for further improvements were made.</p> <p>Reviewed the declarations submitted by each Non-Executive Director and reported to the Board regarding the independence of each member.</p> <p>An extension of the Directorship of Mr. D H J Gunawardena in terms of Corporate Governance Framework for Insurers; Direction #17 issued by IRCSL on 17.12.2018, was obtained from the IRCSL (by their letter dated 21st October 2019) as he reached the age of 70 years in September 2019.</p> <p>With the recommendation of the committee, both Remuneration &amp; Related Party Transactions Review (RPTR) Committees were reconstituted to be in line with the new Corporate Governance Code .</p>
Remuneration Committee	<p>Recommendation of a Whistle-blowing policy in order to encourage the Corporate Governance practices within the Company.</p> <p>Recommended to implement a new KPI structure for the Company.</p>
Investment Committee	Annual review of the Investment Policy Statement was carried out by the Committee.

## Corporate Governance

### 1.17 Disclosure of Information in Respect of Directors

The Company is headed by an eminently qualified and effective Board that is fully engaged in directing, leading and controlling the business of the Company. The qualifications and experience of Executive and Non-Executive Directors have been presented on pages 128 to 130 of this Annual Report.

### 1.18 Directors Remuneration

The Remuneration Committee makes recommendations to the Board on the Company's framework for remunerating the Executive Directors. This committee sets the principles, parameters and governance framework of the Company's remuneration policy and recommends the terms and conditions of employment of the Chairman of the Board, Executive Directors, and the Senior Management.

The Report of Board Remuneration Committee on pages 174 to 175 provides further information.

## 2 Shareholder Relations

The Company maintains a healthy dialogue with its sole Shareholder, Ceylinco Insurance PLC, at all times. The Company uses several channels to reach its sole shareholder: the AGM / Resolutions, Annual Report, Quarterly Financial Statements, Memos, notices in the newspapers and the information given in the Company Website.

The Company's policy in relation to the communication with shareholders is as per applicable statutory requirements and adopted best practices. This involves the utilization of a variety of effective and formal channels as mentioned above, to ensure that accurate information is given in a timely manner.

The shareholder is encouraged to maintain direct communication with the Company through the Company Secretary and any major issues and / or concerns raised by the Shareholder are brought to the attention

of the Board by the Company Secretary. Appropriate responses and actions, if any, are decided upon by the Board and depending on the circumstances, the Company Secretary communicates this to the Shareholder in the most appropriate manner.

## 3 Accountability and Audit

The Board has taken every step to present a balanced and understandable assessment of the Company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects through its Annual Report. The Company presents its Financial Statements in line with Sri Lanka Accounting Standards (SLFRS/LKAS) and other applicable laws and regulations. The Company voluntarily published its Interim Financial Statements in a timely manner in promoting a culture of transparency.

The MD/CEO and the Director/CFO, when tabling Financial Statements for the approval of the Board, declares that the financial records of the entity have been properly maintained, that the financial statements comply with the appropriate Accounting Standards, that they give a true and fair view of the financial position and performance of the Company and that systems of Risk Management and Internal Controls were operating effectively.

## 4 Internet of Things and Cyber-Security

The Company has taken measures to enhance the effectiveness of its Cyber Security measures by conducting a Cyber Security awareness session targeting all users of computer devices and systems at Head Office.

Further, CLIL IT devices are connected to the CLIL Corporate Network whilst CLIL branches are connected to the Corporate network via the SLF- IP/VPN. Devices and Users are authenticated via the CLIL Windows Active Directory services using user IDs and Passwords.

All IT devices such as TABs, Smart Phones, and Laptops used by sales teams are first authorized to access the corporate network after the minimum-security conditions are complied with. All system users are issued with a unique User ID and a password while all system connectivity requests are authorized on a need basis. The corporate network's perimeter is also secured with multiple Cyber Security layers such as Firewalls, SPAM Control, and Anti threat Software/Anti-virus solutions.

The Board and its Sub-Committees are frequently briefed of such information and monitor IT infrastructure facilitates at the required level. The Board had at all times used a CIO, with relevant expertise and knowledge, who had been given the necessary resources to maintain the Company's Cyber-Security risk management policy. CLIL has also appointed TechCERT as the official independent Cyber-security consultant.

### 4.1 ICT Governance

The responsibility of IT governance is vested on the Board of Directors and Executive Management. The Company has a well-designed IT governance framework which is an integral part of enterprise governance and consists of the leadership and organisational structure, and processes of the Company's ICT structure that sustains and enables the realization of the Company's strategies and objectives.

The Company endeavor to deliver innovative and integrative ICT solutions and services to the business while advancing the development of ICT infrastructure by the adoption of modern and innovative solutions, that benefit all our key stakeholders, system users, and our customers. Over the past years, the Board has promoted and enabled innovation by actively participating and engaging in deliberations that enable CLIL to move forward in its digital journey by staying abreast of local and global trends. The Board has recognized the need to be pro-active and enable innovation from the top as one of its prime governance responsibilities.

## 5 Environment, Society and Governance (ESG) Reporting

CLIL continues its effort in ensuring that the Company’s business is moving along a steady, sustainable path towards growth and prosperity, and thus remain committed to managing risks stemming from environmental, social and governance factors that may have financial consequences on the business. Therefore,

the Company has adopted the sustainability reporting guidelines developed by the Global Reporting Initiative (GRI guidelines), an internationally recognized framework for sustainability reporting. The company’s Annual Report is used as a platform to provide comprehensive sustainability communication to all stakeholders.

Compliance and implementation		Status of Compliance
Sec. 01	A. Board of Directors	
A.1	<p><b>Every Public Company should be headed by an effective Board –</b> Please refer item No. 1.3 on page 143.</p> <p><b>A.1.1 Frequency of meetings –</b> At the beginning of each year, the Board decides on an annual schedule of meetings to evaluate and examine the performance of the Company’s strategies across the business model. Board Meetings are conducted once in every 2 months in addition to the sub-committee meetings convened during the year. During the year 2019, the Board convened 7 times and the attendance of the Board members at meetings was at 88%. The attendance at the Board and Sub-committee Meetings are given on page 146 and in the respective sub committee reports.</p> <p><b>Provision of information to the Board-</b> The Company Secretary prepares the Agenda for the Meeting after consulting the Chairman of the Board or respective Sub-committee and circulates the same together with the other relevant papers amongst the Directors before a minimum of one week prior to the meeting in order for them to contribute effectively in the Board discussions. The Minutes of the Board Meetings and Sub-committee meetings are sent to all Directors in a timely manner for their comments and record. All the Board sub-committee Minutes are tabled at every subsequent Board Meeting for their information.</p> <p><b>A.1.2 The Board’s role and responsibilities-</b> The Board of Directors is vested with powers to manage and supervise the operations of the Company in line with the provisions of the Companies Act No. 07 of 2007, Articles of Association of the Company &amp; other applicable laws in Sri Lanka by the sole shareholder of the Company. Since the Board is accountable to the sole shareholder of the Company, the main obligation of the Board is to pursue the best interest of the Company and its stakeholders as a whole. In performing its role, the Board is responsible for the following matters;</p> <ul style="list-style-type: none"> <li>to carry out managerial duties, apart from the legal obligations of the Directors in good faith at all times and their powers should be used for the better interest of all the stakeholders.</li> <li>to decide on the major business strategies of the Company, i.e. appointment and dismissal of the Board members as well as the Senior Management of the Company, define the Group structure, acquisitions, and divestments, financial and investments matters, etc...</li> <li>to guide and monitor continuously the performance of the Group of Companies, risk management of the Company, level of compliance with applicable laws and any other matters decided by the Board.</li> </ul>	✓

Compliance and implementation	Status of Compliance
<ul style="list-style-type: none"> <li>• An update of the operations is reported to the Board by the responsible officer in the relevant field on a regular basis as the Board should keep itself informed on significant activities that can affect the going-concern of the Company.</li> <li>• to devote to steering the standard of good governance within the Group towards transparency, accountability, and long-term sustainability by providing their competent leadership in governance-related matters. The governance framework of the Company which enables consistent, dynamic and strong dialogue between the Board of Directors and the other stakeholders consists of a well-built set of procedures and principles. The governance model of Ceylinco Life Insurance Ltd is depicted on page 141.</li> <li>• to provide strategic direction to the Management to develop short, medium and long term corporate business strategies besides reviewing and providing necessary guidance on Corporate Governance, statutory compliance, assisting internal audit and integrated risk management. The objectives of the Company are being discussed with the directors at the first Board Meeting of the year and the progress is evaluated throughout the year. Accordingly, the strategies for the year 2019 were presented by the MD/CEO at the Board Meeting held on 24th January 2019 and its progress was evaluated and results were presented at the Board Meeting held on 30th January 2020 together with the objectives for the year 2020.</li> <li>• The Board is responsible for appointing the Chair and the Senior Independent Director, if relevant. Accordingly, Mr. J. Wickramasinghe was appointed as the Senior Independent Director of the Board w.e.f. 24th January 2019.</li> <li>• To consider the succession of Key management personnel/ Senior Management vital to the Company. For this purpose, the Company has carried out a skills gap analysis in 2016 and launched several leadership programs to develop the identified second tier of Management with a long term view of enabling them to assume Key Management positions, as required.</li> <li>• To recognize and acknowledge the Board's responsibility on maintaining effective systems to secure the integrity of information, internal controls, business continuity &amp; risk management on a continuous basis. In this circumstances, the Board has discharged its advisory and supervisory duties through the Board Sub-committees such as the Audit, Remuneration, Nomination, RPTR, Investment and Risk Committee, and such systems are continuously monitored by the Management, internal and external auditors, and at times by independent experts. Monthly, Quarterly and Annual Corporate reporting are being carried out at the Sub-committee level, especially at the Audit Committee and the Minutes of the said Sub-committees are tabled at the following Board Meeting for the perusal of the Board.</li> <li>• To approve major budgets and major capital expenditure. The authorized limits for approving capital expenditure was revised and approved by the Board in 2019</li> </ul>	
<p><b>Board's role in risk management-</b></p>	
<p>The Board of Directors has defined the Risk Management Framework of the Company based on ISO 31000:2009 (E) Risk Management – Principles and Guidelines which is inextricably linked to the objectives of the Company. The appropriateness and adequacy of the internal controls are being reported to the Risk Committee by the Chief Risk Officer of the Company for their review. The internal control systems manage the risk of the Company's business activities/operations and other affairs and ensure that the financial information based on which business decisions are made and published, is reliable. The outcome of such committee meetings is reported to the Board to take the required decisions to mitigate risks. The Risk Management Governance structure of the Company is more fully described in the Risk Management Report on pages 161 to 165. The Company has a Business Continuity Plan (BCP) which is implemented through BCP team and during the year under review, the Company has conducted several Life Asia drills to evaluate the readiness of the DR Site.</p>	



**Compliance and implementation****Status of  
Compliance****Conflicts of interest**

The Board of Directors is responsible to give advance notice of any conflict of interest to the Company Secretary, prior to their appointment as well as at the beginning of each financial year. Further, they are also required to disclose their interests in each quarter during the Board meetings. Such measures are taken to safeguard the Board's integrity of independence and to avoid any favorable terms are being provided by the Company to the related party by engaging in the transaction. Any Director, who has an interest in a transaction, gets excluded from the quorum and vote in respect of such matters. With the assistance of the Company Secretary, additional information on the functions/ duties performed by the Board that are vital and complex, given the nature of the Life insurance business is given in the Chairman's Report on pages 12 to 15.

**A.1.3 Act in compliance with Laws of the Country-**

Members of the Board collectively and the Directors individually, act in accordance with the laws of the country, as applicable and the Board obtains professional advice from the most qualified external independent parties at the expense of the Company and from internal Legal Dept and the Compliance Officer.

**A.1.4 Access to advice and services of the Company Secretary-**

The Board is responsible for the appointment and removal of the Company Secretary. The Company Secretary performs a major role in ensuring good governance practices are maintained within the Company at all times. Every member of the Board has access to the advice and services of the Company Secretary for matters relating to Board procedures and any clarification on applicable rules and regulations.

**Availability of Insurance cover for the Board and Key Management Personnel-**

The Company has obtained required insurance cover for the Key Management Personnel as per the recommendation made by the Nomination Committee. Please refer to the total insurance installment paid during the year on page 309.

**A.1.5 Independent Judgment of the Board –**

The Board of Directors promotes an environment, whereby challenging contributions from the Non-Executive and Independent Non-Executive Directors are encouraged and welcomed with their independent analysis and opinion based on professional knowledge and experience. (Refer Composition of skills and expertise of the Board and responsibilities of the Board on pages 128 to 130)

**A.1.6 Dedicate adequate time and effort to matters of the Board and the Company-**

The Board met once every two months during the year to discharge its duties and in addition to attending the Board meetings, Directors contributed by attending its Sub-Committee meetings. The said meetings are scheduled well in advance and the relevant papers are forwarded to the Board members seven days prior to the meeting to ensure that they have sufficient time to review the same.

Details of the members of the said Sub-committees, meetings, and attendance in respective committee reports are given in pages 172 to 188.

	Compliance and implementation	Status of Compliance
A.1.7	<p>One third of Directors can call for a resolution to be presented to the Board – The Articles of Association of the Company provides for the procedures relating to Directors' matters.</p>	
A.1.8	<p><b>Board induction and training –</b> New Directors are inducted to the Board by providing them with a comprehensive understanding of their duties and responsibilities by the existing Directors. Continuous self-development is decided and executed by the Directors. The Board is kept constantly updated on all industry and regulatory changes and their effects on company operations of the Company by the Management.</p> <p>The Non-Executive Directors are being led by the Chairman or other Executive Directors prior to or following Board Meetings when they require any clarification on technical matters. In addition, they receive a detailed briefing on the products and Company's business from the Executive Directions and the Senior Management during Board and other sub-committee meetings. Key training carried out for the Board of Directors were "Principles of Underwriting" and "Basic concepts of Actuarial Valuation".</p>	
A.2	<p><b>A decision to combine the posts of Chairman and CEO in one person should be justified –</b> The posts of Chairman and the MD/CEO were held separately by Mr. J. G. P. Perera and Mr. R. Renganathan respectively until the retirement of Mr. J. G. P. Perera on 14th November 2018.</p> <p>With the said retirement, Mr. R Renganathan was appointed to the Board as the Executive Chairman of the Company and Mr. E. T. L. Ranasinghe was appointed as the MD/CEO w.e.f. 14th November 2018.</p> <p>In such circumstances, in order to ensure that no one individual has unfettered powers of a decision within the Board, Mr. J. Wickramasinghe was appointed as the Senior Independent Director of the Board w.e.f. 24th January 2019. In addition, the responsibilities of the Chairman and the MD/CEO were clearly segregated and tabled at the Board meeting held on 24th January 2019 for their approval.</p>	✓
A.3	<p><b>Chairman's role on encouraging good Corporate Governance –</b> Refer item No. 1.3 on page 143.</p>	✓
A.4	<p><b>The availability within the Board of those with sufficient Financial Acumen –</b> The Board members of the Company are specialized in a multitude of disciplines comprised of 4 (four) Fellow Chartered Accountants, including the Chairman and 2 (two) Chartered Management Accountants, a veteran Banker, and a qualified Actuary, to provide guidance on financial matters and support in developing Board strategies. Please refer to their profiles on pages 128 to 130.</p>	✓
A.5	<p><b>A well-balanced Board-</b> The CLIL's Board of Directors comprises 15 members of whom 5 are Executive Directors and 10 are Non-Executive Directors. Since the Chairman of the Board is an Executive Director, a majority of the Board comprise of Non-Executive Directors who were Independent of Management and free of business dealings that may interfere their independent judgment, as per annual declarations of independence for 2019 tabled at the Board Meeting held on 27th February 2020.</p> <p>All the Non-Executive Directors who are well-experienced professionals in their respective fields bring valuable experience to the Board and they scrutinize the Management's performance in achieving agreed-upon corporate goals and objectives. Further, they constructively challenge the Executive management in their decision making.</p>	✓

Compliance and implementation	Status of Compliance
<p>No appointments of Alternate Directors were made during the year 2019. With the retirement of Mr. J G P Perera, former Chairman of the Company w.e.f 14.11.2018, Mr. Renganathan, former MD/CEO was appointed as the Executive Chairman of the Company w.e.f.14.11.2018. Since the Chairman was an Executive director and the immediately preceding MD/CEO, the Board appointed Mr. W M P J K Wickramasinghe, who was an Independent Non-Executive Director, as the Senior Independent Director w.e.f. 24.01.2019. During the year under review, the SID met NEDs and EDs twice, separately to discuss the governance-related matters of the Company during the year.</p>	
<p>The Directors always exercise independent, unfettered judgment when expressing their view during meetings and their concerns. The Company has made provisions to record in the minute book, any issue that could not be unanimously resolved. Further, during the year 2019, the Board made all decisions unanimously and there were no concerns raised by the Directors which needed to be recorded in the Board Minutes.</p>	
<p><b>A.6 Supply of appropriate and timely information –</b> Refer item No. 1.11 on page 145.</p>	✓
<p><b>A.7 Appointments to the Board and re-election of Directors –</b> <b>Appointment of Directors</b></p>	✓
<p>The Board of Directors of the Company has always ensured that a formal and transparent procedure is being adopted within the purview of the Nomination Committee when appointing a new member to the Board to fill a casual vacancy arising due to a resignation/cessation of the post of an existing Director.</p>	
<p>Upon completion of the formalities of the appointment of the new Board member, a brief resume of the Director will be forwarded to the sole shareholder of the Company for their information.</p>	
<p>However, during the year 2019, there was no such casual vacancy which arose due to a resignation/retirement of a Director of the Board and therefore there were no newly appointed directors available for re-election by the shareholders under Rule A.8.2 of the Code of Best Practice on Corporate Governance 2017.</p>	
<p><b>Annual assessment of Board composition-</b></p>	
<p>All the Board members are required to disclose substantial changes in their responsibilities with regard to their profession to the Nomination Committee in order to carry out the annual assessment of the Board composition against pre-defined criteria of skills and knowledge requirements. Accordingly, the said assessment was carried out by the Nomination Committee at their meeting held on 05th December 2019 and it was determined that the Board is currently maintaining a mix of skills and professional experience, as appropriate to the Company's business strategy for 2020.</p>	
<p>Further, if any additional development in knowledge is required to keep the members constantly updated on all industry and regulatory changes in the future, the required training will be provided to them by the Company. The outcome of such an assessment was considered by the Committee when making their recommendations on director rotations at the upcoming AGM.</p>	

	Compliance and implementation	Status of Compliance
A.8	<p><b>All Directors of the Board are subject to re-election at regular intervals-</b></p> <p><b>Re-election of Directors-</b> At each AGM, 1/3rd of the Directors, excluding the Executive Directors, who have been longest in office since their last election or appointment, for the time being, will offer themselves for re-election by rotation in terms of Article 18B of the Articles of Association of the Company. Also, if a new Director was appointed in order to fill a casual vacancy since the previous AGM, the said Director will offer himself for election by the shareholder at the immediately succeeding AGM. Accordingly, Messrs. R S W Senanayake, Mr. J A Setukavalar and Mr. W M P J K Wickramasinghe will offer themselves for re-election in terms of Article 18B of the Articles of Association at the next AGM to be held on 27th March 2020. No Director resigned during the year before completion of the appointed term.</p> <p><b>Retirement of Directors-</b> In terms of Sec.210 of the Companies Act No.07 of 2007, Directors reaching the age of 70 years are recommended for re-election by way of an ordinary resolution by the sole shareholder of the Company. In the circumstances, Gen. C S Weerasooriya, a Non-Executive Director, who will reach 77 years in December 2020 and Mr. D H J Gunawardena, a Non-Executive Director, who will reach 71 years in December 2020, will be retiring at the forthcoming AGM, subject to the provisions of Direction 17 (as amended) issued by the IRC SL. The details of the said Directors who are subject to re-election are given in the Notice of the forthcoming AGM in page 332.</p> <p>No Directors had resigned from the Board before completion of his/her appointment term during the year 2019.</p> <p>Please refer to the Board Nomination Committee Report on pages 176.</p>	✓
A.9	<p><b>Appraisal of Board and Committee Performance-</b></p> <p>The Board and its Sub-Committees of the Company adopted a system of self-evaluation of their own performance for the year 2019 in order to ensure that their responsibilities are satisfactorily discharged in accordance with the Code, Articles of Association of the Company and other applicable regulations. By using a detailed questionnaire, the Company Secretary with the supervision of the Chairman of the Board, the performance of the Board of Directors was evaluated during the year. All Directors participated in the evaluation by ranking the Board and each other against the predefined performance criteria.</p> <p>The outcome of the exercise shows that the Board and its sub-committee have performed effectively during the year. The collective outcome of each individual Director's evaluation was presented by the Company Secretary to the Nomination Committee for their review/recommendations to the Board on initiatives required to improve the effectiveness of its members. All the Board members have contributed effectively together in order to achieve the annual milestones. The varied range of expertise and diversity of skill sets, a better understanding of the industry and competitor landscape were identified as key strengths of the Board.</p> <p>Having noted the aforesaid recommendations the Board of Directors discussed in detail the areas needing improvement and steps to ensure the continuity and effectiveness of the said evaluation in the coming years.</p>	✓

Compliance and implementation		Status of Compliance																
A.10	<p><b>Disclosure of Information in respect of Directors in the Annual Report-</b> Brief profile of each of the Board members are given in pages 128 to 130.</p> <table border="0"> <thead> <tr> <th>Disclosure Requirement</th> <th>Page No.</th> </tr> </thead> <tbody> <tr> <td>Name, qualifications and brief profile</td> <td>128 to 130</td> </tr> <tr> <td>The nature of his/her expertise in relevant functional areas</td> <td>128 to 130</td> </tr> <tr> <td>Executive, Non-Executive and /or Independent Director</td> <td>128 to 130</td> </tr> <tr> <td>Number of Board meetings of the Company attended during the year</td> <td>146</td> </tr> <tr> <td>The total number of Board seats held by each Director indicating listed and unlisted Companies and whether in an Executive or Non-Executive capacity</td> <td>146</td> </tr> <tr> <td>Names of Board Sub-committees in which the Director serves as a Chairman or a member</td> <td>172 to 173</td> </tr> <tr> <td>Number of committee meetings attended during the year</td> <td>174 to 189</td> </tr> </tbody> </table>	Disclosure Requirement	Page No.	Name, qualifications and brief profile	128 to 130	The nature of his/her expertise in relevant functional areas	128 to 130	Executive, Non-Executive and /or Independent Director	128 to 130	Number of Board meetings of the Company attended during the year	146	The total number of Board seats held by each Director indicating listed and unlisted Companies and whether in an Executive or Non-Executive capacity	146	Names of Board Sub-committees in which the Director serves as a Chairman or a member	172 to 173	Number of committee meetings attended during the year	174 to 189	✓
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A.11	<p><b>Performance evaluation-</b> The Board of Directors is responsible for carrying out an annual performance evaluation of the MD/CEO at the beginning of each year. They discussed and agreed with the MD/CEO on the milestones and strategies to be achieved by the Company during the year 2020 at their meeting held on 24th January 2019 of which the efficacy and the success of each milestone will be continuously reviewed by the Board throughout the year. The remuneration of the MD/CEO depends on the achievement of the defined milestones. While considering the changes that have taken place in the external environment, the Board members commented on the performance of the MD/CEO during the review held on 30th January 2020 and the MD/CEO's feedback is considered before approving the appraisal by the Board.</p>	✓																
<b>B. Directors Remuneration</b>																		
B.1	<p><b>Remuneration Procedure-</b> The Board of Directors of CLIL has set up a Remuneration Committee and the Committee acts according to the Board approved Terms of references. Directors' remuneration is entirely under the supervision of the Remuneration Committee of the Company and the compensation of the Executive Directors is directly connected to strong current performance and simultaneously will be providing incentives for similar future results. Additionally, the remuneration of NEDs has been structured in a way to attract and retain prominent professionals with the required expertise in the industry to drive the business whilst balancing the interests of the Sole shareholder.</p> <p>The Remuneration Committee makes recommendations to the Board on the remuneration payable to the Directors. They compile and review the guidelines and recommendations for the remuneration of the senior management of the Company.</p> <p>The Remuneration Committee has been consulting the MD/CEO of the Company about its proposals relating to remuneration at all times. The Board makes the final determination, having considered the recommendations of this Committee and also their performance. This is done within the limits of the Articles of Association and the Terms of Reference of the Remuneration Committee which sets out provisions to obtain professional advice from within and outside the Company to the effective discharge of their duties.</p> <p>Details of the members of the Committee are given on the Report of the Remuneration Committee on pages 174 to 175.</p>	✓																

Compliance and implementation	Status of Compliance
<p><b>B.2 The Level and Make up of Remuneration -</b>            The remuneration policy for the directors is structured in a manner to attract and retain the highest caliber of professionals as Executive Directors. Industry standards and trends are taken into consideration by the Remuneration Committee when recommending remuneration levels and links are made between remuneration levels and performance. The performance-related elements of remuneration have been designed in a way that an individual's performance and interests of the Company are enhanced. The Remuneration Policy of the Company has encapsulated the guidelines provided in Schedule E of the Code and it has been designed to be in line with all applicable legal requirements. Termination of the Executive Directors is governed by the contract of service/ employment of each Director. The benefits given to Executive Directors are reflected in the success and performance of the Company. No Executive Share Option scheme exists in the Company.</p> <p>The time, commitment and responsibilities that the role entails are taken into consideration when determining the remuneration of Non-Executive Directors. Remuneration for Non-Executive Directors does not include share options.</p> <p>Details of the Directors' aggregate remunerations paid during the year are given on page 309.</p>	✓
<p><b>B.3 Disclosure of Remuneration -</b>            Details on the members of the Committee and a statement of the Remuneration Policy are given on page 174.</p> <p>The aggregate remuneration paid to the Directors is disclosed on page 309.</p>	✓
<b>C. Relationship with shareholders</b>	
<p><b>C.1 Constructive use of the AGM and conduct of General Meetings -</b>            The Company has given more than 15 working days' notice for the Annual General Meeting held on 29th March 2019 to its sole shareholder as per the Articles of Association of the Company. A summary of the procedures governing voting at the AGM is given on the Proxy Form.</p> <p>During the Annual General Meeting held on 29th March 2019, the representative of the sole shareholder was given explanations on the Company's progress during the year and adequate feedback was given by the Board members to the queries raised at the meeting.</p> <p>Each substantially different issue was proposed as a separate resolution at the AGM, including the adoption of the Annual Report of the Board of Directors, on the Affairs of the Company and Financial Statements with Independent Auditors' Report thereon. All the resolutions taken up for approval of the shareholder were approved unanimously. In addition, the SID and other Chairmen of Board Sub-Committees were available for discussion with the shareholder on request.</p>	✓
<p><b>C.2 Communication with Shareholders –</b>            Engagement with the sole shareholder of the Company, Ceylinco Insurance PLC is critical to maintaining good governance within the Company. Timely and valuable information is being provided to the sole shareholder as and when required. The Company uses formal and informal methods to communicate with the shareholder, including through the Annual report, General Meetings, Interim Financial Statements, press releases and the official website of the Company, etc... The interim financial statements and Annual reports are available for review to all the stakeholders including the sole shareholder and to facilitate the readability the said reports have made available in PDF form as well as interactive format.</p>	

Compliance and implementation	Status of Compliance
<p>The shareholder is always encouraged to exercise their voting rights at the General Meeting and their active participation is expected in all Agenda items to be taken up at the said meeting. In such light, all the resolutions mentioned in the Agenda of the previous Annual General Meeting held on 29th March 2019 were adopted by the sole shareholder.</p>	✓
<p>The shareholder is also encouraged to maintain direct contact with the Company through the Company Secretary. Key issues communicated by the shareholder will be/ were always brought to the notice of the Board and necessary actions were taken to safeguard their interest. Executive Directors regularly update the rest of the Board members on such communications and consider the sole shareholder's feedback when defining the group strategies.</p>	
<p><b>C.3 Disclosure of major and material information –</b> The Board of Directors is responsible for disclosing the details of major and material transactions to the Sole shareholder for their approval. During the year under review, there were no such transactions entered into by the Company, as defined under Sec.185 of the Companies Act No. 07 of 2007</p>	✓
<b>D. Accountability and Audit</b>	
<p><b>D.1 To present a balanced and understandable assessment of the Company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities, and prospects-</b></p>	✓
<p>CLIL Board has taken all steps to present a balanced and understandable assessment of the Company's financial position, performance, and prospects through its Annual Report. CLIL Board assumes the responsibility to present such balanced and understandable assessment and that they extend it to interim and other price-sensitive public reports and reports to regulators as well as to information to be presented by statutory requirements. More details are given in the Statement of Directors' Responsibility.</p>	
<p>Also, the Company presents its Financial Statements in line with Sri Lanka Accounting Standards (SLFRS/ LKAS) and other applicable laws and regulations. The Board's responsibility for financial reporting is given on page 190 The Company voluntarily published its Interim Financial Statements on time during the year under review to promote a culture of transparency and all regulatory reports were filed by their due dates. The following disclosures required by the Code are mentioned in the Annual Report;</p>	
<p>Statement of Directors' Responsibility to financial reporting – on page 190</p>	
<p>Management Discussion and Analysis - on pages 52 to 122</p>	
<p>Annual report of the Board of Directors – pages 166 to 171</p>	
<p>Statement of Compliance- page 139</p>	
<p>CFO's responsibility statements page 191</p>	
<p>Independent Auditors report- pages 198 - 199</p>	
<p>Directors statement on internal control - page 192</p>	
<p>Related Party Transactions reported during the year and BRPTR Report – pages 305 and 181 to 182</p>	
<p>In the event, the net assets of the Company fall below 50% of the value of the Company's shareholders' funds, the Board of Directors will summon an EGM to notify the serious loss of capital of the Company to its shareholders and take necessary actions thereon, as required by Sec. 220 of the Companies Act. During the year there was no such situation occurred.</p>	

	Compliance and implementation	Status of Compliance
D.2	<p><b>Procedure to determine the nature and extent of the principal risks that the Company is willing to take in achieving its strategic objectives-</b></p> <p>The Board of Directors, through the involvement of the Board, Executive and Risk Sub-committees together with the Audit Committee, has taken all necessary measures and steps to ensure that the effective risk management and internal controls are in place. The Board Risk Committee conducts regular reviews of the possible risks of the Company and the effectiveness of Risk Management and internal controls to mitigate such risks. A system has been introduced at the operational &amp; Strategic level to capture all the risks that the Company contemplates and a discussion on such risks has been provided in detail in the Risk Management Committee Report on pages 161 to 165.</p> <p>The internal audit function of the Company is monitored by the Internal Audit Department and IS Audit Department of the Company which is directly supervised by the Board Audit Committee. Further, they monitor the Company's adherence to the procedures and guidelines, developed based on the policies adopted by the Company as well as laws and regulations.</p> <p>A meeting was conducted during the year with the Audit Committee and the External Auditors without the presence of the Management in order to discuss whether the Management has extended their support in conducting the audits and whether there are any concerns that Auditors wish to bring to the notice of the Audit Committee.</p> <p>The Audit Committee assessed the efficiency and effectiveness of the risk review process and systems of internal control on a regular basis. Further, the Audit Committee reviewed the compliance system of the Company on a quarterly basis. Refer the Statement of Risk Management given on page 188 and Internal Control on page 192.</p>	✓
D.3	<p><b>Audit Committee –</b></p> <p>A detailed report on the Audit Committee, including of Names of the members of the Committee, main objectives of the Committee, a summary of proceedings during the year under review and its way forward, etc. is disclosed on pages 178 and 180.</p> <p>The Committee is governed by the Audit Committee Charter which was adopted by the Board of Directors of the Company. The Audit Committee Charter includes monitoring and reviewing the External Auditor's independence, objectivity, and effectiveness of the Audit process which takes into account the professional and regulatory requirements. Messrs. Ernst &amp; Young, Chartered Accountants the External Auditors of the Company, has given a declaration of its independence to the Audit Committee, as per the relevant rules.</p>	✓
D.4	<p><b>Related Party Transaction Review Committee (RPTR) –</b></p> <p>The Company has defined its Related parties and Related Party Transactions (RPT) in terms of LKAS 24 as mentioned in its RPTR Policy. A detailed Report on the RPTR Committee, including the Names of the members of the Committee, main objectives of the Committee, a summary of proceedings during the year under review and its way forward, etc. is disclosed on pages 181 to 182.</p> <p>The Terms and Regulations (TOR) of the RPT Review Committee was prepared as per the criteria given in the Schedule to the Code and the same was approved by the Board on 15th July 2016. At the RPTR Com. Meeting held on 24th April 2019 the existing TOR was reviewed and certain changes were recommended to the mandate in order to comply with the new Code of Best Practice on Corporate Governance 2017 and the latest regulatory requirements of the Company and approval of the Board were granted on 09th May 2019 for the said revisions.</p>	✓



Compliance and implementation		Status of Compliance
D.5	<p><b>Code of Business Conduct &amp; Ethics-</b> The Company practices a Code of Best Business Conduct and Ethics requiring all employees to exercise honesty, objectivity and due diligence in performing their duties. The said Code of Conduct and Ethics addresses issues relating to conflict of interest situations, bribery and corruption, entertainment and gifts, accurate accounting and record-keeping, corporate opportunities, confidentiality, fair dealing, protection and proper use of Company assets, compliance with laws and regulations and encouragement of reporting of any illegal or unethical behavior.</p> <p>Being a Public Limited Company, fully owned by Ceylinco Insurance PLC, material information of the Company, which may be price sensitive to the Parent Company, is being disclosed to the Parent Company, which in turn reports to its relevant regulators. RPT reporting and reporting Directors' interests in transactions, help to monitor any shares purchased by KMPs or any other employee involved in financial reporting.</p> <p>There has been no violation of the Code of Conduct of the Company by any Director or any member of the Corporate Management of the Company during the year. The Chairman has affirmed the same in his statement on page 137.</p>	✓
D.6	<p><b>Corporate Governance Disclosures-</b> The Board of Directors of CLIL has taken steps within its full power to ensure that the Company has complied with the Corporate Governance principles and practices. The Corporate Governance report is included in the Annual Report on pages 137 to 160 and it has set 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 2017 (Code).</p>	✓
Sec.02	<b>Shareholders</b>	
E	<p><b>Institutional Investors-</b> The Company being a Public Limited Liability Company, maintains a regular and structured dialogue with its sole shareholder through the mediums described on page 156.</p> <p>The Company's Corporate Governance Framework and practices are discussed in detail from pages 137 to 160, giving due attention to the interests of institutional investors (the Sole Shareholder).</p>	✓
F	<p><b>Other Investors –</b> Since the Company is a fully owned subsidiary of Ceylinco Insurance PLC, this provision does not apply to the Company.</p>	✓
G	<p><b>Internet of things and cyber-security-</b></p> <p><b>G.1 Process to identify how IT devices within the organization and outside the organization can connect to the organization's network-</b> Please refer item No. 4 on page 148.</p> <p><b>G.2 Appointment of a Chief Information Security Officer (CISO) –</b> The Board had at all times used a CIO with relevant expertise and knowledge, who had been given the necessary resources to maintain the Company's cybersecurity risk management policy.</p>	✓

Compliance and implementation		Status of Compliance
<p><b>G.3 Time allocation for discussions about cyber-risk management at Board Meetings-</b> Cyber-Risk Management of the Company was a general Agenda item of the Board Risk Committee Meeting during the year and the Minutes of the said Committee was tabled and discussed in detail at the subsequent Board meeting.</p> <p><b>G.4 Ensuring the effectiveness of Cyber-Security Risk Management through independent periodic review and assurance-</b> CLIL has appointed TechCERT as the official independent Cyber Security consultant. This is the 8th consecutive year that TechCERT has been appointed. The service includes 4 Internal and External vulnerability assessments per year and acting as the authority to keep CLIL informed of any external threats that might have an impact on CLIL.</p>		✓
<p><b>G.5 The process to identify and manage cyber-security risks-</b> Refer Risk Management Report given on pages 161 to 165.</p>		✓
<b>H</b>	<p><b>Environment, Society, and Governance (ESG) Reporting –</b> The ESG risks and opportunities have been recognized, managed and reported when developing the business strategies of the Company during the period and the information required by the Code are disclosed under the following reports;</p> <p>Environmental factors- Refer reports on 'Natural Capital' given on pages 110 to 113</p> <p>Social factors – Refer reports on 'Social &amp; Relationship Capital' given on pages 71 to 91</p> <p>Governance – Refer the report on 'Corporate Governance' given on pages 137 to 160 and 'Risk Management Report' given on pages 161 to 165.</p> <p>The Board's role on ESG Factors - given on pages 32 to 35</p>	✓

**IRCSL Direction 17 on Framework for Corporate Governance for Insurers**

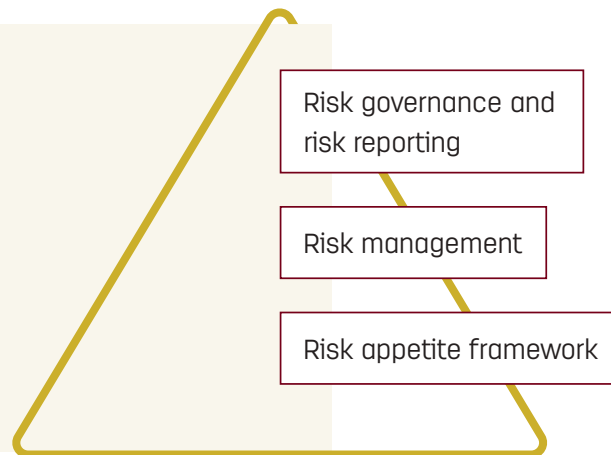
Insurance Regulatory Commission of Sri Lanka (IRCSL) by their Direction No.17 issued on 17th December 2018 (as amended), has recommended all insurers to comply with Corporate Governance under the Regulation of Insurance Industry Act No.43 of 2000 with effective from 01st July 2019, with a view to facilitate effective, entrepreneurial and prudent management that can deliver the long term success of the Company. CLIL has complied with the said Directive, as set out in the below-mentioned table;

Requirement under Direction No 17		Status of Compliance
Code of Best Practice on Corporate Governance -2017	Please refer the Corporate Governance Report on pages 137 to 160.	Compliant
Board Composition	At least two members of the Board should be citizens of Sri Lanka and also resident in Sri Lanka; The total period of service of a Non-Executive Director should not be more than 9 years as at 01st July 2019	Compliant
Age	A Director who is over 70 years of age shall cease to be a Director Exemption applicable to CLIL: <ul style="list-style-type: none"> <li>If the Director is between 70 -75 years of age as of 01st July 2019, his service may continue up to 30th June 2021 and deemed vacated afterward</li> <li>The directorship of Mr. D H J Gunawardena who attained the age of 70 years in September 2019 was extended with the approval of the IRCSL</li> </ul>	Compliant
CSE Listing Rule 710	To adhere to the CSE Corporate Governance Rules	Compliant
Appointments in other Boards	A Director of an Insurer cannot hold more than 20 Directorships in other companies/entities/institution including subsidiaries of the Insurer. In addition, out of the said Directorships such director cannot serve on more than 10 Specified Business Entities as classified under the Sri Lanka Accounting and Auditing Standard Act No. 15 of 1995.	Compliant

# Enterprise Risk Management

Ceylinco Life recognizes that risk management is an integral building block to pro-actively identify and manage risks to create value for its stakeholders. The Company considers it a core competency which is a critical element of the strategic planning process. The Enterprise Risk Management (ERM) framework operates as a feed system to internal and external stakeholders, Management and the Board of Directors.

The ERM Framework adopted is enabled by the risk-oriented enterprise level culture within an established risk governance system. A comprehensive risk management framework is applied throughout the organization with the broad consensus that risk management is the responsibility of all employees. Our systems of governance, risk management processes and risk appetite framework ensure that the Company is well positioned to face current and emerging stress scenarios.



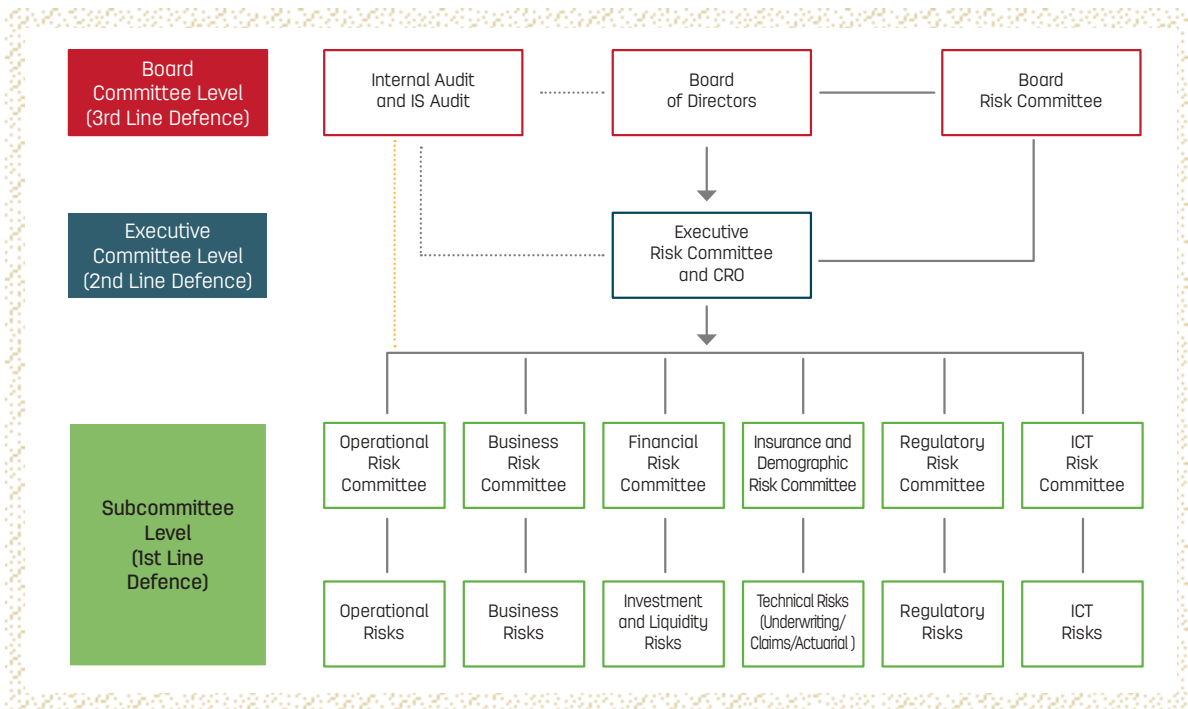
## Governance of Risk Management

At Ceylinco Life, the Board of Directors retains overall accountability for the governance of risk and is committed to effective risk management in pursuit of our strategic objectives. It is the responsibility of the Board, in conjunction with the Board Risk Committee, to review the Company's portfolio of risks and assess them against the risk appetite (refer to pages 188 to 189 for the Report of the Board Risk Committee.) Risk management is inextricably linked to our strategy and control is exercised by way of a governance framework, which includes principles based on ISO 31000:2009(E), Risk Management – Principles and Guidelines.

The Executive Risk Committee, headed by the Chief Risk Officer, is responsible for

developing, facilitating and monitoring the control framework and execution of proper risk management strategies.

The line management and staff are responsible for day-to-day risk management and are represented at the Sub-Committee level. The six Sub-Committees, namely the Operations Risk Committee, Financial Risk Committee, Insurance and Demographic Risk Committee, ICT Risk Committee, Business Risk Committee and Regulatory Risk Committee, ensure timely identification of risks, initiation of controls and reports to the Chief Risk Officer and higher-level Management.



The Risk Management Governance Structure of Ceylinco Life incorporates the 'Three Lines of Defense Model', which identifies, defines and segregates duties and responsibilities in

relation to risk management at Ceylinco Life. This model brings all the key functions into the Risk Management Governance Structure and provides simple but comprehensive

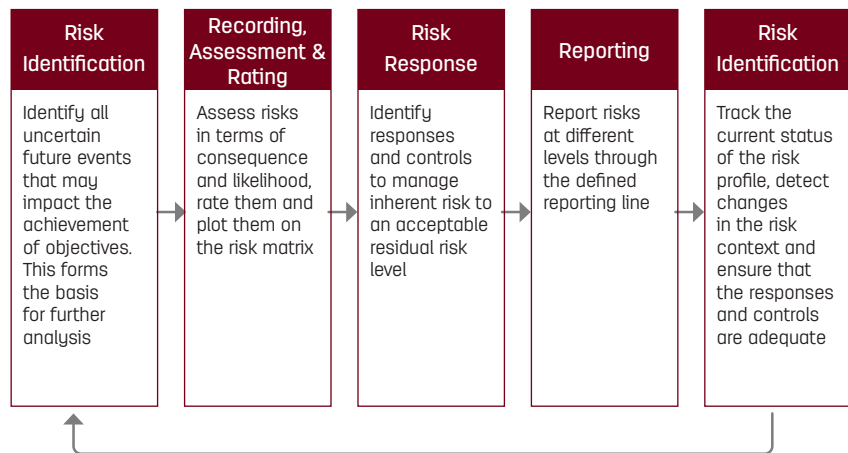
clarity on roles and responsibilities in managing risks.

Three Lines of Defense Model at Ceylinco Life

First Line of Defense Sub-Committees including departments and island wide branches	<ul style="list-style-type: none"> <li>△ Compliance with operational policies and procedures</li> <li>△ Proactive risk identification, assessment, control and monitoring</li> <li>△ Collaborative communication to promote a strong risk culture and risk awareness</li> </ul>
Second Line of Defense Executive Risk Committee	<ul style="list-style-type: none"> <li>△ Implementation of the Risk Management Governance Structure</li> <li>△ Review and reporting of risks of the departments, branches, products, processes, systems to the Board Risk Committee, as required</li> <li>△ Identification and assessment of risks and monitoring risks against the Board approved risk appetite</li> <li>△ Recommending appropriate action to mitigate risks, if any, that have exceeded beyond tolerance levels</li> </ul>
Third Line of Defense Board of Directors, Board Risk Committee, Internal Audit and IS Audit	<ul style="list-style-type: none"> <li>△ Monitoring compliance with the Risk Management Governance Structure</li> <li>△ Assessment of the effectiveness of risk management tools and techniques adopted</li> <li>△ Obtaining a reasonable assurance from the Executive Risk Committee that all known and emerging risks have been identified and appropriately managed</li> <li>△ Independent assurance on the effectiveness of the first and second lines of defense by Internal Audit and Information Systems (IS) Audit</li> </ul>

### Risk Management Process

The risk management process of Ceylinco Life is continuous and sequential, as depicted in the diagram. We strongly believe that an on-going commitment to risk management is necessary in the modern business context and recognize the importance of improving the risk management process, while ensuring the smooth flow of the activities within the process.



### Mitigating Our Key Risks

We determine our key risks through a review process that analyses the risks facing Ceylinco Life, in relation to our strategy and longer-term aspirations, in the context of the external and internal environment. Key risks include those risks that have a direct potential impact on the achievement of longer-term strategic priorities, reputation and delivery of key business plans. Such risks also have a material impact on our ability to create value.

Ceylinco Life Key Risk Portfolio at a Glance

Likelihood	Consequence				
	Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain	0	0	0	0	0
Likely	0	0	0	4	0
Possible	0	0	11	0	0
Unlikely	9	5, 10	1, 2	6, 7, 8	0
Rare	0	0	3	0	0

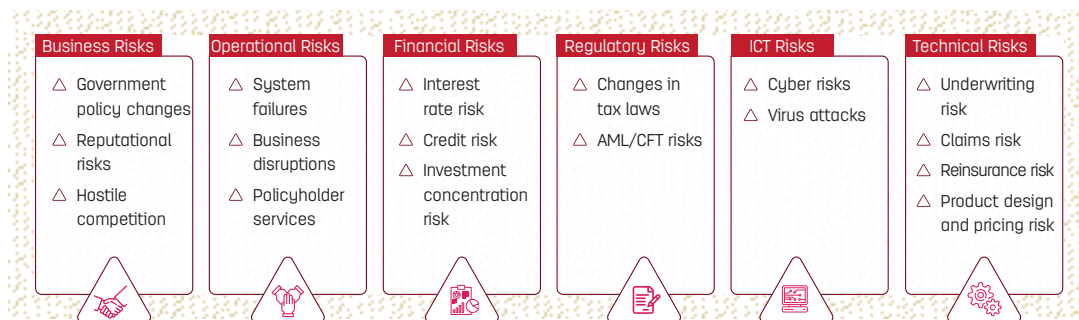
● Extreme   
 ● Very high   
 ● High   
 ● Moderate   
 ● Low

### Key Developments in 2019

- Investment concentration risk indicator was improved by placing a weight on the credit rating of the investee in calculating investment limits
- Credit risk indicator was improved by linking internal limits to weights which are assigned based on the credit quality of the issuer/counterparty
- With the implementation of SAP Finance and Investment Management System, the entire investment risk and limit monitoring system will be system-driven
- Reviewed the Business Continuity Plan and IT Disaster Recovery Plan of the company by an external consultant
- Carried out BCP drills at the disaster recovery sites
- Communication channels between the Head Office and the DR Site and between the Head Office and the Call Centre were encrypted
- Carried out a cyber-security drill for the Emergency Response Team to assess incident response readiness
- Conducted an awareness session to all Head Office users on cyber-security
- Strengthened controls on mitigation of money laundering and terrorism financing risks

### Risk Landscape of the Company

The risk landscape of the Company can be broadly classified as follows:



# Enterprise Risk Management

## Business Risks

### 1. Risk of political and regulatory changes

This includes risks emerging due to changes in the political and regulatory landscape that could have an impact on the company's activities.

2019-High, 2018-Very High

#### Mitigating actions.

- PESTEL analysis to identify any emerging risks as well as opportunities arising from the external environment
- The socio-economic and political environment is comprehensively evaluated by the Strategic Planning Committee

## Operational Risks

### 2 Sales force related risk

This risk includes internal and external factors that affect our ability to maintain a best-of-class sales force which is essential to providing an unmatched customer experience.

2019-Moderate, 2018-Moderate

#### Mitigating actions.

- Update the profiles and designations of the sales force to meet the changing expectations of customers
- A dedicated team of internal trainers, as well as local and foreign trainers, provide training to the sales force based on individual training needs
- Create a high performance, ethical and inclusive culture for our sales professionals
- Use of a wide range of KPIs to measure agents' performance and rewarding them based on performance

## Financial Risk

### 3. Interest rate risk

The risk that the market value or future cash flows of a financial instrument will fluctuate due to changes in interest rates. This includes re-investment risk and inflation risk, which eventually impacts the interest rate. Interest rate changes will affect reported earnings and the underlying value of the asset and liability positions.

2019-High, 2018-High

#### Mitigating actions.

- Monitor and evaluate the impact of interest rate risk charge to the Capital Adequacy Ratio (CAR)
- Monitor maturities and interim cash flows falling due and make suitable arrangements for reinvestments or recalling
- Monitor the exposure and the impact of the proprietary trading portfolio to short term interest rate movements and trends
- Oversee the overall strategy to manage the interest rate risk and to revisit, change or fine-tune the strategy as required
- Continuous monitoring of the asset and liability position, including the duration, convexity and sensitivity of the same to market interest rate changes
- Aligning the portfolio duration to optimize the fit with the liability structure and the interest rate outlook.
- Periodic monitoring of the Central Bank's monetary policy, Government fiscal policy and key economic variables and global and macroeconomic developments

### 4. Liquidity risk

Liquidity risk is the risk that Ceylinco Life will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs, without affecting either daily operations or the financial condition

2019-Low, 2018-Low

#### Mitigating actions.

- Ensure interim cash flows and maturity proceeds are notified and collected on time without delay
- Ensure investments are assessed and made only in sufficiently liquid assets, unless where such increased level of liquidity risk is properly compensated through its expected return
- Monitor and review the current and future cash flows to assess the exposure to liquidity risk. Monitor the current and expected money market liquidity position to ensure that sufficient liquidity or credit lines are available to meet expected funding/lending requirements

- Verify all the transactions entered/agreed against confirmations to ensure that all the settlements are accounted and funded and to avoid any unexpected cash flows

### 5. Credit risk

Credit risk is the risk that a borrower or counter-party will fail to meet its obligations towards Ceylinco Life

2019-Moderate, 2018-Moderate

#### Mitigating actions.

- Ensure that all maturity and interim cash flow proceeds are collected duly, on time and without any delay
- Ensure that outright, repurchase and reverse repurchase transactions are entered only with Board Investment Committee approved counter-parties
- Ensure that proper Board Investment Committee approval is obtained for all significant investment transactions
- Monitor the current exposure to credit risk and compliance with relevant IRCSL limits, determinations and guidelines
- Review the list of financial markets, asset classes, issuers and counter-parties periodically.
- Maintain a high credit quality within the investment portfolio through internal exposure limits that take in to account the credit quality of issuers/counter-parties

### 6. Investment concentration risk

This risk arises due to excessive concentration of the investment portfolio. Unless the investment portfolio is sufficiently diversified, excessive concentration in one or more asset classes, entities (issuers), currencies or markets would create investment concentration risks. Although certain asset classes would provide diversification benefits (to some extent), considering their inherent risks and volatile nature, the Company has prudently decided to limit its investments in assets such as equity, asset backed securities and derivatives.

2019-High, 2018-High

#### Mitigating actions.

- Compliance with the Investment Policy of the company, which formally specifies investment concentration limits

- The company has more stringent internal limits in addition to the limits stipulated by the IRCSL
- Both internal and regulatory limits are reviewed and updated in line with business and regulatory changes
- Selected investments are made in Real Estate which provides diversification and long-term capital appreciation benefits
- Review of actual concentration against the limits by the Board Investment Committee on a periodic basis
- Review the list of financial markets, asset classes, issuers and counterparties periodically.

### ICT Risks

#### 7. Cyber risk

Any risk of financial loss, disruption or damage to the reputation of the company from failure of its information technology systems

2019-High, 2018-High

#### Mitigating actions.

- Adherence to the Board-approved Information Security Policy, which is regularly reviewed for changes in local and global IT and communication technologies
- Continuous scanning of the IT control environment and strengthen security activities and measures as required
- Advanced firewall filters on data being transmitted
- Regular virus definitions update
- Access controls on external devices
- Regular health checks on the servers
- Regular training is provided to all staff on cyber security

### Technical Risks

#### 8. Underwriting Risk

This includes risks of not selecting lives for insurance business at an adequate premium as set by the actuaries according to the mortality and morbidity assumptions.

2019-Modarate, 2018-High

#### Mitigating actions.

- Verify the prospective policyholders' details through the tele-underwriting team at Head Office

- Centralized underwriting at Head Office and the team is assisted by a Medical Specialist for medically sub-standard cases
- Special review of over-sized cases by underwriters and/or reinsurers
- Review of underwriting guidelines periodically
- Provide continuous local/foreign training to underwriting staff
- Financial underwriting/KYC evaluation in compliance with money laundering and terrorist financing regulations

#### 9. Claims Risk

Deficiencies in settlement of claims as per the policy terms and conditions and the benchmark set by the Company.

2019-Modarate, 2018-High

#### Mitigating actions.

- Claims are recorded once intimated and monitored regularly by the senior management
- Check the authenticity of documents - Submission of original documents is mandatory with bank account details
- Automated claim computation
- Claims approvals are centralized and medical and legal consultation is obtained
- Claim audits and identification of claim patterns through statistics

#### 10. Reinsurance Risk

This includes retention of risks beyond our net retention capacity without obtaining adequate reinsurance and the inability of reinsurers to meet their commitments.

2019-Low, 2018-Low

#### Mitigating actions.

- Risk transfer with top ranked O3 reinsurers; Swiss RE, Munich RE and RGA for life, health and group businesses
- Follow the guidelines set by the IRCSL in selecting reinsurers
- Monitoring the ratings of re-insurers periodically
- Have a catastrophic re-insurance treaty in place

### Regulatory Risks

#### 11. Compliance risk

The risk of legal or regulatory sanction, financial loss or damage to reputation as a result of failure to comply with applicable laws, regulations, codes of conduct and standards of the best practice.

2019-Modarate, 2018-High

#### Mitigating actions.

- Set the tone at the top through appropriate policies and procedures to improve the control environment
- Compliance Officer supervises the departments on compliance matters and is responsible to the Board on overall compliance of the company
- Identify changes in the regulatory landscape through the Regulatory Risk Committee and ensuring preparedness to respond to these changes
- Internal audits on status of compliance with applicable laws and regulations
- Regular consultation with in-house legal officers
- Provide training to relevant staff on compliance requirements and any regulatory changes

#### Looking Ahead

Through the continuous assessment of current and emerging risks, Ceylinco Life is equipped to identify, manage and mitigate risks more effectively. Increased attention will be placed on maintaining market leadership, closely managing the risks which impact the value of our investment, mitigating risks from changing business dynamics and compliance with changes in laws and regulations. Cyber risk remains a key focus and given the increase in the number and sophistication of cyber-attacks against business entities, we will continue to invest in our capabilities to mitigate such attacks.

# Annual Report of the Board of Directors

The Directors of Ceylinco Life Insurance Limited (CLIL) are pleased to submit the 06th Annual Report of Directors for the year ending 31st December 2019 on the affairs of the Company together with the Audited Financial Statements and the Auditors Report on those Financial Statements conforming to all relevant statutory requirements in terms of Section 168 of the Companies Act No. 07 of 2007.

The details set out in the following report are guided by the Companies Act No. 07 of 2007 and by the recommended best practices on Corporate Governance depicted in the Code of Best Practice on Corporate Governance 2017, by the Institute of Chartered Accountants of Sri Lanka.

The following table depicts the information disclosed in this report as required by Section 168 of the Companies Act No. 07 of 2007.

This report was approved by the Board of Directors on 27th February 2020. The appropriate number of copies of the Annual Report will be submitted to the Central Bank of Sri Lanka, Insurance Regulatory Commission of Sri Lanka (IRCSL) and to the Sri Lanka Accounting and Auditing Standards Monitoring Board within the statutory deadlines.

## Nature of the Business of the Company and its subsidiaries

CLIL is a Public Company with limited liability incorporated on 22nd April 2014 bearing Registration No. PB 5183, licensed as a Company authorized by the IRCSL (formerly known as the Insurance Board of Sri Lanka) to carry on long-term life insurance business, under the Regulation of Insurance Industry Act No. 43 of 2000 (as amended). The Company was incorporated as a legal requirement that arose out of Section 53 of the said Act, which required segregating the long term and general insurance business from the composite insurance companies. The Company is domiciled in Sri Lanka and the registered office is situated at No. 106, Havelock Road, Colombo 05.

The Company's Vision and Mission are exhibited on page 3 of the Annual Report.

In achieving its Vision and Mission, all Directors and employees conduct their activities to the highest level of ethical standards reflecting the commitment to high standards of business conduct and ethics.

The Company's principal activity is underwriting all classes of Life Insurance. The Company received the license to carry out its business as a long term insurance provider by the IRCSL on 01st June 2015.

The Directors declared that the Company has not engaged in any activity, which contravenes with laws and regulations of the country during the said period. Further, there were no significant changes in the nature of the principal activities of the Company during the financial year under review.

Reference to the Companies Act No. 07 of 2007 sections	Companies Act No. 07 of 2007 requirement	Annual Report page reference
Section 168 (1) (a)	The nature of the business of the Company together with any changes thereof during the accounting period.	09-10
Section 168 (1) (b)	Signed Financial Statements of the Company for the accounting period completed in accordance with Section 152.	200-201
Section 168 (1) (c)	Independent Auditors' Report on the Financial Statements of the Company.	198-199
Section 168 (1) (d)	Accounting Policies of the Company and any changes therein.	207-316
Section 168 (1) (e)	Particulars of the entries made in the Interests Registers of the Company during the accounting period	169
Section 168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period.	309
Section 168 (1) (g)	The total amount of donations made by the Company and its subsidiaries during the accounting period.	167
Section 168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during the accounting period.	126-130
Section 168 (1) (i)	Separate disclosure on amounts payable to the Auditors as audit fees and fees for other services rendered during the accounting period by the Company.	170
Section 168 (1) (j)	Auditors' relationship or any interest with the Company.	170
Section 168 (1) (k)	Acknowledgment of the contents of this report/Signatures on behalf of the Board of Directors.	171



The ultimate Holding Company is Ceylinco Insurance PLC. Subsidiaries of the Company as of 31st December 2019 were Serene Resorts Limited and Ceylinco Healthcare Services Limited. Citizens Development Business Finance PLC is an Associate Company of CLIL.

- **Ceylinco Healthcare Services Limited –** CLIL has a 99.45% stake and the registered number of the Company is PB 135.

Ceylinco Healthcare Services Limited was established in 2000 and it is the only private sector 'Radiation Treatment Centre' for treating cancer patients in Sri Lanka.

- **Serene Resorts Limited –** CLIL has a 98.44% stake and the registered number of the Company is PB 19.

Serene Resorts Limited seeks to serve the elderly population of the country by establishing a retirement home.

More details are given on page 10 under the topic of 'Group Structure'.

#### Financial Statements of the Company

The Financial Statements of the Company, for the year ended 31st December 2019, duly certified by the Director/CFO, recommended by the Audit Committee, approved by the Board of Directors and signed by the Chairman and Managing Director/CEO, in compliance with the requirements of Sections 151, 152 and 168 (1) (b) of the Companies Act No. 07 of 2007 are given on pages 198 to 316 of this Annual Report.

#### The Auditors' Report

Further, the Company Auditors performed the audit on the Financial Statements for the year ended 31st December 2019 and the Auditors' Report issued thereon, is given on pages 198 to 199 as required by Section 168 (1) (c) of the Companies Act No. 07 of 2007.

#### Changes to the Group Structure & Accounting Policies

There were no changes to the Group Structure and Accounting Policies of the Company during the financial year ended 31st December 2019.

The Company maintains an Interests Register in compliance with the Companies Act No. 07 of 2007. All Directors have made declarations as required by Section 192 (1) and (2) of the Companies Act No. 07 of 2007.

#### Remunerations & other benefits of Directors

Directors' remuneration in respect of the Company for the financial year ended 31st December 2019 is given in Note 44 to the Financial Statements as required by Section 168 (1) (f) of the Companies Act No. 07 of 2007.

#### Donations and other Corporate Social Responsibility

During the year, the Company has not made any contributions to charities or other donations.

The CSR initiatives of the Company are detailed under the "Social and Relationship Capital" in the Annual Report on pages 72 to 91.

#### Amounts payable to the Auditors

The fees paid to the Auditors are disclosed in Note 33 in the Financial Statements.

#### Auditor's relationship or any interest with the Company

Independence confirmation has been provided by Messrs. Ernst & Young as required by the Section 163 (3) of the Companies Act No. 07 of 2007, in connection with the audit for the year ended 31st December 2019, confirming that Ernst & Young is not aware of any relationship with or interest in the Company or any subsidiary audited by Ernst & Young, that in their judgment, may reasonably be thought to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by CA Sri Lanka, applicable as at the reporting date.

#### REVIEW OF THE BUSINESS

The Chairman's Review given on pages 12 to 15, the Managing Director/CEO's Review on pages 16 to 19 and the Management Discussion and Analysis on pages 52 to 122 together with the Audited Financial Statements provide an overall review of business performance and the state of affairs of the Company together with the important event which took place during the year under review as required by Section 168 of the Companies Act No.07 of 2007 and the recommended best accounting practices.

Further, the Company has opened branches across all districts of the country. As at the end of the year under review, there were 141 Branches.

Sector-wise contribution to the Company's revenue, results, assets, and liabilities are disclosed in Note 5 to the financial statements on pages 209 to 217.

#### FUTURE DEVELOPMENTS

Likely future developments in business are discussed in the Review of the MD/CEO on pages 16 to 19.

#### GROSS INCOME / GROSS WRITTEN PREMIUM

The Gross Written Income of the Company for the year 2019 was Rs. 18.7 Bn ( Rs. 17.8Bn in 2018). The sources of external operating income, net operating profit and asset allocation of the Company together with their proportions are given in Note. 26 to the Financial Statements on Page 276.

#### DIVIDENDS AND RESERVES

##### Performance of the Company and Transfers to reserves

The Profit before Tax of the Company amounted to Rs. 8.2 Bn in 2019 (Rs. 7.2Bn in 2018) and this was an increase of 14.73% (12.69% in 2018). Further, the Net Profit after Tax of the Company amounted to Rs. 6.7Bn in 2019 (Rs. 5.8Bn in 2018) and this was an increase of 15.14% (3.61% in 2018).

On this basis, the dividend payout ratio amounts to 10.04% of the profit after tax of 2019, compared to 10.27% in the year 2018.

	2019	2018	%
Dividend per share	13.40	11.90	12.61
Dividend Pay-out	10.04	10.27	(2.20)
Net assets value per share	Rs.629.84	Rs.528.51	19.17

#### Dividends on Ordinary Shares

As per the recommendation of the Board of Directors, the Company made an interim dividend of Rs. 13.40 (gross) per share, amounting to a total sum of Rs.670Mn during the year. Further, Rs. 4.94 Bn (net of dividend) was transferred during the year to retained earnings.

The Board was satisfied that the Company would meet the solvency test after the declaration of the aforesaid dividend and obtained a solvency certificate from the Company's Auditors to that effect. The Board authorized the distribution, in terms of Section 56 of the Companies Act No. 07 of 2007.

#### Reserves

A summary of the Company's reserves are given below;

Total reserves of the Company stood at Rs. 31.5Bn as at 31st December 2019. This includes the Restricted Regulatory Reserve of Rs. 3.46 Bn recognized in compliance with the IRCSL Direction 16 on Transfer on the One-off Surplus. Information on the movement of reserves is given in the statement of Changes in Equity on page 204 and the Notes 21(a) to 21(g) to the Financial Statements on pages 267 to 270.

#### PROPERTY, PLANT, AND EQUIPMENT

The net book value of property, plant, and equipment of the Company, as at the reporting date amounted to Rs.9.2Bn. Total capital expenditure during the year for acquisition of property, plant, and equipment by the Company, amounted to Rs. 657Mn. More information on Property, Plant, and Equipment are given in Notes 7 to the Financial Statements on pages 220 to 228.

Specific information on the extent, location, valuation of the land and buildings held by the Company are given in Notes 7(i) to the Financial Statements on pages 225 to 227.

The details of capital expenditure approved and contracted for are given in Note 7(c) to the Financial Statements on page 224.

#### MARKET VALUE OF THE PROPERTIES

The Company carried out a re-valuation of all its freehold land and buildings as of 31st December 2019. The re-valuation of the land and buildings of the Company was carried out by professionally qualified, independent valuers and the Board of Directors of the Company is of the opinion that the revalued amounts are not in excess of the current market values of such properties.

Details of the market value (re-valued amounts) of freehold properties of the Company are given in Note 7(i) to the Financial Statements on pages 225 to 227.

The next re-valuation exercise on the freehold land and buildings of the Company will be carried out as at 31st December 2020.

#### ISSUE OF SHARES OR DEBENTURES

During the year the Company has not raised any funds either through a public issue, right issue or in a private placement.

#### SHARE INFORMATION

The stated capital is the total of all amounts received by the Company, in respect of the issue of shares. The stated capital of the Company, as of 31 December 2019, amounts to Rs. 500,000,500.00 (Five Hundred Million and Five Hundred Rupees), which is represented by issued and fully paid 50,000,050 ordinary shares.

The Company has not purchased its own shares during the year under review.

#### SUBSTANTIAL SHAREHOLDING

The Company is a fully owned subsidiary of Ceylinco Insurance PLC. The Company has issued 50,000,050 ordinary shares to the said Sole Shareholder of the Company.

Information relating to dividends and net assets per share is stated under Note no 38 to the Financial Statements on page 286.

#### DIRECTORS OF THE COMPANY

The Board of Directors of the Company as of December 31, 2019, consisted of 15 Directors with wide knowledge and experience economic, financial, banking, commercial, HR, Marketing and healthcare as detailed in the Board of directors' profiles on pages 128 to 130.

Names of the Directors of the Company during and as the end of December 31, 2019, as required by Section 168(1) (h) of the Companies Act No. 07 of 2007 are given below;

1. R Renganathan – Executive Chairman
2. E T L Ranasinghe - Managing Director/ CEO
3. P D M Cooray – Executive Director/Head of HR and Training
4. P A Jayawardena – Executive Director/ Chief Financial Officer
5. S R Abeynayake – Executive Director/ Deputy Chief Financial Officer
6. D H J Gunawardena – Non-Executive Director
7. Gen. C S Weerasooriya (Retired) – Non-Executive Director
8. R S W Senanayake – Non-Executive Director
9. J A Setukavalar – Non-Executive Independent Director
10. Prof. W M M de Silva – Non-Executive Independent Director
11. Dr. B G S De Silva – Non-Executive Independent Director
12. W M P J K Wickramasinghe - Non - Executive Independent Director
13. H S B Caldera – Non - Executive Independent Director
14. Ms. A K Seneviratne - Non-Executive Independent Director
15. J Durairatnam - Non-Executive Independent Director

## Directors of the Subsidiary Companies

Ceylinco Healthcare Services Limited	Serene Resorts Limited
Mr. R Renganathan – Chairman	Mr. R Renganathan - Chairman
Mr. E T L Ranasinghe – Director	Mr. E T L Ranasinghe - Director
Mr. P A Jayawardena – Director	Mr. P D M Cooray – Director
Mr. E R S G S Hemachandra - Director	Mr. P A Jayawardena - Director
Prof. M M R W Jayasekara - Director	Mr. S R Abeynayake - Director
	Mrs. R M U K Ratnayake - Director
	Mr. A H R Udayasiri - Director

### DISCLOSURE OF DIRECTOR'S DEALINGS IN SHARES

Neither shares nor debentures of the Company were held by the Directors during the year under review.

### DIRECTORS' DISCLOSURE OF INTERESTS

Director's interests in contracts or proposed contracts (as requested by Sec. 192 of the Companies Act No.07 of 2007)

The Directors of the Company have no direct or indirect interest in any contract or proposed contract with the Company, except for those specified, which have been disclosed and declared at meetings of Directors.

The Company carried out transactions in the ordinary course of business on an arm's length basis with entities where a Director of the Company is the Chairman or a Director of such entities, as per details below;

In addition, Related Party Disclosures as per Sri Lanka Accounting Standards are detailed in Note 44 to the Financial Statement on pages 305 to 309 of this Annual Report.

### Directors and officers' insurance

The Company has, during the financial year paid an insurance premium in respect of an insurance policy for the benefit of the Company and the Directors and further details on the same is given in Note No 44 to the Financial Statements on page 308.

### Retirement and Re-election

- In accordance with Section 210 of the Companies Act No. 07 of 2007, Gen. C S Weerasooriya (Retired) and Mr. D H J Gunawardena will retire and be eligible themselves to be re-elected as Directors at the forthcoming Annual General Meeting of the Company. Gen. C S Weerasooriya (Retired) will be 77 years of age and Mr. D H J Gunawardena will be

71 years of age in December 2020. The shareholder's approval shall be sought by way of an ordinary resolution at the forthcoming Annual General Meeting of the Company, that Section 210 of Companies Act No. 07 of 2007, shall not apply to Gen. C S Weerasooriya (Retired) and Mr. D H J Gunawardena, subject to the provisions of Direction #17 issued by IRCSL.

- In terms of Articles 18 (B) of the Articles of Association, one third out of the Non-Executive Directors are required to retire by rotation at each Annual General Meeting. Article 18 provides that the Directors to retire by rotation at an AGM shall be those who (being subject to retirement by rotation) have been longest in office, since their last election or appointment.

The aforesaid changes were considered at the Nomination Committee of the Company at their meeting held on 13th February 2020 and recommended to the Board of Directors to notify to the Shareholder. The Board recommended at their meeting held on 27th February 2020, the re-election of the following Directors after considering the recommendations of the Nomination Committee;

- Mr. R S W Senanayake
- Mr. J A Setukavalar
- Mr. J Wickramasinghe

More details are given on page 332 under the 'Notice of the AGM'.

### ENVIRONMENTAL PROTECTION

The Company has not engaged in any activity that was detrimental to the environment and has been in due compliance with all applicable laws and regulations of the country to the best of its ability. The Company has continued with the 'Go Green' concept since 2017 and its effort in this regard is more fully described in the 'Natural Capital' on pages 110 to 113.

### STATUTORY PAYMENTS

The Board of Directors confirm that to the best of their knowledge and belief, all taxes, duties, and levies payable by the Company and in respect of the employees of the

No.	Name of the Company / Trust	R Renganathan	E T L Ranasinghe	P D M Cooray	P A Jayawardena	S R Abeynayake
1	Ceylinco Healthcare Services Limited	✓	✓		✓	
2	Ceylinco Insurance PLC	✓	✓	✓	✓	✓
3	Citizen Development Business Finance PLC					✓
4	Serene Resorts Limited	✓	✓	✓	✓	✓

## Annual Report of the Board of Directors

Company and all other known statutory dues, as were due and payable by the Company, as at the reporting date have been paid or, where relevant provided for.

### EVENTS AFTER REPORTING DATE

No material events have taken place after the reporting date, which requires an adjustment to or a disclosure in the Financial Statements. The relevant disclosure is given under Note 45 to the Financial Statements on page 309.

### GOING CONCERN

The Board of Directors is satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future, to justify adopting the going-concern basis in preparing these Financial Statements.

### EXPOSURE TO RISK

#### Internal Controls

The Directors acknowledge their responsibility for the Company's system of internal controls. The systems are designed to provide reasonable assurance that the assets of the Company are safeguarded and to ensure that proper accounting records are maintained. The Board of Directors, having reviewed the system of internal controls, is satisfied with the systems and measures in effect as at the date of signing this Annual Report.

#### Risk Management

The Company has a separate Board Risk Committee, to look after the policy development for risk management of the Company. Risk Management of the Company is given on pages 161 to 165 under the topic of 'Enterprise Risk Management'.

### APPOINTMENT OF AUDITORS

The Financial Statements for the year have been audited by Messrs. Ernst & Young (Chartered Accountants) and in accordance with the Companies Act No. 07 of 2007. A resolution will be proposed to the shareholder at the forthcoming AGM for the approval pertaining to their re-appointment and to authorize the Directors to determine their remuneration.

The retiring Auditors, Messrs. Ernst & Young (Chartered Accountants) have stated their willingness to continue to function as the Auditor to the Company until the next Annual General Meeting of the Company.

### AUDITORS' REMUNERATION

The fees paid to the Auditors are disclosed in the Note 33(b) to the Financial Statements on page 282. The Auditors of the Company, Messrs. Ernst & Young have confirmed that they do not have any relationship with the Company other than that as the Auditors which would have an impact on their independence.

#### Directors Meetings

The details of the Board and Board Sub-Committee meetings and the attendance of Directors at these meetings are given on pages 146 and in the respective Committee reports on pages 174 to 186.

#### Board Sub Committees

The Board of Directors of the Company has formed four main Board Sub-Committees namely the Nomination Committee, the Remuneration Committee, the Related Party Transaction Review Committee and the Audit Committee as suggested by the Code of Best Practices on Corporate Governance 2017 issued by CA Sri Lanka.

The Board has formed two more voluntary Board Sub-committees to assist the Board of Directors. They are the Board Risk Committee and the Board Investment Committee.

These Sub-committees play a critical role in ensuring that the activities of the Company are conducted with the highest ethical standards and in the best interest of all its stakeholders.

The terms of reference of these Sub-committees conform to the recommendations made by various regulatory bodies such as IRCSL, CBSL, The Institute of Chartered Accountants of Sri Lanka and the SEC.

The Composition of Board sub-committees as at 31st December 2019 and the details of the attendance by Directors at meetings are tabulated under the respective Committee Reports on pages 174 to 186.

### DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors assume the responsibility for the preparation and presentation of the Financial Statements, which reflect a true and fair view of the state of affairs of the Company. The Directors are of the view that the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, Significant Accounting Policies and Notes thereto appearing on pages 198 to 316 have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS). The said Accounting Policies adopted in the Financial Statements, are given on pages 207 to 316 as required by Section 168 (1) (d) of the Companies Act No. 07 of 2007. The Board of Directors confirms that there were no material changes in the Accounting Policies adopted by the Company, during the year under review.

The Statement of Directors' Responsibility appearing on page 190 forms an integral part of this Report.

### TAX EXPENSES

Tax expense has been computed at the rates given in Note 35 to the Financial Statements, appearing on pages 283 to 285 of this Report.

### INVESTMENTS

Total investments of the Company and other equity investments amounted to Rs. 116.92 Bn.

### CORPORATE GOVERNANCE

#### Director's declarations;

- i) The Company complied with all applicable laws and regulations in conducting its business and has not engaged in any activity contravening the relevant laws and regulations. The Compliance Officer of the Company who has the ultimate responsibility for

ensuring compliance with the provisions in various laws and regulations, confirm compliance in each quarter to the Audit Committee of the Company, through the Internal Auditor for their review.

- ii) The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested.
- iii) The business is a going-concern with supporting assumptions as necessary. The Board of Directors has reviewed the Company's business plans and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements of the Company, its Subsidiaries and Associate are prepared on the Going-Concern assumption.
- iv) The Board has conducted a review of internal controls covering financial, operational and compliance controls, risk management and have obtained a reasonable assurance of their effectiveness and proper adherence.

The Board of Directors has shown its commitment to maintain an effective corporate governance structure which will always be in compliance with all relevant rules, regulations and best practices on corporate governance, extending beyond regulatory requirements. More details are given in the Corporate Governance Report on pages 137 to 160.

**SUSTAINABILITY**

The Company has considered the sustainability aspects when formulating its business strategies and more details are given on pages 23 to 27.

**HUMAN RESOURCES**

The Company continued to develop appropriate human resources management policies and focused their contribution towards the achievement of corporate goals. The Company's HR Policy and other details are given in 'Human Capital' on pages 92 to 103.

**REGISTER OF DIRECTORS AND SECRETARIES**

As required under Section 223 (1) of the Companies Act No. 07 of 2007, the Company maintains a Register of Directors and Secretaries, which contain information of each Director and the Company Secretary.

**TECHNOLOGY**

All of our processes involve information technology and the Company uses technology to deliver superior products and services to our customers. Key achievements for the year are detailed in the pages 117 to 118.

**OPERATIONAL EXCELLENCE**

To increase efficiency and reduce operating costs, the Company has on-going initiatives to drive policy and process standardization and to optimize the use of existing technology platforms.

**ANNUAL GENERAL MEETING**

The sixth Annual General Meeting of CLIL will be held at the Board Room of Ceylinco Life Insurance Limited at No. 106, Havelock Road, Colombo 05 on 27th March 2020 at 3.00 p.m. The Notice of the AGM appears on page 332 of the Annual Report.

**ACKNOWLEDGMENT OF THE CONTENTS OF THE REPORT**

As required by Section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors hereby acknowledge the contents of the Annual Report and is signed for and on behalf of the Board of Directors.



**R Renganathan**  
Chairman



**Palitha Jayawardena**  
Director/CFO



**K I Weththasinghe**  
Company Secretary

27th February 2020  
Colombo

# Board Sub-committees

No.	Board Sub - Committees	Meeting Frequency	Members		Secretary	Invitees
1	Remuneration Committee	Once in six months	Prof. W M M de Silva (Chairman) Mr. H S B Caldera Dr. B G S de Silva	Independent - Non Executive Director Independent - Non Executive Director Independent - Non Executive Director	Company Secretary	Executive Chairman, Managing Director / CEO, Director / CFO and Director / Deputy CFO
2	Audit Committee	Quarterly	Mr. J A Setukavalar (Chairman) Mr. D H J Gunawardena Mr. W M P J K Wickramasinghe	Independent - Non Executive Director Non Executive Director Independent - Non Executive Director	Company Secretary	Director /CFO, Director /Deputy CFO, Senior Manager - AGM Internal Audit and Senior Manager - IS Audit, Senior Manager-Finance, External Audit Partners (if necessary)
3	Nomination Committee	As and when necessary or once a year	Dr. B G S de Silva (Chairman) Mr. W M P J K Wickramasinghe Mr. R Renganathan	Independent - Non Executive Director Independent - Non Executive Director Executive Director	Company Secretary	Director /CFO
4	Related Party Transaction Review Committee	Quarterly	Mr. J A Setukavalar (Chairman) Mr. W M P J K Wickramasinghe Mr. D H J Gunawardena	Independent - Non Executive Director Independent - Non Executive Director Non Executive Director	Company Secretary	Senior Manager-Finance
5	Risk Committee	Quarterly	Ms. A K Seneviratne (Chairperson) Mr. W M P J K Wickramasinghe Mr. R S W Senanayake	Independent - Non Executive Director Independent - Non Executive Director Non Executive Director	Company Secretary	CRO, Senior Manager - Finance or his representative
6	Investment Committee	Quarterly	Mr. R Renganathan (Chairman) Mr. E T L Ranasinghe Mr. P A Jayawardena Mr. S R Abeynayake Mr. R S W Senanayake	Executive Director Executive Director Executive Director Executive Director Non Executive Director	Company Secretary	AGM - Actuarial and AGM - Portfolio

Notice of the meeting	Professional Advise	Terms of Reference/ Charters	Objectives
Week before	Available	Available – Terms of Reference of the Remuneration Committee	The Objective of the Committee is to set the principles, parameters and governance framework of the Company's remuneration policy and to recommend the terms and conditions of employment of the Chairman of the Board, Executive Directors, members of the Executive and the Company Secretary.
Week before	Available	Available – Audit Charter	The objectives of the Committee are to assist the Board of Directors to carry out its responsibilities relating to the following areas. <ul style="list-style-type: none"> <li>Preparation, presentation and adequacy of disclosure in the financial statements, in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS.</li> <li>Company's compliance with financial reporting requirements, information requirements of Companies Act, IRCSL, SEC of Sri Lanka, CSE and other regulations and requirements.</li> <li>Processes to ensure that the Company's internal controls and risk management procedures are adequate to meet the requirements of the Sri Lanka Auditing Standards.</li> <li>Assessing the Company's ability to continue as a going concern in the foreseeable future.</li> <li>Independence and performance of the Company's external Auditors.</li> </ul>
Week before	Available	Available - Terms of Reference of the Nomination Committee	The primary function is to assist the Board with making recommendations on Board appointments and on maintaining a balance of skills & experience on the Board and its committees.
Week before	Available	Available -Mandate of the Related Party Transactions Review Committee	The main objective is to safeguard the shareholder's interests and to prevent directors, chief executives or substantial shareholders taking advantage of their positions.
Week before	Available	Available – Risk Committee Mandate	Primary function is to oversee and approve the Company-wide risk management practices to assist the Board in: <ul style="list-style-type: none"> <li>Setting the tone and developing a culture of the Company vis-à-vis risk;</li> <li>Overseeing that the executive team has identified and assessed all risks that the Company faces and has established a risk management framework, capable of addressing those risks;</li> <li>Overseeing, in conjunction with other Board level committees, all principal risks facing the Company such as strategic, financial, market, IT, legal, regulatory, reputational and other risks;</li> <li>Monitoring risk management capabilities within the Company, including communication about escalating risk and crisis preparedness and recovery plans; and</li> <li>Overseeing the division of risk-related responsibilities to each Board Committee as clearly as possible and performing a gap analysis to determine that the oversight of any risks is not missed.</li> </ul>
Week before	Available	Available – Board Investment Committee Charter	The goals and objectives of the Committee with respect to the Company's investment strategy, management, policies, guidelines and operations are; <ul style="list-style-type: none"> <li>Exercise due care to ensure that the interests and rights of policyholders are not compromised at any time;</li> <li>Ensure full compliance with laws, rules, regulations, determinations and guidelines issued by the Insurance Regulatory Commission of Sri Lanka and any other relevant regulatory authority, as the case may be</li> <li>Institute effective and efficient governance of investment activities of the Company;</li> <li>Ensure that the Company develops appropriate risk management framework for identifying, monitoring and mitigating various risks arising from investment activities and that the Company controls their investment portfolio effectively and efficiently;</li> <li>Ensure that the Company establishes internal control mechanisms specially with respect to investment activities.</li> <li>Ensure that the Company develops investment strategies and implements policies and procedures to execute the strategies at the operational level</li> </ul>

# Report of the Remuneration Committee



## Composition of the Committee

The Board Remuneration Committee (BRemC) consists of the following members whose profiles are given in pages 128 to 130.

Prof. W M M De Silva\*(Chairman)

Dr. B G S De Silva\* (Member)

Mr. H S B Caldera\* (Member)

\*(Independent – Non Executive Director)

## Expertise and Skills of the Chairman

The Chairman of the Committee is an Independent Non-Executive Director who is free from any business or other relationship which may interfere with the execution of his independent judgment. Further, all members of the Committee are Non-Executive Directors.

## Attendance at Meetings

During the year 2019 two BRemC meetings were held and the attendance is as follows:

Name	Attended/ Eligible
Prof. W M M De Silva	1/2
Dr. B G S De Silva	2/2
Mr. H S B Caldera	1/2

## A New Company KPI structure was introduced

### Regular attendance by Invitation

The Managing Director/ CEO and the Director/ CFO attended the meetings by invitation and assisted in the discussions by providing relevant information.

### Secretary to the Committee

In order to comply with the mandatory requirement of Direction 17 issued by the IRC SL and Rule B.1.2 of the Code of Best Practice on Corporate Governance 2017, the Board of Directors at their meeting held on 28 February 2019 reconstituted the Remuneration Committee with effect from 21 February 2019 with the recommendation of the Nomination Committee.

The Chairman of the Committee may convene a special meeting in the event a requirement arises, provided all members are given sufficient notice of such special meeting. Members of the Corporate Management may be invited to participate at the sittings of the Committee meetings as and when required by the Chairman, considering the topics for deliberation at such a meeting. The proceedings of the Committee meetings were regularly reported to the Board of Directors.

### Purpose of the Committee

The Committee is governed by the "Terms of Reference of the Remuneration Committee" which is approved by the Board of Directors. Further, the Committee is committed to the principles of accountability and transparency and ensuring that remuneration arrangements are aligned with individual performance. The said Terms of Reference defines the Objectives, Membership, Quorum, Meetings, Responsibilities of the Committee Chairman

and reporting responsibilities of the Committee.

The purpose of the Committee is to set the principles, parameters and governance framework of the Company's remuneration policy and to recommend the terms and conditions of employment of the Chairman of the Board, Executive Directors, members of the Executive and the Company Secretary.

### Objectives of the Committee

The purpose of the Committee is to set the principles, parameters and governance framework of the Company's remuneration policy and to recommend the terms and conditions of employment of the Chairman of the Board, Executive Directors, senior management (together, the "Senior Executives" being those whose appointment requires Board approval; employees who perform a significant influence function; employees whose activities have or could have a material impact on the Company's risk profile and any other employee as determined by the Committee from time to time).

The overall focus and responsibilities of the Remuneration Committee are:

- To determine the remuneration policy of the Company and to make recommendations to the Board on the Company's policy and structure.
- To periodically review the adequacy and effectiveness of the remuneration policy of the Company.
- To give the Board additional assurance as it may reasonably require



- regarding, the Human Resources policies of the Company, pertaining to the terms and conditions of employment to be fair and to attract and retain high caliber staff.
- To review and approve any statement required by the Company's regulators from the Committee on the Company's remuneration policy.
  - To review the proposals for employee share plans for the Company and make recommendations to the Main Board.
  - To ensure that no Director or Senior Executive or any of their associates is involved in deciding their own remuneration.
  - To review and disclose, as appropriate, in the Directors' Remuneration Report in the Annual Report and Financial Statements whether any Executive Director or Senior Executive has the right or opportunity to receive enhanced benefits beyond those already disclosed and whether the Committee has exercised its discretion during the year to enhance such benefits either generally or for any member of the Company.
  - To review and endorse the content of the Directors' Remuneration Report in the Annual Report and financial statements for the submission to the Board as a whole.
  - Ensure that contractual terms on termination and any payments made, are fair to the individual and the Company, to ensure that failure is not rewarded and that the duty to mitigate loss is fully recognised.
  - To give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of Directors of listed and non-listed companies and formation and operation of share schemes in determining recommendations.
  - to undertake on behalf of the Chairman of the Board other related tasks as the Chairman or the Board may from time to time entrust to it.
  - To determine the Directors Remuneration (the total amount of Directors' remuneration paid during the year under review is set out in Note 44 to the Financial Statements.)

### Key Initiatives Implemented in 2019

- The Committee reviewed and recommended for the implementation of the new KPI structure during the year.
- The Committee recommended a Whistle Blowing Policy at the meeting held on 5th December 2019. The purpose is to encourage good Corporate Governance practices within the Company.

### Professional Advice

The Committee has the authority to seek independent professional advice for matters within its purview.

### Way Ahead

The Committee will continue to review the remuneration structure for the Executive Directors and Corporate Management and make recommendations on the above to the Board, in order to ensure that the best employees are attracted, motivated and retained with the Company.

On behalf of the Board Remuneration Committee



**Prof. W M M de Silva**

Chairman – Board Remuneration Committee

27th February 2020

# Report of the Nomination Committee



## Composition of the Committee

The Board Nominations Committee (BNC) for the year ended 31st December 2019 was comprised of the following members whose profiles are given in pages 128 to 130.

**Dr B G S De Silva** (Chairman) –  
(Independent – Non Executive Director)

**Mr W M P J K Wickramasinghe**  
(Member) (Independent/ Non-Executive  
Director)

**Mr R Renganathan** Member (Executive  
Director)

## Expertise and Skills of the Chairman

The Chairman of the Committee is an Independent, Non-Executive Director who is free from business or any other relationship which may interfere with the execution of his independent judgment. Further, the majority of the membership of the Committee are Non-Executive Directors.

## Attendance at Meetings

During the year two (2) BNC Meetings were held and the attendance is as follows;

Name	Attended/ Eligible
Dr. B G S de Silva	2/2
Mr W M P J K Wickramasinghe	2/2
Mr R Renganathan	2/2

*To ensure the optimum balance and power, a Senior Independent Director was appointed following the retirement of the Out-going Chairman and the appointment of the Executive Chairman.*

## Regular Attendance by Invitation

There shall be a quorum of two thirds of the members of the Committee to hold a meeting. The proceedings of the Committee meetings have been regularly circulated to and confirmed by the Board of Directors. The Director/CFO was invited to the meetings in order to support the discussions by providing relevant information as and when required.

## Secretary to the Committee

The Company Secretary serves as the secretary to the Nomination Committee.

## Terms of Reference

The Committee is governed by the “Terms of Reference of the Committee” (TOR) which has been prepared in line with the Rules set out in the Code of Best Practice on Corporate Governance. The TOR was approved by the Board and it sets out the Committee’s Objectives, Membership, Secretary, Advisors, Quorum, Duties, Frequency of Meetings, Notice of Meetings, Minutes of Meetings and Reporting Responsibilities of the Committee etc...

## Purpose of the Committee

The main purpose of the Committee is to assist the Board in recommending the new appointments to the Board in order to maintain a balance of skills and experience on the Board and its sub-committees.

The power and authority of the Committee is subject to the provisions of the Companies Act No.07 of 2007 and other applicable laws, responsibilities as set forth in the

Company’s Articles of Association, Code of Best Practice on Corporate Governance (Issued by the Institute of Chartered Accountants of Sri Lanka) applicable policies, practices and other regulatory obligations.

## Key Objectives of the Committee

The Terms of Reference clearly states the objectives and purpose of establishing the Committee, its composition, authority and conduct and scheduling of meetings. The Board Nomination Committee (BNC) was established by the Board to ensure the Board’s oversight and control over the selection of Directors and the Chief Executive Officer.

## Key Initiatives in 2019

- The annual evaluation of the composition and the expertise of Board members for the year 2019 were conducted by the Nomination Committee. Based on the outcome of the evaluation, training and induction programs were conducted.
- A Workshop on the Principles of Underwriting was conducted on 28 November 2019 and a workshop on Principles of Actuarial Valuation was conducted on 30 January 2020.
- In terms of the Corporate Governance Framework for Insurers; Direction No. 17 issued by IRCSL on 17 December 2018 (and its amendments), an extension of the directorship of Mr. D.H.J. Gunawardena, who reached the age of 70 years in September 2019 was given by the IRCSL by its letter dated 21st October 2019.

- Detailed questionnaires were provided to individual Board Members by the Board Secretary to assess the Board's performance during 2019. The outcome of the exercise was presented at the Nomination Committee meeting held on 13 Feb 2020 and their recommendations were tabled at the Board Meeting held on 27th February 2020 for further actions thereafter.
- With the retirement of the former Chairman of the Company, in terms of Rule A.5.7 of the Code of Best Practice on Corporate Governance -2017 issued by the CA Sri Lanka, Mr Jayantha Wickramasinghe was appointed as the Senior Independent Director of the Company w.e.f. 24 January 2019 by the Board at the meeting held on 24 January 2019, in order to ensure that the Board has the correct balance of power and authority. This requirement arose due to the appointment of Mr R Renganathan as the Executive Chairman who is the immediately preceding CEO of the Company.

### Professional Advice

The Board has granted their approval for the Committee to seek appropriate professional advice both internally and externally to the Company, subject to the relevant provisions of the Terms of Reference of the Committee.



**Dr Gamini De Silva**  
Chairman – Nomination Committee

27th February 2020

# Report of the Audit Committee



## Composition of the Committee

The Board Audit Committee (BAC) as at 31st December 2019 was comprised of the following members whose profiles are given on pages 128 to 130. members are qualified and possess the financial literacy and acumen to perform this role.

**Mr J A Setukavalar** (FCA, FCMA-UK, FCMA-SL, CGMA, FCPM) - Chairman (Independent/ Non- Executive Director)

**Mr D H J Gunawardena** (FCMA-UK, CGMA) - Member (Non- Executive Director)

**Mr W M P J K Wickramasinghe** (MCILT) - Member (Independent/ Non- Executive Director)

## Expertise and Skills of the Chairman

The Chairman is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants (UK).

## Attendance at Meetings

During the year, five (5) BAC meetings were held and the attendance is as follows:

Name	Attended/ Eligible
Mr J A Setukavalar	4/5
Mr D H J Gunawardena	5/5
Mr W M P J K Wickramasinghe	4/5

*Committee assessed the Company's readiness to adapt to IFRS 17 which will be in force with effect from January 2022.*

## Regular Attendance by Invitation

The quorum for the Committee meeting is two-thirds of the members of the Committee.

The Director/CFO, Director/Deputy CFO, Senior Manager- Finance, AGM Internal Audit and Senior Manager IS Audit of the Company attended the meetings on the invitation of the Committee.

The Engagement Partner and the Manager of the Company's External Auditors, Messrs. Ernst & Young attended the meeting on the invitation of the Committee after finalizing the audit for the period ended 31st December 2019.

The Audit Committee's activities were communicated and confirmed by the Board at their quarterly board meetings.

The proceedings and the minutes of the Committee meetings were circulated amongst the Committee members before a minimum seven days prior to the meeting.

## Secretary to the Committee

The Company Secretary functions as the Secretary to the BAC.

## Purpose of the Committee

The principal purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process of the Company, the system of internal control, the audit process and the monitoring process for compliance with laws and regulations of the Company by way of safeguarding the interests of all the stakeholders including shareholders.

## Key Objectives of the Committee

The objectives of the Committee are to assist the Board of Directors to carry out its responsibilities relating to the following areas:

- Preparation and presentation of financial statements and ensuring the adequacy of disclosure in the financial statements, in accordance with the new and revised Sri Lanka Accounting Standards comprising SLFRS and LKAS.
- Ensuring the Company's compliance with the financial reporting requirements, information requirements of the Companies Act, Insurance Regulatory Commission of Sri Lanka, Securities and Exchange Commission of Sri Lanka, the Colombo Stock Exchange and other regulations and requirements.
- Establishing processes to ensure that the Company's internal controls and risk management procedures are adequate to meet the requirements of the Sri Lanka Auditing Standards.
- Assessing the Company's ability to continue as a going-concern in the foreseeable future.
- Monitoring and evaluating the independence, objectivity and effectiveness of the Company's external auditors and facilitating their performance.

## Mandate

The Committee is authorized to seek any information as considered necessary, from the Management of the Company in order to carry out its monitoring and reviewing activities on the following core areas.

- Preparation, presentation and adequacy of disclosure in the financial statements, in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS.
- Company's compliance with financial reporting requirements under the Companies Act, IRCSL, the Inland Revenue Department and other regulatory requirements.
- Processes to ensure that the Company's internal controls and risk management procedures are adequate to meet the requirements of the Sri Lanka Auditing Standards.
- Assessing the Company's ability to continue as a going-concern in the foreseeable future.
- Independence and the performance of the Company's External Auditors.

## Ensuring Regulatory Compliance

The Committee reviewed the effectiveness of the systems for monitoring compliance with laws and regulations and the results of Management's investigation and follow-up including action taken for any instances of non-compliance.

The Committee reviewed the quarterly Regulatory Compliance Reports submitted and observed that the Company's compliance framework provides reasonable assurance that all relevant laws, regulations, code of ethics and standards of conduct have been followed.

Any instances of non-compliance are included in the Audit Committee's reports to the Board of Directors and followed up to ensure that appropriate corrective action is taken.

## Ensuring Reliability of the Financial Reporting Process

The Committee reviewed and discussed quarterly financial statements and annual financial statements prior to submission for Board approval and filing with regulators in order to ensure compliance with Sri Lanka Accounting Standards, the Companies Act No.7 of 2007 and the Insurance Act No.43 of 2000 (as amended). The Committee reviewed and discussed the audit issues communicated by the external auditors, through their Management Letter.

It also reviewed the financial reporting process in order to ensure the reliability of the information provided the determination of the most appropriate accounting policies and the fairness of the disclosures made in the financial statements. Involvement of the internal and external auditors with regard to the financial reporting process was also reviewed.

## External Audit

The Committee reviewed the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Company, including non-audit services, and discussed the relationships with the auditors. Further, the Committee reviewed the nature of non-audit services provided by the external auditors in order to ensure that their independence is not impaired. Accordingly, no non-audit services were obtained from Messrs. Ernst & Young to the Company during the year under review.

The Committee had a meeting with the External Auditors to review the external auditors' proposed audit scope and time line set out in the plan including the approach and coordination of the audit effort with internal audit in order to assess the effectiveness of the entire audit process prior to commencement of the annual audit.

The Committee also discussed the key audit issues and their resolution, Management responses with both the

External Auditors and the Management, and continuously monitored the action taken by the Management to implement the recommendations. Further, the Committee reviewed the disclosure of significant issues having an impact on the Financial Statements and reported that they did not come across any significant issue that should be considered and addressed in relation to the Financial Statements for the year ended 31 December 2019.

## Key Initiatives taken in 2019

- The Committee with the assistance of the internal and external auditors reviewed on a regular basis the level of compliance with all the mandatory statutory requirements and monitored the internal procedures in place to ensure compliance.
- Recommended to carry out a review on SAP data migration.
- Recommended the re-appointment of the External Auditors Messrs. Ernst & Young Chartered Accountants for the ensuing year. The Committee recommended their re-appointment to the Board as the External Auditors of the Company for the financial year ended 31st December 2019 subject to the approval of the shareholder at the AGM held on 29th March 2019..
- Audited Accounts were recommended for the approval of the shareholder at the meeting on 28th February 2019.
- The Management Letter for 2018 was reviewed and discussed. The Committee monitored the implementation of the corrective action that was recommended by the Auditors.
- The Committee reviewed IT controls and systems with regard to the financial reporting of the Company.

## Report of the Audit Committee

- IFRS 17 Accounting Standard will come into effect on 1st January 2022. The Committee recommended to commence a gap analysis on the implementation of IFRS 17 and to purchase new actuarial software for actuarial work. Further, the Committee recommended that an external consultant be selected to carry out the gap analysis. (refer detailed note in financial capital on page 7).
- The Committee reviewed the implementation of the new accounting standard SLRFS 16 on leases.
- The Committee reviewed the proposed Whistle Blowing policy of the Company.

### Professional Advice

The Committee has the authority to seek independent professional advice for matters within its purview.

### Conclusion

The Committee along with the Management reviewed the system of internal controls and to ensure that it is effectively implemented and designed to assess and manage risks, to ensure that the Company's assets are adequately safeguarded.

The Committee is satisfied that the Company's Internal and External Auditors have been effective and independent throughout the period under review.

The Committee is also satisfied that the operational controls and the application of appropriate accounting policies provide reasonable assurance that the financial statements of the Company are true and fair.



**Mr J A Setukavalar**  
Chairman – Board Audit Committee

27th February 2020

# Report of the Related Party Transactions Review Committee



*Quarterly declarations from Key Management Persons (KMPs) were obtained in compliance with the Code of Best Practice 2017.*

### Composition of the Committee

The Board Related Party Transactions Review Committee (RPTRC) as at 31st December 2019 was comprised of the following members whose profiles are given in pages 128 to 130.

**Mr. J A Sethukavalar** (Chairman) since 21/02/2019

**Mr. W M P J K Wickramasinghe** (Member) since 21/02/2019

**Mr. D H J Gunawardena** (Member)

**Mr. R S W Senanayake** - (Independent Non-Executive Director) resigned w.e.f 21/02/2019

**Mr. P A Jayawardena** (Independent Non-Executive Director) resigned w.e.f 21/02/2019

### Attendance at Meetings

During the year four (4) BRPTRC meetings were held and the attendance is as follows:

Name	Attended/ Eligible
Mr. J A Sethukavalar	2/3
Mr. D H J Gunawardena	4/4
Mr. W M P J K Wickramasinghe	3/3
Mr. R S W Senanayake	1/1
Mr P A Jayawardena	1/1

The Committee held four (4) meetings during the year under review. The proceedings of the Committee meetings which mainly included activities under its Terms of Reference were regularly reported to the Board of Directors.

### Regular attendance by Invitation

The Director/CFO and Senior Manager-Finance were invited to the meetings as and when required in order to support the discussion by providing the relevant information.

The quorum for the Committee meeting is two-thirds of the members of the Committee.

### Secretary to the Committee

The Company Secretary acts as the Secretary to the Committee

### Purpose of the Committee

The Committee is constituted by the Board of Directors for the purpose of ensuring transparency and fairness for all stakeholders. The purpose is to review Related Party Transactions (RPTs) for the purpose of determining whether the proposed transactions are in compliance with various applicable laws and standards, the governance code and the listing rules, prescribed for related party transactions. The main objective of the Committee is to review the proposed related party transactions on behalf of the Board (excluding the transactions which are exempted from the code) in advance, with a view to safeguarding the interests of the shareholders by preventing Directors, Senior Management and/or substantial

shareholders taking advantage of their positions to execute transactions which are not in the best interest of the shareholders. The Committee also ensures that all related party transactions are in strict conformity with statutory and regulatory requirements which Ceylinco Life Insurance Ltd. is obliged to abide by.

### Key Objectives of the Committee

This Committee was formed voluntarily by the Board to assist the Board in reviewing all related party transactions carried out by the Company by early adoption of the Code of Best Practice on Related Party Transactions (RPT) as issued by SEC of Sri Lanka which became mandatory from January 01, 2016, for listed entities.

### Activities in 2019

- In order to voluntarily comply with the Rule B.1.2 of the Code of Best Practice on Corporate Governance 2017, the Board of Directors reconstituted the BRPTRC Committee with effect from 21 February 2019 with the recommendation of the Nomination Committee.
- At the BRPTRC Committee Meeting held on 24 April 2019 the existing mandate was reviewed and changes were recommended in order to comply with the new Code of Best Practice on Corporate Governance 2017 and the latest regulatory requirements of the Company. The approval of the Board was granted on 9th May 2019 for the revisions.

## Report of the Related Party Transactions Review Committee

- In order to comply with the revised mandate and the revised Code of Best Practice 2017, the RPTR Committee decided to obtain quarterly declarations from Key Management Persons (KMPs). The Board decided to place the declarations as an agenda item at Board meetings.

### Professional Advice

The Committee has the authority to seek independent professional advice for matters within its purview.


### Conclusion

The Committee is of the view that there were no non recurrent or recurrent related party transactions falling within the ambit of the Code of Best Practice on related party transactions issued by the Securities & Exchange Commission of Sri Lanka and the Mandate of the RPTRC that required prior approval of shareholders.

### Way Ahead

The Committee will be reviewing the related party transactions regularly in order to ensure that the Company is in compliance with the related party transactions framework of the Company.

On behalf of the Board Related Party Transactions Review Committee



**Mr J A Sethukavalar**

Chairman – Board Related Party Transactions Committee

27th February 2020



# Operational Investment Committee Report

The Long-Term Insurance Fund of Ceylinco Life Insurance Limited (Ceylinco Life) is overseen by the Board Investment Committee, (Committee) to ensure it provides a secure and steady return for its policyholders.

As an adaptation of the “Guidelines on Investment for Insurance Companies” issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL), the Board Investment Committee was established by the Board of Directors of Ceylinco Life to ensure compliance with the said code and good governance. The Committee is acting in a fiduciary capacity with respect to the Fund and is accountable to the Board of Directors. The Committee formulates investment strategies and oversees the performance of investments on a quarterly basis.

In order to make timely decisions on executing strategies formulated, the Committee has delegated its authority by appointing an Operational Investment Committee, who meets on a weekly basis. To ensure a return that is secure, smooth and steady, investments are made prudently, according to diverse investment objectives and varied risk preferences.

By crafting investment strategies that add value, continually monitoring the execution of the set strategies to ensure conformity, and making timely calls deemed necessary to ensure probity, the Committee ensures that the funds are well positioned, ideally invested and coherently managed to meet the objectives of various stakeholders such as policyholders, shareholders and regulators.

## Outlook for 2020

### Global Economic Outlook

The global economy was expected to recover in 2020 from a year of tepid growth in 2019. In its world economic outlook, the International Monetary Fund (IMF) forecasted a growth rate of 3.3% for 2020, up from an estimated 2.9% in 2019. This recovery was meant to be driven by a tapering down of trade tensions between the US and China, a recovery in manufacturing, diminished fears

of a no-deal Brexit, leading to some retreat from the risk-off environment that had set in at the time. Monetary loosening in 2019 was also expected to support growth in 2020, keeping the global economy afloat.

While these factors still remain relevant in the scenario of how 2020 will shape out, a far more immediate factor to watch out for will be the impact of Covid-19 on the global economy. The outbreak of this virus has already dented consumption and investment in China, disrupting supply lines, and the recent slew of outbreaks in other nations have also led global markets to fall sharply.

Though IMF is yet to officially downgrade its global growth forecast, it has unofficially noted that at least 0.1% of growth could be lost this year. While most global analysts have a best-case scenario of Covid-19 being contained within the first half of 2020, the worst case scenario is that of a global pandemic. If such a scenario comes into play, the outlook for the global economy will be gloomy.

In such a negative scenario, the likelihood of a global recession increases substantially. Given that the global recovery was expected in 2020, an outright recession might not be far-fetched in the face of a global pandemic situation that severely impacts trade, consumption, and even investment. In such a scenario, global monetary policy would likely be more dovish, with rate cuts supporting lower or even negative interest rates globally, while riskier assets such as equities take more of an adverse hit.

Oil prices could face some downward pressure this year, especially if Covid-19 continues to dent sentiments surrounding global energy demand. However, lower demand for global energy could lead OPEC+ (which is the name given to the group of 24 oil-producing nations; 14 members of the OPEC, and 10 other non-OPEC members including Russia) to continue their supply cuts, leading to a more controlled level in crude oil prices.

Another major factor to watch out for in 2020 will be the US presidential race. While incumbent President Donald Trump is all but assured to be the contender from the Republican Party, the status of the Democratic challenger is far more uncertain. A possible race between Bernie Sanders and Trump could possibly prove to cause a sense of pessimism in US markets. Fears over the establishment of a wealth tax in the US could make investors wary of treating US markets as a safe haven for their assets.

In summary, the global economy is currently looking gloomier than it did at the beginning of the year. Much will depend on how Covid-19 is contained and controlled. If it continues to spread without being contained, the outlook for the global economy would look quite dim. On the other hand, if the virus is contained, the global economy is likely to return to normal, albeit with a slight hit on growth. Therefore, it will be prudent to monitor how the virus outbreak progresses, and be prepared for a possibility of a significant economic downturn.

### Sri Lanka's Economic Outlook

While local political developments continue to have a major bearing on the economic outlook and consumer sentiments in Sri Lanka, global developments, which might be easily overlooked, could have an impact on the economy in the coming years. This is especially true in the wake of the Covid-19 outbreak.

Economic growth is expected to be boosted by consumer spending amidst the fiscal stimuli provided by the government. The combination of the tax cuts, salary hikes and other measures such as the SME credit support scheme is expected to uplift consumer sentiment and demand in 2020. Consumption driven demand, along with improved business performance is likely to prop up economic growth and improve GDP growth to 4%-4.5% in 2020. Inflation is expected to be recorded within the 5%-6% range in 2020.

## Operational Investment Committee Report

However, the government budget deficit is likely to be in the range of 6.8% - 7.2% in 2020. Given that the 2019 budget deficit is likely to be at 7%, we could assume that the government will bring in new revenue raising measures in the latter half of the year, once the general elections are concluded.

The fiscal stimuli are likely to impact Balance of Payments, with the main impact being through the increase in imports. Imports are expected to grow by 12% YoY, driven by the growth in non-food durables and investment goods (such as transport equipment and building materials). However, as mentioned earlier, Covid-19 remains a risk factor to this outlook due to the impact it has on global value-chains and on global oil prices. In such a scenario, Imports may remain stagnant or even reduce (in an extreme case) relative to 2019 levels. Exports of Goods is likely to be stagnant in 2020 given the subdued growth forecasts for Sri Lanka's major export destinations. However, this reduction could be worse if the impact of Covid-19 drives global economies into recession.

Despite a revival in tourism earnings in 2020 from 2019 levels, given the aforementioned expansion of the trade deficit and the expectation of a continued drop in remittances, the current account deficit is likely to widen.

The funding of the current account deficit and foreign debt re-payments to the tune of US\$ 6 Bn in 2020, is likely to be mainly through issuing Sri Lankan Development Bonds (SLDBs), long term loans to the government and International Sovereign Bonds (ISB) and FDIs. While SLDBs and long-term loans to the government are expected to be at levels similar to 2019, global financial market conditions would not be conducive for ISB's in 2020. FDIs are also expected to have a slow recovery from the dip in 2019 with the numbers returning to 2018 levels by only 2021. Due to this, the overall BOP is likely to be in deficit in 2020, exerting pressure on the Rupee and interest rates.

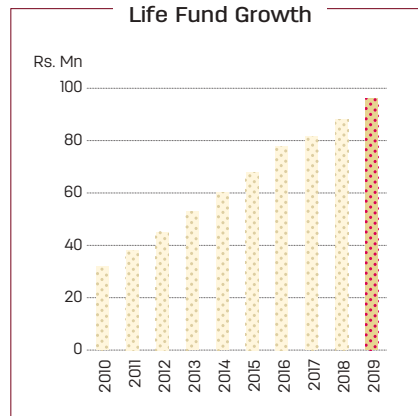
However, if the longer-term impacts of the Covid-19 play out, this could mean a better outlook for the Sri Lankan Rupee

and Interest Rates. Lower oil prices and diversion of tourists from East Asia as well as lower trade deficit could ease pressure on the BOP. If global rates fall in the wake of an economic slowdown, it could provide a favorable outcome for Sri Lanka to raise capital.

### Ceylinco Life Insurance Limited - Investment Performance 2019

#### Long Term Insurance Fund Closing in on 100 Billion mark

The Long-term Insurance Fund of Ceylinco Life, which is considered as a safe haven for investors, has surged over the 96 Billion mark, which depicts the superior performance and stability of its investments, and the continuous trust and loyalty placed by the policy-holders.



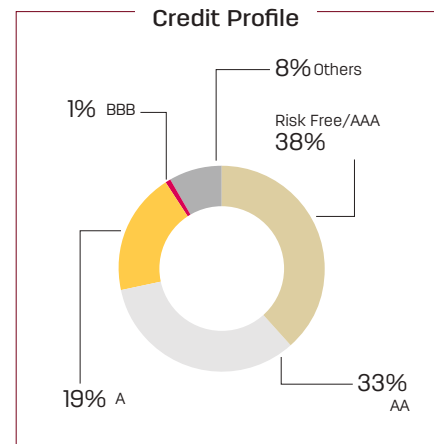
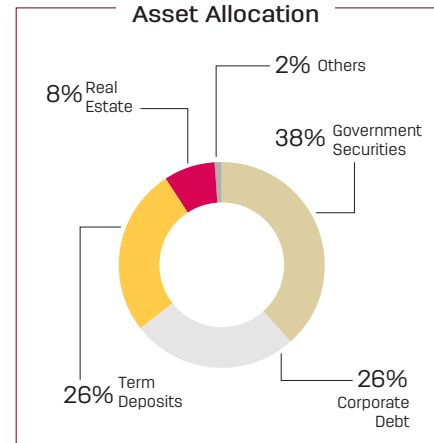
#### Quality of Investments Why we strive

The Investment Division of Ceylinco Life, with the recommendations and guidance of the Operational Investment Committee along with the oversight and supervision of Board Investment Committee, manages the Long-term Insurance Fund, which is regarded as one of the largest and thriving portfolios in Sri Lanka.

Risk and Return, although carrying an inherent trade-off, are two aspects which hold paramount importance in formulating an investment strategy. Ceylinco Life takes utmost accountability in providing the best investment solutions to maintain an optimum and cautious balance between the two.

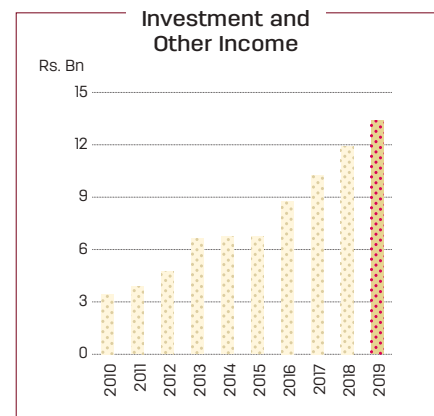
In order to emphasize the prudence and diligence of investments, the charts given

below elaborates the asset allocation of investments and the credit rating profile of the Company as at 31st December 2019.



#### Investment Income Making History

Amidst challenging and volatile market conditions, following a stringent, prudent and a conservative investment strategy, Investment Income grew over 17.5% in the year 2019 to reach an all-time high of Rs. 13.3 Billion.



### Operational Investment Committee

The following members served in the Operational Investment Committee during the year,

1 Mr. R Renganathan (Chairman)	Chairman
2 Mr. E T L Ranasinghe (Managing Director/CEO)	Member
3 Mr. P A Jayawardena (Director/CFO)	Member
4 Mr. S R Abeynayake (Director/Deputy CFO)	Member
5 Mr. R S W Senanayake (Non-Executive Director)	Member
6 Mr. S Kumarapperuma (CRO)	Member
7 Mr. D M G L Alwis (AGM - Portfolio)	Member
8 Mr. C S Kumarasinghe (Senior Assistant Manager)	Member
9 Mr. K V Wickramasuriya (Assistant Manager)	Member
10 Mr. A C Ahangama (Assistant Manager)	Member

The Committee members contribute immensely and add value to the investment decision making process through their vast knowledge and diverse experience. In addition, the Committee obtains external professional advice on matters within its purview.

### Meeting and Attendance

The Board Investment Committee meets quarterly to review the investment performance and set medium term investment strategies.

The Operational Investment Committee meets weekly, recognizing the prominence of the investment decision making function, to pro-actively monitor the implementation of investment strategies, and to timely face the challenges posed from ever-changing global and domestic macro-economic landscapes.

In addition to the members, Management representatives from the areas such as Actuarial, Finance, Life Operations, Marketing and Systems attend the meetings on the invitation of the Committee.

### Investment Outlook for 2020

The Committee notes the recent challenges posed by global developments and their impact on financial markets, which - in the opinion of the Committee - might resonate for multiple years. In the recent past, the financial markets have faced multiple "black swans", which illustrates the new normal, i.e. increasingly high probability of occurrence of low probability events.

The prudent and diligent investment strategy followed by the Committee over the years has immensely rewarded the Company at such uncertain and challenging times, proving the probity and financial stability of Ceylinco Life, while reaping benefits of lower volatility of investment returns, and building confidence among investors and policy-holders.

However, the Committee recognizes that investment strategies adopted should evolve in response to such emerging challenges and ever changing market conditions and would continue to monitor, closely, the developments in the economy, financial markets and subsequent monetary and fiscal responses by regulators and the government and act appropriately.

On behalf of the Operational Investment Committee,



**Mr. R Renganathan**  
Chairman

Operational Investment Committee

27th February 2020

# Report of the Investment Committee



## Composition of the Committee

The Board Investment Committee (BIC) of the Company was comprised of the following members whose profiles are given in pages 128 to 130.

**Mr R Renganathan** (Chairman) – Executive Chairman

**Mr E T L Ranasinghe** (Member) – Executive Director

**Mr P A Jayawardena** (Member) – Executive Director

**Mr S R Abeynayake** (Member) – Executive Director

**Mr R S W Senanayake** (Member) – Non-Executive Director

## Attendance at Meetings

During the year the BIC held four (4) meetings and the attendance is as follows:

Name	Attended/ Eligible
Mr R Renganathan	3/4
Mr E T L Ranasinghe	4/4
Mr P A Jayawardena	4/4
Mr S R Abeynayake	4/4
Mr R S W Senanayake	4/4

## Expertise and Skills of the Chairman

The Chairman of the Committee is an Executive Director who is a Chartered Accountant and the majority of the members have exposure in the finance and investments area.

*The Committee ensures that all investments are made prudently in order to manage the investment portfolio efficiently and effectively.*

## Regular Attendance by Invitation

The DGM-Actuarial & AGM-Portfolio of the Company attended the said meetings regularly on the invitation of the Committee in order to assist in discussions by providing relevant information.

## Secretary to the Committee

The Company Secretary serves as the Secretary to the Committee

## Purpose of the Committee

The purpose of the Board Investment Committee is to ensure that funds under management are invested in a sound and prudent manner. The Committee is accountable for setting out the policies that need to be observed in the governance of investment management, management of investment portfolios and associated risks.

## Key Objectives of the Committee

The Committee is responsible for the investment-related decisions of the Company. Hence, the Committee will oversee investment activities by providing assistance and guidance, evaluate strategic relevance and financial viability of various investment proposals, monitoring of Company's various investment activities, in accordance with the investment policies of the Company.

The Committee shall have the following goals and objectives with respect to the Company's investment strategy, management, policies, guidelines and operations.

- Exercise due care to ensure that the interests and rights of policy-holders are never compromised.
- Ensure full compliance with laws, rules, regulations, determinations and guidelines issued by the Insurance Regulatory Commission of Sri Lanka and any other relevant regulatory authority.
- Institute effective and efficient governance of investment activities of the Company.
- Ensure that the Company develops investment strategies and implements policies and procedures to execute the strategies at the operational level.
- Ensure that the Company develops an appropriate risk management framework for identifying, monitoring and mitigating various risks arising from investment activities and that the Company controls the investment portfolio effectively and efficiently.
- Ensure that the Company establishes internal control mechanisms specifically with respect to investment activities.

## Key Initiatives Implemented in 2019

The Committee held four (04) meetings during the year under review. The proceedings of the Committee meetings were regularly reported to the Board of Directors with the detailed list of the investments made during the period.

An Annual review of the Investment Policy Statement was done by the Committee at the meeting held on 25 July 2019.

### **Professional Advice**

The Committee has the authority to seek independent professional advice for matters within its purview.

### **Way Ahead**

The Committee will be focusing on maximizing the yields on the investments through effective management of assets and liabilities whilst meeting the risk and other applicable parameters for investments during the year.

On behalf of the Board Investment Committee



**Mr R Renganathan**  
Chairman Board Investment Committee

27th February 2020

# Report of the Board Risk Committee



## Composition of the Committee

The Board Risk Committee (BRC) as at 31st December 2019 was comprised of the following members whose profiles are given in pages 128 to 130.

**Ms A K Seneviratne** - Chairperson  
(Independent Non-Executive Director)

**Mr W M P J K Wickramasinghe** - Member  
(Independent Non-Executive Director)

**Mr R S W Senanayake** - Member  
(Independent Non-Executive Director)

## Attendance at Meetings

During the year Four (4) BRC meetings were held and the attendance is as follows:

Name	Attended/ Eligible
Ms A K Seneviratne	4/4
Mr W.M.P.J.K. Wickramasinghe	4/4
Mr R S W Senanayake	4/4

*The Risk Management Framework was revised in response to the emerging risks in the external environment. An Anti-corruption and Bribery Policy was approved during the year to ensure good governance and ethical standards.*

## Risk Committee Charter

The Committee is governed by the "Risk Committee Charter" approved by the Board of Directors which sets out the Committee's Objectives, Membership, Secretary, Advisors, Quorum, Duties, frequency of meetings, etc.

## Expertise & skills of the Chairperson

The Chairperson of the Committee is an Independent Non-Executive Director who is free from any business or any other relationship which may interfere with the execution of her independent judgment. Further, all the members of the Committee are Non-Executive Directors and the Chairperson possess expertise in the field of actuarial science and risk management.

## Regular Attendance by Invitation

The Chief Risk Officer attended regularly and Corporate Management representatives of the Executive Risk Management Committee were invited to the meetings as and when required in order to support the discussion by providing the relevant information.

## Secretary to the Committee

The Company Secretary acts as the Secretary to BRC.

## Purpose of the Committee

The BRC assists the Board of Directors in fulfilling its responsibilities for overseeing the risk management framework and activities of the Company, including the review of major risk exposures and the steps taken to monitor and control those exposures pertaining to the myriad of risks faced by the Company in its business operations. The duties of the BRC include determining the adequacy and effectiveness of such

measures and to ensure that the actual overall risk appetite framework of the Company conforms to the desired risk profile of the Company as defined by the Board.

## Key Objectives of the Committee

The BRC whose primary objective and function is to oversee and approve the company-wide risk management practices assists the Board in:

- Setting the tone and developing a culture of the Company in relation to risk.
- Ensuring that the executive team has identified and assessed all the risks that the Company faces and has established a risk management framework capable of addressing identified risks.
- Managing, in conjunction with other board-level Committees all principal risks facing the Company such as business, financial, market, IT, under writing, operational, insurance and demographic, asset liability, regulatory, reputational, and other risks.
- Monitoring risk management capabilities within the Company, including communication about escalating risks crisis preparedness and recovery plans.
- Ensuring the division of risk-related responsibilities to each board Committee as clearly as possible and performing a gap analysis to determine that the oversight of any risks is not missed.

The Board Risk Committee, in conjunction with the full Board, is responsible for approving:

- The Company's statement of risk appetite and tolerance.
- The enterprise wide risk management framework and the risk management policies adopted by the Company.

### Key Initiatives in 2019

- Reviewed the Risk Management Framework/Risk Appetite Statement (RAS) and recommended amendments. As per the recommendations made by the Risk Committee on 25 April 2019 the existing Risk Appetite Statement (RAS) was revised with the approval of the Board on 20 June 2019. The objective of the review was to proactively consider changes in external and internal factors that influence the organization's principle risks and propose appropriate amendments to the risk appetite framework to keep it current, and relevant to the organization's strategic objectives.
- Recommended to revise the policy on Prevention of Money Laundering and Terrorist Financing. As per the recommendation made by the Risk Committee, the Policy on Prevention of Money Laundering and Terrorist Financing was revised by the Board on 29 August 2019 in order to ensure that the policy is in line with the "Insurers Customer Due Diligence Rules, No. 01 of 2019" issued by the FIU on 13 May 2019.
- Reviewed the Risk Mandate.
- An independent consultant was appointed by the Company as the official partner responsible for informing and advising the Board about matters relating to cyber security.
- Upon the recommendation of the Committee, data classification and data leakage prevention projects were implemented in accordance with the Data Protection Policy
- Recommended an Anti-Corruption

and Bribery Policy for approval on 29 August 2019 in order to enhance the ethical practices within the Company. The policy was approved by the Board on 28 November 2019. The Company adopted a data protection policy and is now in line with the international best practices on data security and privacy in order to provide a better service.

- The Board approved the appointment of a new Chief Risk Officer (CRO), who is solely dedicated to this role, with effect from 1 October 2019. The CRO will head the Executive Risk Committee and will be responsible and accountable for implementing and managing the Risk Management Framework within the organization..

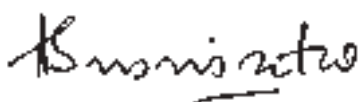
### Professional Advice

The Committee has the authority to seek independent professional advice for matters within its purview.

### Way Forward

The Committee will continue to regularly review the principal risks, their identification processes and mitigating strategies to ensure that the Company is in compliance with its Risk Appetite Framework.

On behalf of the Board Risk Committee



**Ms A K Seneviratne**  
Chairman – Board Risk Committee

27th February 2020

# Statement of Directors' Responsibility to Financial Reporting

The Directors are responsible under the Companies Act No. 07 of 2007, to ensure compliance of the requirements set out therein to prepare Financial Statements for each financial year, giving a true and fair view of the state of affairs of the Company as at the Balance Sheet date and the profit of the Company for the financial period. Further, the Board of Directors ensures the compliance of all regulatory requirements imposed by the said Act and other applicable statutory and regulatory provisions.

The Board of Directors accepts the responsibility for the integrity and objectivity of the Financial Statements prepared and presented. The Directors confirm that in preparing the Financial Statements, appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any have been disclosed and explained.

Reasonable and prudent judgments and estimates have been used so that the form and substance of transactions are appropriately reflected.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company and for ensuring that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards and provide the information required by the Companies Act No. 7 of 2007.

Further, the Directors confirm that the Financial Statements have been prepared on a going-concern basis and are of the view that sufficient funds and other resources are available within the Company to continue its operations and to facilitate planned future expansions and capital commitments.

They are also responsible for taking reasonable measures to safeguard the assets of the Company and in that context, to have a proper regard to the establishment of appropriate systems of internal control, with a view to preventing and detecting fraud and other irregularities. Accordingly, the Directors have taken steps to establish appropriate systems of internal controls comprising of internal audit checks, risk assessment tests and financial and other controls to mitigate, prevent and detect fraud and other irregularities.

The Directors provided the Statement of Solvency to the Auditors, in respect of the interim dividend paid on 23rd December 2019, conforming to Section 57 of the Companies Act No. 07 of 2007.

The Board of Directors also wishes to confirm that, as required by the Sections 166 (1) and 167 (1) of the Companies Act; they have prepared this Annual Report in time and ensured that a copy thereof is sent to Ceylinco Insurance PLC, the sole shareholder of the Company.

The Directors are required to prepare the Financial Statements and to provide its External Auditors Messrs. Ernst & Young, with every opportunity to take whatever steps necessary and to undertake whatever inspections that may be considered being appropriate to enable them to give their audit opinion. The said Messrs. Ernst & Young were re-appointed by the shareholder at their meeting held on 29th March 2019 under section 144 (3) in terms of the Companies Act No. 07 of 2007.

The Directors confirm that to the best of their knowledge and belief that all statutory payments in relation to regulatory and statutory authorities that were due, in respect of the Company as at the Balance Sheet date have been duly paid or where relevant, provided for.

The Directors are of the view that they have duly discharged their responsibilities as set out in this statement.

By Order of the Board,



**K I Weththasinghe**  
Company Secretary

Ceylinco Life Insurance Limited

27th February 2020  
Colombo



# Chief Financial Officer's Statement

The Financial Statements are prepared in compliance with the Sri Lanka Accounting Standards (SLFRS/LKAS) issued by The Institute of Chartered Accountants of Sri Lanka, the Companies Act No. 07 of 2007 and the Regulation of Insurance Industry Act No.43 of 2000 (as amended), Sri Lanka Accounting & Auditing Standards Act No.15 of 1995, Code of Best Practice on Corporate Governance issued by CA Sri Lanka.

The Accounting Policies used in preparation of the Consolidated Financial Statements are appropriate and consistently applied, except unless otherwise stated in the Notes accompanying the Financial Statements. There are no deviations from the prescribed Accounting Standards in their adoption.

Comparative information has been re-classified wherever necessary to comply with the current presentation. Significant accounting policies and estimates that involved a high degree of judgment and complexity were discussed with the Audit Committee.

The Board of Directors of the Company is responsible for preparation and presentation of these Financial Statements which give a true and fair view of the financial performance and the position of the Company. The estimates and judgments relating to the financial statements were made on a prudent and reasonable basis.

To ensure this, the Company has taken proper and adequate care in installing a system of internal control and accounting records, which are reviewed, evaluated and updated on an-ongoing basis.

All accounting controls are continuously updated to ensure prudence and completeness, prevention and detection of fraud and other irregularities. This ensures accounting records are free from error and omission. The internal control system in place functions properly and it is regularly evaluated. All procedure manuals are updated whenever necessary and are accessible to all the staff.

The Internal Auditors of the Company have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company have been consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The Financial Statements of the Company for the financial year end of 31st December 2019 were audited by Messrs. Ernst & Young and the Financial Statements of the Subsidiary Companies were audited by the appointed auditors.

The Audit Committee of the Company meets on a quarterly basis. Internal Auditors and the External Auditors join the meeting on invitation when necessary to review the manner in which these Auditors execute their audit procedures and to discuss major variations or observations, internal control and financial reporting issues. To ensure complete independence, the Independent External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matters of substance.



**P A Jayawardena**  
Director/ Chief Financial Officer

27th February 2020  
Colombo

# The Board's Statement on Internal Control

## Requirement

As per the requirement of Section D 1.5 of the Code of Best Practice on Corporate Governance – 2017, issued by The Institute of Chartered Accountants of Sri Lanka, the Board of Directors presents this Report on internal control mechanisms of Ceylinco Life Insurance Limited (the Company).

## Responsibility

The Board of Directors is responsible for the Company's system of internal controls and reviewing its design and effectiveness in order to safeguard shareholders' investment and the Company's assets.

This system is designed to manage the Company's key areas of risk within an acceptable risk profile, rather than eliminating the risk of failure to achieve the business objectives and policies of the Company. Accordingly, a reasonable but not absolute assurance can be provided, against material misstatement of Management and financial information and against financial losses and fraud.

The Company has established key processes that aid in ensuring the integrity and efficacy of the system of internal controls that has been adopted with respect to financial reporting. These processes are overseen by Committees which assist the Board in matters relating to the Company's operations, and ensure that approved corporate objectives, strategies and policies are adhered to.

## Internal Control Processes

### • Risk Management Committee

The Board Risk Committee is responsible for assisting the Board in all matters relating to the overall management of principal areas of risk to the Company. The Board Risk Committee implements the Risk Management Framework via Executive Risk Committees. Quarterly meetings are held during which key risk areas are discussed and required action initiated. All areas that come under discussion are escalated to Board level. A detailed account of the activities carried out by the Board and Executive Risk Committees is available in the

Risk Management section from pages 188 to 189 and 161 to 165 of this report.

### • Internal Audit Departments

The Internal Audit Department and Information System Audit Department are responsible for reviewing the design and effectiveness of the internal control systems, management information systems, as well as the systems for compliance with applicable laws, regulations, rules and directives.

Audits are carried out on all the branches and departments. The frequency of these audits is determined using a risk-based methodology which factors in the input of Senior Management. An independent and objective report is mandatory.

Some reviews are outsourced to external parties with specialist knowledge in the relevant area. These external audits are carried out depending on the nature and complexity of the area requiring review.

The annual audit plan is drawn up by the Internal Audit Department and Information System Audit Department and is reviewed and approved by the Audit Committee.

### • Audit Committee

The Audit Committee conducts quarterly reviews to address significant findings with respect to non-compliances or ineffectiveness of internal controls that are identified by the Internal Audit Department and Information Systems Audit Department.

The Audit committee is also responsible for taking action to deal with significant issues and control weaknesses highlighted by External Auditors.

The Audit Committee reviews the quality assurance and improvement in programmes of the Internal Audit and IS Audit Departments and the performance of External Auditors, in order to evaluate the adequacy and effectiveness of the Company's risk management and internal control system.

The minutes of the Audit Committee meetings and recommendations regarding the requirements for improvements, are tabled for the information of the Board on a periodic basis. Further details of the activities undertaken by the Audit Committee of the Company are available in the Audit Committee Report on pages 178 to 180.

## Confirmation

Backed by the Internal Audit Departments' continued review and verification of the suitability and effectiveness of pre-existing procedures and controls, the Board of Directors confirms that the financial reporting system of the Company has been designed to provide a reasonable assurance regarding the reliability of financial reporting; and that the preparation of Financial Statements for various stakeholders has been done in accordance with Sri Lanka Accounting Standards, and comply with regulatory requirements including the Companies Act No. 07 of 2007 and the Insurance Industry Act No. 43 of 2000.

By order of the Board,



**J A Setukavalar**  
Chairman – Audit Committee



**P A Jayawardena**  
Director/Chief Financial Officer



**R Renganathan**  
Chairman

27th February 2020  
Colombo

# Derisking The Future

Building relationship for life as you move through your journey, we are committed to protecting what matters most to you - your family and wealth.



### Financial Calendar

	2020 /	2019 /
Annual Report	<b>27 February</b>	28 March
Annual General Meeting	<b>27 March</b>	28 March
Interim Dividend Paid	<b>In the Second half of 2020</b>	23 December

# Understanding our Financials

The statement of income of a life insurance company contains the income and expenses pertaining to the underwriting of life insurance. Thus, the statement of income of a life insurer contains income and expense items that do not appear in a statement of income of a manufacturing and trading business. Similarly, the statement of financial position of a life insurer also contains some industry-specific assets and liabilities.

This brief note is aimed at helping the reader to understand our financials and is to be read along with the explanatory notes to the financial statements and the glossary

## Statement of Comprehensive Income

For the Year Ended 31 December 2019	Comment	Rs.'000	Rs.'000
<b>Gross Written Premiums</b>	The main source of income of a life insurer is the premium paid by customers for the risks transferred to the life insurer through the insurance contract. GWP is comparable to the 'turnover' of a manufacturing and trading company.	18,718,553	
Premiums Ceded to Reinsurers	Reinsurance is the process by which part of the risks undertaken by the life insurer is transferred to a reinsurer, for which reinsurance premium paid by the insurer to the reinsurer.	(550,122)	
<b>Net Written Premiums</b>	Net earned premium is the premium earned by the insurer for the financial year.		18,168,431
Fees and Commission Income	Fees and commission income includes the charges and policy fees paid by customers.	177,935	
Investment Income	Investment income contains the interest income, dividend income and rental income on investments made out of the Life Fund, after deducting the related investment expenses.	12,683,134	
Realised Gains	Realised gains and losses include gains and losses arising on sale of financial assets.	237,602	
Fair Value Gains and Losses	Fair value gains and losses are gains and losses that arise from changes in fair values of assets.	276,130	
Other operating revenue	Other income comprises fees charged for policy administration services, disposal gains on property, plant and equipment, gains on foreign currency translations, and miscellaneous income.	17,753	
<b>Other Revenue</b>			13,392,554
<b>Net Income</b>			31,560,986
Gross Benefits and Claims Paid	Gross benefits and claims paid refer to the total amount of claims and claim-related expenses incurred during the year.	(10,769,988)	
Claims Ceded to Reinsurers	Claims ceded to reinsurers contain the proportion of claims paid, which was recovered from reinsurers.	165,923	
Gross Change in Contract Liabilities	Gross change in contract liabilities is the net transfer to the Life Fund during the period.	(7,189,811)	
<b>Net Benefits and Claims</b>			(17,793,877)
Acquisition Cost	Acquisition cost refers to the commission expenses incurred for the financial year. Life insurance business is predominantly transacted through independent contractual agents who are paid commission based on premium they collected.	(1,962,792)	
Other Operating and Administrative Expenses	Other operating and administrative expenses include administration, staff, sales and marketing expenses related to the company	(3,550,209)	
Finance Cost	Finance cost includes charges on the financial services provided by financial institutions, particularly bank charges.	(42,170)	
<b>Total Other Expenses</b>			(5,555,171)
<b>Profit Before Tax</b>			8,211,938
Income Tax Expense	Income tax expense comprises the current and deferred tax. Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous year.		(1,540,269)
<b>Profit for the Year</b>			6,671,669

## Statement of Financial Position

As at 31 December 2019	Comment	Rs.'000
<b>Assets</b>		
Intangible Assets		349,627
Property, Plant and Equipment		9,171,436
Right-of-use Asset		229,878
Investment Properties		2,471,000
Investment in Subsidiaries		1,086,000
Investment in Associates		807,672
Financial Instruments	Financial instruments represent the financial investments made out of the Life Fund by a life insurer, with the aim of earning investment income to increase profitability of the company. Such investment income is accumulated to the Life Fund.	112,554,139
Employee Gratuity Benefit Asset		3,380,953
Employee Pension Benefit Asset		499,853
Reinsurance Receivables	Reinsurance receivables represent the amounts receivable by the life insurer for the claims made the policyholders.	273,408
Loans to life policyholders	Loans to life policyholders include the loans granted by the life insurer to policyholders. Eligible policyholders can obtain loans up to a pre-determined percentage of the surrender value of their policy.	1,335,469
Premium receivables	Premium receivables represent the gross written premium accrued up to the reporting date.	275,381
Other Assets		266,149
Cash and Cash Equivalents		510,436
<b>Total Assets</b>		<b>133,211,402</b>
<b>Equity and Liabilities</b>		
<b>Equity Attributable to Equity Holders of Parent</b>		
Stated Capital		500,001
Retained Earnings		19,993,932
AFS Reserve		802
Restricted Regulatory Reserve		3,456,184
Special Reserve		7,311,651
<b>Total Ordinary Shareholders' Equity</b>		<b>31,492,076</b>
<b>Liabilities</b>		
Insurance Contract Liabilities - Life	Due to the long-term nature of life insurance business, life insurers are required to maintain a separate fund to meet future policyholder obligations. This fund is known as 'Insurance Contract Liabilities - Life', or more commonly as 'Life Fund'. An actuarial valuation is performed at each year end to determine the size of the fund necessary in comparison to the assets maintained out of the fund. Any excess of assets over the policy liabilities of the fund, known as the 'Life Surplus', is transferred to the shareholders' funds of the company.	96,204,089
Insurance Contract Liabilities - Unit Linked	These items represent the balances of the other separately identifiable funds, in addition to the Life Fund, maintained by a life insurer.	328,869
Insurance Contract Liabilities-Family Takaful	These items represent the balances of the other separately identifiable funds, in addition to the Life Fund, maintained by a life insurer.	18,869
Individual Investment Fund ISF	These items represent the balances of the other separately identifiable funds, in addition to the Life Fund, maintained by a life insurer.	235,187
Deferred Tax Liabilities		126,786
Reinsurance Payables	Reinsurance payables contain amounts outstanding to be paid to reinsurers by a life insurer as at the reporting date.	603,893
Trade and Other Payables		3,542,950
Lease Liabilities		241,908
Bank Overdraft		416,770
<b>Total Liabilities</b>		<b>101,719,321</b>
<b>Total Equity and Liabilities</b>		<b>133,211,402</b>

# Actuarial Report

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Willis Towers Watson 

18 February 2020


To the Directors of Ceylanco Life Insurance Limited

## Actuarial Valuation as at 31 December 2019

I have carried out an actuarial valuation of the Life Fund of Ceylanco Life Insurance Limited ("the Company") as at 31 December 2019. I hereby certify that

- 1 I have satisfied myself about the accuracy of the valuation data furnished to me by making a number of reasonableness checks;
- 2 Adequate and proper reserves have been provided as at 31 December 2019 for all known liabilities in respect of the long term business of the Life Fund, taking into account all bonus declared as at that date in accordance with the requirements of Solvency Margin (Risk Based Capital) Rules 2015 dated 15 December 2015; and
- 3 Based on information on assets extracted from the audited accounts of the Company for the year ended 31 December 2019, the Company has adequate financial resources to cover its capital requirements in accordance with the Solvency Margin (Risk Based Capital) Rules 2015 dated 15 December 2015.

Yours faithfully



Vivek Jalan

Head of Insurance Consulting & Technology, India

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CIN - U67190HR1956PTC051336



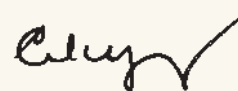


- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
  - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
  - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control 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 the 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 Regulatory Commission of Sri Lanka, so as to clearly indicate the true and fair view of the financial position of the Company.



18 February 2020  
Colombo

# Statement of Financial Position

As at 31 December			Group		Company	
	Page No	Note	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
<b>Assets</b>						
Intangible Assets	218	6	349,879	37,358	349,627	37,358
Property, Plant and Equipment	220	7	10,990,078	9,460,988	9,171,436	7,567,806
Right-of-use Asset	228	8	229,878	-	229,878	-
Investment Properties	230	9	1,164,000	1,103,000	2,470,500	2,304,500
Investment in Subsidiaries	234	10	-	-	1,086,000	1,086,000
Investment in Associates	236	11	3,222,402	2,412,898	807,672	457,370
<b>Financial Instruments</b>						
Held to Maturity Financial Assets	240	12(a)	56,889,866	60,575,394	56,889,866	60,575,394
Loans and Receivables	241	12(b)	46,413,045	38,205,440	45,769,731	37,446,065
Available-For-Sale Financial Assets	242	12(c)	7,657,812	1,469,787	7,576,619	1,309,787
Financial Assets at Fair Value Through Profit or Loss	244	12(d)	2,317,923	565,829	2,317,923	565,829
Employee Gratuity Benefit Asset	254	13	3,380,953	3,309,722	3,380,953	3,309,722
Employee Pension Benefit Asset	257	14	499,853	506,201	499,853	506,201
Reinsurance Receivables	259	15	273,408	269,175	273,408	269,175
Income Tax Receivables	262	16(a)	12,541	261,503	-	244,051
Loans to Life policyholders	265	17	1,335,469	1,190,274	1,335,469	1,190,274
Premium Receivables	266	18	275,881	268,334	275,881	268,334
Other Assets	266	19	297,247	582,764	266,149	545,052
Cash and Cash Equivalents	266	20	528,149	379,390	510,436	376,471
<b>Total Assets</b>			<b>135,838,384</b>	<b>120,598,057</b>	<b>133,211,402</b>	<b>118,059,390</b>
<b>Equity and Liabilities</b>						
<b>Equity Attributable to Equity Holders of Parent</b>						
Stated Capital	267	21(a)	500,001	500,001	500,001	500,001
Retained Earnings	267	21(b)	22,012,314	16,731,981	19,993,932	15,057,036
AFS Reserve	267	21(b)	802	212	802	212
Revaluation Reserves	267	21(b)	362,308	233,301	229,508	100,501
Restricted Regulatory Reserve	267	21(b)	3,456,184	3,456,184	3,456,184	3,456,184
Special Reserve	267	21(b)	7,311,651	7,311,651	7,311,651	7,311,651
Total Ordinary Shareholders' Equity			<b>33,643,260</b>	<b>28,233,329</b>	<b>31,492,076</b>	<b>26,425,585</b>
Non-Controlling Interests			<b>5,956</b>	<b>5,693</b>	<b>-</b>	<b>-</b>
<b>Total Equity</b>			<b>33,649,216</b>	<b>28,239,022</b>	<b>31,492,076</b>	<b>26,425,585</b>

As at 31 December	Page No	Note	Group		Company	
			2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
<b>Liabilities</b>						
Insurance Contract Liabilities - Life	271	22(a)	<b>96,206,469</b>	88,051,582	<b>96,204,089</b>	88,049,202
Insurance Contract Liabilities - Unit Linked	271	22(a)	<b>328,869</b>	335,691	<b>328,869</b>	335,691
Insurance Contract Liabilities-Family Takaful	271	22(a)	<b>18,869</b>	19,548	<b>18,869</b>	19,548
Individual Investment Fund - ISF	271	22(a)	<b>235,187</b>	164,456	<b>235,187</b>	164,456
Employee Gratuity Benefit Liability	253	13	<b>13,970</b>	12,918	-	-
Deferred Tax Liabilities	263	16(c)	<b>532,165</b>	353,996	<b>126,786</b>	-
Reinsurance Payables	274	24	<b>603,893</b>	470,889	<b>603,893</b>	470,889
Trade and Other Payables	275	25	<b>3,580,197</b>	2,671,936	<b>3,542,950</b>	2,482,376
Lease Liabilities	229	8 (b)	<b>241,908</b>	-	<b>241,908</b>	-
Interest Bearing Borrowings	274	23(a)	-	120,070	-	-
Bank Overdraft	266	20	<b>427,639</b>	157,949	<b>416,770</b>	111,644
<b>Total Liabilities</b>			<b>102,189,166</b>	92,359,034	<b>101,719,321</b>	91,633,806
<b>Total Equity and Liabilities</b>			<b>135,838,384</b>	120,598,057	<b>133,211,402</b>	118,059,390

The above Statement of Financial Position is to be read in conjunction with the notes to the Financial Statements on pages 207 to 316 which form an integral part of the Financial Statements.

These Financial Statements are prepared in compliance with the requirements of the Companies Act No.07 of 2007.



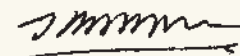
**P.A. Jayawardene**  
Director/Chief Financial Officer

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

Approved and Signed on behalf of the Board by;



**R. Renganathan**  
Executive Chairman



**E.T.L. Ranasinghe**  
Managing Director/Chief Executive Officer

18th February, 2020

# Income Statement

For the Year Ended 31 December,			Group			Company		
			2019 /	2018 /	Change	2019 /	2018 /	Change
Page No	Note	Rs.'000	Rs.'000	%	Rs.'000	Rs.'000	%	
<b>Net Income</b>		<b>31,815,472</b>	29,064,269	9.47	<b>31,560,986</b>	28,749,499	9.78	
Gross Written Premiums	276 26(a)	<b>18,718,518</b>	17,812,718	5.09	<b>18,718,553</b>	17,812,774	5.08	
Premiums Ceded to Reinsurers	276 26(c)	<b>(550,122)</b>	(457,509)	20.24	<b>(550,122)</b>	(457,509)	20.24	
<b>Net Written Premiums</b>		<b>18,168,396</b>	17,355,209	4.69	<b>18,168,431</b>	17,355,265	4.69	
<b>Revenue from Subsidiaries</b>	277 26(f)	<b>320,913</b>	358,556	(10.50)				
		<b>18,489,309</b>	17,713,766	4.38	<b>18,168,431</b>	17,355,265	4.69	
Fees and Commission Income	277 27	<b>177,935</b>	139,251	27.78	<b>177,935</b>	139,251	27.78	
Investment Income	278 28	<b>12,683,434</b>	10,942,605	15.91	<b>12,683,134</b>	10,933,852	16.00	
Realised Gains/(Losses)	279 29	<b>237,602</b>	195,068	21.80	<b>237,602</b>	195,068	21.80	
Fair Value Gains/ (Losses)	279 30	<b>171,603</b>	41,516	313.35	<b>276,130</b>	108,102	155.44	
Other Operating Revenue		<b>55,590</b>	32,063	73.38	<b>17,753</b>	17,962	(1.16)	
<b>Other Revenue</b>		<b>13,326,163</b>	11,350,503	17.41	<b>13,392,554</b>	11,394,234	17.54	
Gross Benefits and Claims Paid	280 31(a)	<b>(10,769,988)</b>	(9,997,299)	7.73	<b>(10,769,988)</b>	(9,997,299)	7.73	
Claims Ceded to Reinsurers	280 31(b)	<b>165,923</b>	193,749	(14.36)	<b>165,923</b>	193,749	(14.36)	
Gross Change in Contract Liabilities	280 31(c)	<b>(7,189,811)</b>	(6,457,292)	11.34	<b>(7,189,811)</b>	(6,457,292)	11.34	
<b>Net Benefits and Claims</b>		<b>(17,793,877)</b>	(16,260,842)	9.43	<b>(17,793,877)</b>	(16,260,842)	9.43	
Direct Costs of Subsidiaries		<b>(200,702)</b>	(173,261)	15.84	-	-		
Acquisition Cost	281 32	<b>(1,962,792)</b>	(1,922,762)	2.08	<b>(1,962,792)</b>	(1,926,454)	1.89	
Other Operating and Administrative Expenses	281 33	<b>(3,714,638)</b>	(3,544,134)	4.81	<b>(3,550,209)</b>	(3,384,487)	4.90	
Finance Cost	282 34	<b>(42,316)</b>	(25,072)	68.78	<b>(42,170)</b>	(20,328)	107.45	
<b>Total Benefits, Claims and Other Expenses</b>		<b>(23,714,324)</b>	(21,926,071)	8.16	<b>(23,349,048)</b>	(21,592,110)	8.14	
<b>Profit Before Share of Associates</b>		<b>8,101,149</b>	7,138,198	13.49	<b>8,211,938</b>	7,157,389	14.73	
Share of Profit of Associates	237 11(a)	<b>470,242</b>	534,730	(12.06)	-	-		
<b>Profit Before Tax</b>		<b>8,571,390</b>	7,672,928	11.71	<b>8,211,938</b>	7,157,388	14.73	
Tax Expense	283 35(a)	<b>(1,591,691)</b>	(1,540,288)	3.34	<b>(1,540,269)</b>	(1,363,100)	13.00	
<b>Profit for the Year</b>		<b>6,979,699</b>	6,132,640	13.81	<b>6,671,669</b>	5,794,288	15.14	
<b>Profit Attributable to:</b>								
Equity Holders of the Parent		<b>6,979,436</b>	6,132,136	13.82	<b>6,671,669</b>	5,794,288	15.14	
Non-Controlling Interests	285 36(b)	<b>263</b>	504	(47.91)	-	-		
		<b>6,979,699</b>	6,132,640	13.81	<b>6,671,669</b>	5,794,288	15.14	
<b>Basic Earnings Per Share</b>	285 37	<b>139.59</b>	122.65	13.82	<b>133.43</b>	115.89	15.14	
<b>Dividend Per Share</b>	286 38	<b>13.40</b>	11.90	12.61	<b>13.40</b>	11.90	12.61	

The above Income Statement is to be read in conjunction with the notes to the Financial Statements on pages 207 to 316 which form an integral part of the Financial Statements.

# Statement of Comprehensive Income

			Group		Company	
For the Year Ended 31 December			2019 /	2018 /	2019 /	2018 /
	Page No	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Profit for the Year</b>			<b>6,979,699</b>	6,132,640	<b>6,671,669</b>	5,794,289
<b>Other Comprehensive Income</b>						
<b>Items that will not be reclassified subsequently to income statement</b>						
Revaluation Surplus/ (Deficit) During the Year	286	39	<b>1,193,513</b>	-	<b>1,193,513</b>	-
Actuarial Gain/(Loss) on Defined Benefit Plans	286	39	<b>(1,049,732)</b>	597,125	<b>(1,049,593)</b>	597,125
Share of Other Comprehensive Income of Equity Accounted Investees	286	39	<b>33,958</b>	(47,357)		
<b>Items that may be reclassified subsequently to income statement</b>						
Net Gain/(Loss) on Available-For-Sale Assets	286	39	<b>(28,052)</b>	(131,577)	<b>(28,052)</b>	(131,577)
Income Tax relating to Components of Other Comprehensive Income	286	39	<b>(82,642)</b>	-	<b>(82,642)</b>	-
<b>Other Comprehensive Income for the Year, Net of Tax</b>			<b>67,045</b>	418,191	<b>33,227</b>	465,548
<b>Total Comprehensive Income for the Year, Net of Tax</b>			<b>7,046,744</b>	6,550,830	<b>6,704,896</b>	6,259,836
<b>Total Comprehensive Income Attributable to:</b>						
Equity Holders of the Parent			<b>7,046,481</b>	6,550,326	<b>6,704,896</b>	6,259,836
Non-Controlling Interests			<b>263</b>	504	-	-
			<b>7,046,744</b>	6,550,830	<b>6,704,896</b>	6,259,836

The above Statement of Comprehensive Income is to be read in conjunction with the notes to the Financial Statements on pages 207 to 316 which form an integral part of the Financial Statements.

# Statement of Changes in Equity

Attributable to Equity holders of the Parent											
Group	Page No	Note	Stated Capital Rs.'000	Special Reserve Rs.'000	Restricted Regulatory Reserve Rs.'000	Revaluation Reserves Rs.'000	Retained Earnings Rs.'000	Available-for-Sale Reserve Rs.'000	Total		
									Share-Holders' Equity Rs.'000	Non-Controlling Interests Rs.'000	Total Equity Rs.'000
<b>Balance As At 1st January 2018</b>			500,001	7,311,651	3,456,184	318,887	10,628,715	46,196	22,261,634	6,013	22,267,646
Profit for the Year			-	-	-	-	6,132,136	-	6,132,135	504	6,132,639
Other Comprehensive Income for the Year			-	-	-	(33,353)	583,121	(131,577)	418,191	-	418,191
Disposal of Seraka Ltd			-	-	-	-	-	-	-	(824)	(824)
<b>Total Comprehensive Income for the Year</b>			-	-	-	(33,353)	6,715,257	(131,577)	6,550,326	(320)	6,550,006
Adjustment for Transitional provision under SLFRS 9 in Associate			-	-	-	-	(51,225)	(46,255)	(97,480)	-	(97,480)
Final Dividend Paid - 2017			-	-	-	-	(18,000)	-	(18,000)	-	(18,000)
Interim Dividend Paid - 2018			-	-	-	-	(595,001)	-	(595,001)	-	(595,001)
Transferred to Long Term Insurance Fund			-	-	-	-	-	131,849	131,849	-	131,849
Transfers			-	-	-	(52,233)	52,233	-	-	-	-
<b>Balance As At 31st December 2018</b>			500,001	7,311,651	3,456,184	233,301	16,731,978	212	28,233,329	5,693	28,239,023
Profit for the Year			-	-	-	-	6,979,436	-	6,979,436	263	6,979,699
Other Comprehensive Income for the Year			-	-	-	1,115,300	(1,015,734)	(32,520)	67,046	-	67,046
<b>Total Comprehensive Income for the Year</b>			-	-	-	1,115,300	5,963,702	(32,520)	7,046,482	263	7,046,745
Interim Dividend Paid - 2019			-	-	-	-	(670,001)	-	(670,001)	-	(670,001)
Transferred to Long Term Insurance Fund			-	-	-	(986,294)	-	33,109	(953,184)	-	(953,184)
Adjustment due to Recognition of right to used assets			-	-	-	-	(16,981)	-	(16,981)	-	(16,981)
Group Right to Use Assets Adjustment			-	-	-	-	3,615	-	3,615	-	3,615
<b>Balance As At 31st December 2019</b>			500,001	7,311,651	3,456,184	362,308	22,012,314	802	56	5,956	33,649,216

Company										
Company	Page No	Note	Stated Capital Rs.'000	Special Reserve Rs.'000	Restricted Regulatory Reserve Rs.'000	Revaluation Reserves Rs.'000	Retained Earnings Rs.'000	Available-for-Sale Reserve Rs.'000	Total	
									Share-Holders' Equity Rs.'000	Total Equity Rs.'000
<b>Balance As At 1st January 2018</b>			500,001	7,311,651	3,456,184	100,501	9,278,621	(60)	20,646,898	20,646,898
Profit for the Year			-	-	-	-	5,794,289	-	5,794,289	5,794,289
Other Comprehensive Income for the Year			-	-	-	-	597,125	(131,577)	465,548	465,548
<b>Total Comprehensive Income for the Year</b>			-	-	-	-	6,391,414	(131,577)	6,259,837	6,259,836
Final Dividend Paid - 2017			-	-	-	-	(18,000)	-	(18,000)	(18,000)
Interim Dividend Paid - 2018	286	38	-	-	-	-	(595,001)	-	(595,001)	(595,001)
Transferred to Long Term Insurance Fund			-	-	-	-	-	131,849	131,849	131,849
<b>Balance As At 31st December 2018</b>			500,001	7,311,651	3,456,184	100,501	15,057,036	212	26,425,583	26,425,585
Profit for the Year			-	-	-	-	6,671,669	-	6,671,669	6,671,669
Other Comprehensive Income for the Year			-	-	-	1,115,300	(1,049,593)	(32,520)	33,188	33,188
<b>Total Comprehensive Income for the Year</b>			-	-	-	1,115,300	5,622,076	(32,520)	6,704,857	6,704,857
Interim Dividend Paid - 2019	286	38	-	-	-	-	(670,001)	-	(670,001)	(670,001)
Transferred to Long Term Insurance Fund			-	-	-	(986,294)	-	33,109	(953,184)	(953,184)
Adjustment due to Recognition of right to used assets			-	-	-	-	(15,178)	-	(15,178)	(15,178)
<b>Balance As At 31st December 2019</b>			500,001	7,311,651	3,456,184	229,508	19,993,932	802	31,492,077	31,492,077

# Statement of Cash Flows

For the Year Ended 31 December			Group		Company	
			2019 /	2018 /	2019 /	2018 /
	Page No	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cash Flows from Operating Activities</b>						
Premiums/Revenue received from Customers			<b>18,747,796</b>	17,838,611	<b>18,747,796</b>	17,838,611
Reinsurance Premiums (net of Commission) Paid			<b>(371,686)</b>	(76,899)	<b>(371,686)</b>	(76,899)
Commission Paid			<b>(1,830,488)</b>	(1,907,023)	<b>(1,830,488)</b>	(1,907,023)
Claims and Benefits Paid			<b>(10,539,389)</b>	(9,880,745)	<b>(10,539,389)</b>	(9,880,745)
Reinsurance Receipts in respect of Claims & Benefits			<b>233,974</b>	47,770	<b>233,974</b>	47,770
Interest and Dividends Received			<b>12,389,927</b>	9,751,501	<b>12,389,928</b>	9,726,855
Other Operating Cash Payments			<b>(5,721,322)</b>	(3,879,944)	<b>(5,812,350)</b>	(3,995,598)
Other Income			<b>79,046</b>	68,067	<b>79,046</b>	68,067
Gratuity/Pension payments			<b>(669,995)</b>	(278,395)	<b>(669,995)</b>	(278,395)
Income Taxes Paid			<b>(47,200)</b>	(9,979)	<b>(41,428)</b>	-
Interest paid			<b>(42,170)</b>	(24,927)	<b>(42,170)</b>	(20,328)
<b>Net Cash Flows from Operating Activities</b>		Note A	<b>12,228,491</b>	11,648,035	<b>12,143,236</b>	11,522,313
<b>Cash Flows from Investing Activities</b>						
Investments in/Proceeds from Subsidiaries/ Associates			<b>(350,302)</b>	(5,351)	<b>(350,302)</b>	(50,000)
Proceeds from sale of Investment Property			-	(19,297.43)	-	-
Acquisition of Financial Investments	247	12(h)	<b>(184,607,709)</b>	(205,342,942)	<b>(183,997,574)</b>	(205,215,012)
Proceeds from Financial Investments	247	12(h)	<b>174,443,408</b>	194,432,918	<b>173,450,326</b>	194,431,668
Acquisition of Property, Plant & Equipment	220	7	<b>(656,937)</b>	(697,641)	<b>(657,012)</b>	(463,512)
Proceeds from Disposal of Property, Plant & Equipment			<b>83,980</b>	44,176	<b>79,308</b>	43,466
Acquisition /Disposal of Intangible Assets	218	6	<b>(373,178)</b>	-	<b>(256,110)</b>	-
Deferred payment made			-	-	-	-
<b>Net Cash Flows from Investing Activities</b>			<b>(11,460,738)</b>	(11,588,137)	<b>(11,731,364)</b>	(11,253,390)
<b>Cash Flows from Financing Activities</b>						
Increase in Share Capital			-	50,000	-	-
Proceeds from short-term borrowing			<b>(305,651)</b>	120,070		
Dividends Paid to Equity holders			<b>(583,033)</b>	(537,654)	<b>(583,033)</b>	(537,654)
<b>Net Cash Flows from Financing Activities</b>			<b>(888,684)</b>	(367,584)	<b>(583,033)</b>	(537,654)
<b>Increase / (Decrease) in Cash &amp; Cash Equivalents</b>		Note B	<b>(120,931)</b>	(307,686)	<b>(171,160)</b>	(268,731)

## Statement of Cash Flows

			Group		Company	
For the Year Ended 31 December			2019 /	2018 /	2019 /	2018 /
	Page No	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Note A.</b>						
<b>Reconciliation of Profit Before Tax with Net Cash Flows from Operating Activities</b>						
Profit before tax			<b>8,101,149</b>	7,212,660	<b>8,211,938</b>	7,157,389
<i>Adjustments for:</i>						
Depreciation including Right-to Use Assets			<b>347,292</b>	238,863	<b>291,321</b>	197,009
Provision for Gratuity & Pension			<b>(437,105)</b>	(1,081,314)	<b>(354,449)</b>	(1,084,245)
Amortisation of Intangible Assets	218	6	<b>60,657</b>	10,423	<b>59,780</b>	10,036
Change in Trade and Other Receivables			<b>(1,744,269)</b>	(2,699,740)	<b>(1,686,747)</b>	(2,605,883)
Change in Reinsurance Receivable			<b>(4,233)</b>	(154,165)	<b>(4,233)</b>	(154,165)
Increase in Life Insurance Funds	280	31	<b>7,189,811</b>	6,457,292	<b>7,189,811</b>	6,457,292
Increase in Unit-linked Fund			<b>(6,822)</b>	19,748	<b>(6,822)</b>	19,748
Increase in Takaful Fund			<b>(679)</b>	2,578	<b>(679)</b>	2,578
Increase in Individual Investment Fund (IFS)			<b>70,731</b>	70,223	<b>70,731</b>	70,223
Change in Trade and Other Payables			<b>(172,833)</b>	2,218,170	<b>(444,561)</b>	2,016,026
Realised Gains/(Losses)			<b>(237,602)</b>	(177,199)	<b>(195,300)</b>	(177,199)
Fair value Gain recorded in Income Statement			<b>(171,603)</b>	(108,102)	<b>(276,130)</b>	(108,102)
Income Tax Paid			<b>(47,200)</b>	(5,641)	<b>(41,428)</b>	-
Interest Paid			<b>(42,316)</b>	(2,905)		
Payment to gratuity and pension funds			<b>(676,458)</b>	(278,395)	<b>(669,995)</b>	(278,395)
<b>Net Cash Flows from Operating Activities</b>			<b>12,228,491</b>	11,648,035	<b>12,143,236</b>	11,522,313
<b>Note B.</b>						
Cash and Cash Equivalents at 1st January			<b>221,440</b>	529,126	<b>264,827</b>	533,558
Cash and Cash Equivalents at 31st December		Note C	<b>100,509</b>	221,440	<b>93,667</b>	264,827
<b>Increase / (Decrease) in Cash and Cash Equivalents</b>			<b>(120,931)</b>	(307,686)	<b>(171,161)</b>	(268,731)
<b>Note C</b>						
Cash at Bank and in Hand	266	20	<b>528,149</b>	379,390	<b>510,436</b>	376,471
Bank Overdraft	266	20	<b>(427,639)</b>	(157,949)	<b>(416,770)</b>	(111,644)
			<b>100,509</b>	221,440	<b>93,667</b>	264,827

The above Statement of Cash Flows is to be read in conjunction with the notes to the Financial Statements on pages 207 to 316 which form an integral part of the Financial Statements.



# Notes to the Consolidated Financial Statements

## 1. Corporate Information

### Entity information

#### 1.1. Reporting Entity

Ceylinco Life Insurance Limited (the Company) is a public limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No. 106, Havelock Road, Colombo 05. Additional corporate information is given on the inner back page.

#### 1.2. Nature of Operations and Principal Activities

Descriptions of the nature of operations and principal activities of the Company, its Subsidiaries and Associate are given on page 234 to 238. There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

The parent of Ceylinco Life Insurance Limited is Ceylinco Insurance PLC, which is incorporated and domiciled in Sri Lanka.

### Financial Statements

#### 1.3. Consolidated Financial Statements

The Consolidated Financial Statements of Ceylinco Life Insurance Limited, as at and for the year ended 31 December 2019 encompass the Company, its Subsidiaries (together referred to as the 'Group') and the Group's interest in Associates. All companies in the Group are limited liability companies incorporated and domiciled in Sri Lanka.

The assets and liabilities presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

No adjustments have been made for inflationary factors affecting the Financial Statements.

#### 1.4. Responsibility for Financial Statements

The Board of Directors is responsible for preparation and presentation of the Financial Statements of the Group/Company as per the provisions of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards. The responsibility of the Directors in relation to the Financial Statements is set out in detail in the Statement of Directors' Responsibility Report in on page 190.

#### 1.5. Approval of Financial Statements

The Consolidated Financial Statements of Ceylinco Life Insurance Limited and its Subsidiaries (collectively, the Group) for the year ended 31 December 2019 were authorised for issue by the Directors on 18th February 2020.

## 2. Basis of Accounting

### 2.1. Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards (hereinafter referred to as SLFRS/LKAS) promulgated by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and with the requirements of the Companies Act, No. 07 of 2007 and the requirements of the Regulation of Insurance Industry Act, No. 43 of 2000. Amendments there to, and rules and regulation of the Insurance Regulatory Commission of Sri Lanka (IRCSL).

### 2.2. Basis of Measurement

The Financial Statements, except for information on cash flows, have been prepared on accrual basis under the historical cost convention except for the following:

Item	Basis of Measurement
Land and buildings	Initially at cost and subsequently at revalued amount
Investment property	Fair value
Financial assets at fair value through profit or loss and available-for-sale financial assets	Fair value
Policyholder liabilities	Valued actuarially
Net defined benefit assets or liabilities	Valued actuarially and recognized at present value

### 2.3. Functional and Presentation Currency

Items included in the Financial Statements of the company are measured using the currency of the primary economic environment in which the company operates (the Functional Currency). These Financial Statements are presented in Sri Lankan Rupees, which is the company's Functional and Presentation Currency. There was no change in the Company's Presentation and Functional Currency during the year under review. All amounts presented in rupees have been rounded to the nearest rupees thousand (Rs'000), except when otherwise indicated.

## Notes to the Consolidated Financial Statements

### 2.4. Materiality and Aggregation

Each item which is similar in nature is presented separately if material. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted LKAS 1 – “Presentation of Financial Statements”.

### 2.5. Going Concern

The Directors have made an assessment of the company’s ability to continue as a going concern and is satisfied about the ability to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the company’s ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

### 2.6. Comparative Information

The Consolidated Financial Statements provide comparative information in respect of the previous financial year. The presentation and classification of assets and liabilities in the Financial Statements of the previous financial year have been amended, where relevant for better presentation and to be comparable with those of the current year.

However with the initial application of SLFRS – 16 ; “Leases”; the Group has adopted modified retrospective method from 1 January 2019, without restating comparatives for 2018 reporting period, as permitted under the specific transitional provisions in the standard. (Refer Note 8 of Page 228).

### 3. Summary of Significant Accounting Policies

#### Policies disclosed within individual notes

A summary of significant accounting policies have been disclosed along with the relevant individual notes to the Financial Statements. The accounting policies

presented within each note have been applied consistently by the Company.

#### Policies not covered with individual notes

Following accounting policies which have been applied consistently by the company, are considered to be significant but are not covered with individual notes.

#### (a) Insurance Receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recover with the impairment loss recorded in the Income Statement.

Insurance receivables are de-recognised when the de-recognition criteria for financial assets have been satisfied.

#### (b) Cash Flow Statement

The Statements of Cash Flows has been prepared using the ‘Direct Method’. Interest paid is classified as an operating cash flow. Dividend and interest income are classified as investing cash flows. Dividends paid are classified as financing cash flows. For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

### 4. Use of Judgements, Estimates and Assumptions

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRS and LKAS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates due to uncertainty.

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources. 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 under uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following Notes:

Critical Accounting Judgments, Estimates and Assumptions	Disclosure Reference	
	Note	Page
Insurance Provision – Life	22	270
Valuation of Property	9	230
Measurement of Defined Benefit Obligation	13 & 14	253 to 259

## 5. Segment Information

### ACCOUNTING POLICY

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment, which is subject to risks and returns that are different from those of other segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The activities of the Group are located mainly in Sri Lanka. Consequently, the economic environment in which the Group operates is not subject to risks and rewards that are significantly different on a geographical basis. Hence, disclosure by geographical region is not provided.

For management purposes, the Group is organised into business units based on their products and services and has following reportable operating segments as follows:

- The Company offers a wide range of whole life, endowment, anticipated endowment, term insurance, mortgage protection, retirement and group insurance products.
- Healthcare segment includes Healthcare Centre for Cancer Screening, Radiation Treatment Unit and Diabetes Centre.
- Other segment includes investment management services.

Transaction between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expenses and results which include between business segments will be eliminated on consolidation.

## Notes to the Consolidated Financial Statements

### 5. (a) Segment Income Statement for the Year Ended 31 December 2019

	Life Insurance Rs.'000	Ceylinco Healthcare Services Limited Rs.'000	Serene Resorts Limited Rs.'000	Adjustments and Eliminations Rs.'000	Total Rs.'000
Gross Premiums	18,718,553	-	-	(35)	18,718,518
Premiums Ceded to Reinsurers	(550,122)	-	-	-	(550,122)
<b>Net Premiums</b>	<b>18,168,431</b>	<b>-</b>	<b>-</b>	<b>(35)</b>	<b>18,168,396</b>
Revenue from Subsidiaries	-	320,038	3,360	(2,485)	320,913
Fees and Commission Income	177,935	-	-	-	177,935
Investment Income	12,683,134	47,868	-	(47,568)	12,683,434
Realised Gains/(Losses)	237,602	-	-	-	237,602
Fair Value Gains/(Losses)	276,130	-	-	(104,528)	171,603
Other Operating Revenue	17,753	3,512	34,325	-	55,590
<b>Other Revenue</b>	<b>13,392,554</b>	<b>371,417</b>	<b>37,685</b>	<b>(154,581)</b>	<b>13,647,076</b>
<b>Segment Revenue</b>	<b>31,560,986</b>	<b>371,417</b>	<b>37,685</b>	<b>(154,616)</b>	<b>31,815,472</b>
Gross Benefits and Claims Paid	(10,769,988)	-	-	-	(10,769,988)
Claims Ceded to Reinsurers	165,923	-	-	-	165,923
Gross Change in Contract Liabilities	(7,189,811)	-	-	-	(7,189,811)
<b>Net Benefits and Claims</b>	<b>(17,793,877)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17,793,877)</b>
Direct Cost of Subsidiaries	-	(196,680)	(4,022)	-	(200,702)
Acquisition Cost	(1,962,792)	-	-	-	(1,962,792)
Other Operating and Administrative Expenses	(3,550,209)	(134,457)	(25,983)	(3,988)	(3,714,638)
Finance Costs	(42,170)	-	(1,052)	906	(42,316)
<b>Other Expenses</b>	<b>(5,555,171)</b>	<b>(331,137)</b>	<b>(31,057)</b>	<b>(3,082)</b>	<b>(5,920,447)</b>
<b>Segment Benefits, Claims and Other Expenses</b>	<b>(23,349,048)</b>	<b>(331,137)</b>	<b>(31,057)</b>	<b>(3,082)</b>	<b>(23,714,324)</b>
Share of Profit of Associates	-	-	-	470,242	470,242
<b>Segment Results</b>	<b>8,211,938</b>	<b>40,280</b>	<b>6,628</b>	<b>312,544</b>	<b>8,571,390</b>

## Segment income statement for the year ended 31 December 2018

	Life Insurance Rs.'000	Ceylinco Healthcare Services Limited Rs.'000	Serene Resorts Limited Rs.'000	Adjustments and Eliminations Rs.'000	Total Rs.'000
Gross Premiums	17,812,774	-	-	(56)	17,812,718
Premiums Ceded to Reinsurers	(457,509)	-	-	-	(457,509)
<b>Net Premiums</b>	17,355,265	-	-	(56)	17,355,209
Revenue from Subsidiaries	-	361,646	601	(3,692)	358,556
Fees and Commission Income	139,251	-	-	-	139,251
Investment Income	10,933,852	63,131	24,997	(79,374)	10,942,605
Realised Gains/(Losses)	195,068	-	-	-	195,068
Fair Value Gains/(Losses)	108,102	-	-	(66,586)	41,516
Other Operating revenue	17,962	11,687	4,765	(2,351)	32,063
<b>Other Revenue</b>	11,394,234	436,465	30,363	(152,003)	11,709,059
<b>Segment Revenue</b>	28,749,499	436,465	30,363	(152,059)	29,064,268
Gross Benefits and Claims Paid	(9,997,299)	-	-	-	(9,997,299)
Claims Ceded to Reinsurers	193,749	-	-	-	193,749
Gross Change in Contract Liabilities	(6,457,292)	-	-	-	(6,457,292)
<b>Net Benefits and Claims</b>	(16,260,842)	-	-	-	(16,260,842)
Direct Cost of Subsidiaries	-	(172,823)	(438)	-	(173,261)
Acquisition Cost	(1,926,454)	-	-	3,692	(1,922,762)
Other Operating and Administrative Expenses	(3,384,487)	(135,679)	(28,936)	4,968	(3,544,134)
Finance Costs	(20,328)	-	(4,744)	-	(25,072)
<b>Other Expenses</b>	(5,331,269)	(308,502)	(34,118)	8,660	(5,665,229)
<b>Segment Benefits, Claims and Other Expenses</b>	(21,592,111)	(308,502)	(34,118)	8,660	(21,926,071)
Share of Profit of Associates	-	-	-	534,730	534,730
<b>Segment Results</b>	7,157,388	127,963	(3,755)	391,331	7,672,927

## Notes to the Consolidated Financial Statements

### 5. (b) Segment Statement of Financial Position as at 31 December 2019

	Ceylinco Healthcare Life Insurance Rs.'000	Ceylinco Services Limited Rs.'000	Serene Resorts Limited Rs.'000	Adjustments and Eliminations Rs.'000	Total Rs.'000
Intangible Assets	349,627	252	-	-	349,879
Property, Plant & Equipment	9,171,436	693,747	16,074	1,108,820	10,990,078
Right-of-use Asset	229,878	-	7,982	(7,982)	229,878
Investment Property	2,471,000	-	-	(1,306,500)	1,164,500
Investment in Associates	807,672	-	-	2,414,730	3,222,402
Investment in Subsidiaries	1,086,000	-	-	(1,086,000)	-
Financial Instruments	112,554,139	437,939	286,568	-	113,278,647
Reinsurance Assets	273,408	-	-	-	273,408
Loans to Policyholders	1,335,469	-	-	-	1,335,469
Premium Receivables	275,381	-	-	-	275,381
Other Assets	4,657,391	28,342	21,486	11,524	4,718,743
<b>Total Assets</b>	<b>133,211,402</b>	<b>1,160,280</b>	<b>332,110</b>	<b>1,134,592</b>	<b>135,838,389</b>
Insurance Contract Liabilities	96,787,014	-	-	2,380	96,789,394
Other Liabilities	4,690,400	166,834	15,105	285,526	5,157,864
<b>Total Liabilities</b>	<b>101,477,413</b>	<b>166,834</b>	<b>15,105</b>	<b>287,906</b>	<b>101,947,258</b>

### Segment Statement of Financial Position as at 31 December 2018

	Ceylinco Healthcare Life Insurance Rs.'000	Ceylinco Services Limited Rs.'000	Serene Resorts Limited Rs.'000	Adjustments and Eliminations Rs.'000	Total Rs.'000
Intangible Assets	37,358	-	-	-	37,358
Property, Plant & Equipment	7,567,806	752,027	20,826	1,134,914	9,460,988
Investment Property	2,304,500	-	-	(1,201,500)	1,103,000
Investment in Associates	457,370	-	-	1,955,528	2,412,898
Investment in Subsidiaries	1,086,000	-	-	(1,086,000)	-
Financial Instruments	99,897,075	643,125	276,250	-	100,816,450
Reinsurance Assets	269,175	-	-	-	269,175
Loans to Policyholders	1,190,274	-	-	-	1,190,274
Premium Receivables	268,334	-	-	-	268,334
Other Assets	4,981,498	26,582	19,919	-	5,027,998
<b>Total Assets</b>	<b>118,059,393</b>	<b>1,421,734</b>	<b>316,995</b>	<b>802,942</b>	<b>120,598,057</b>
Insurance Contract Liabilities	88,568,897	-	-	2,380	88,571,277
Other Liabilities	3,064,909	415,460	4,817	302,572	3,787,757
<b>Total Liabilities</b>	<b>91,633,806</b>	<b>415,460</b>	<b>4,817</b>	<b>304,952</b>	<b>92,359,034</b>

## 5. (c) Segment Statement of Cash Flows for the year ended 31 December 2019

For the Year Ended 31 December	Notes	Life Insurance Rs.'000	Ceylinco Healthcare Services Limited Rs.'000	Serene Resorts Limited Rs.'000	Adjustments and Eliminations Rs.'000	Group Rs.'000
<b>Cash Flows from Operating Activities</b>						
Premiums/Revenue received from Customers		18,747,796	-	-	-	18,747,796
Reinsurance Premiums (net of Commission) Paid		(371,686)	-	-	-	(371,686)
Commission Paid		(1,830,488)	-	-	-	(1,830,488)
Claims and Benefits Paid		(10,539,389)	-	-	-	(10,539,389)
Reinsurance Receipts in respect of Claims & Benefits		233,974	-	-	-	233,974
Interest and Dividends Received		12,389,928	-	-	-	12,389,928
Other Operating Cash Payments		(5,812,350)	37,025	(22,859)	76,862	(5,721,322)
Other Income		79,046	-	-	-	79,046
Gratuity/Pension payments		(669,995)	(1,322)	(607)	1,929	(669,995)
Income Taxes Paid		(41,428)	5,772	-	(11,544)	(47,200)
Interest paid		(42,170)	-	-	-	(42,170)
<b>Net Cash Flows from Operating Activities</b>	Note A	12,143,236	41,475	(23,466)	67,247	12,228,491
<b>Cash Flows from Investing Activities</b>						
Investments in/Proceeds from Subsidiaries/ Associates		(350,302)	-	-	-	(350,302)
Acquisition of Financial Investments		(183,997,574)	(611,779)	(22,050)	23,694	(184,607,709)
Proceeds from Financial Investments		173,450,326	895,515	37,830	59,737	174,443,408
Acquisition of Property, Plant & Equipment		(657,012)	(574)	9,070	(8,421)	(656,937)
Proceeds from Disposal of Property, Plant & Equipment		79,308	1,000	-	3,671	83,980
Acquisition /Disposal of Intangible Assets		(256,110)	(280)	-	(116,788)	(373,178)
Deferred payment made		-	-	-	-	-
<b>Net Cash Flows from Investing Activities</b>		(11,731,364)	283,882	24,849	(38,107)	(11,460,738)
<b>Cash Flows from Financing Activities</b>						
Proceeds from short-term borrowing		-	(263,334)	-	(42,316)	(305,651)
Interest Paid		-	(12,342)	(906)	13,247	-
Dividends Paid to Equity holders		(583,033)	-	-	-	(583,033)
<b>Net Cash Flows from Financing Activities</b>		(583,033)	(275,676)	(906)	(29,069)	(888,684)
<b>Increase / (Decrease) in Cash &amp; Cash Equivalents</b>	Note B	(171,160)	49,681	478	71	(120,931)

## Notes to the Consolidated Financial Statements

For the Year Ended 31 December		Life Insurance	Ceylinco Healthcare Services Limited	Serene Resorts Limited	Adjustments and Eliminations	Group
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Note A.</b>						
<b>Reconciliation of Profit before tax with Net Cash Flows from Operating Activities</b>						
Profit before tax		8,211,938	40,280	6,628	(157,698)	8,101,149
<i>Adjustments for:</i>						
Depreciation		291,321	57,419	6,125	(7,574)	347,292
Provision for Gratuity & Pension		(354,449)	2,429	413	(85,498)	(437,105)
Amortisation of Intangible Assets		59,780	27	-	850	60,657
Change in Trade and Other Receivables		(1,686,747)	(7)	(1,510)	(56,005)	(1,744,269)
Change in Reinsurance Receivable		(4,233)	-	-	-	(4,233)
Increase in Life Insurance Funds		7,189,811	-	-	-	7,189,811
Increase in Unit-linked Fund		(6,822)	-	-	-	(6,822)
Increase in Takaful Fund		(679)	-	-	-	(679)
Increase in Individual Investment Fund (IFS)		70,731	-	-	-	70,731
Change in Trade and Other Payables		(444,561)	(52,014)	(35,422)	359,163	(172,833)
Realised gain		(195,300)	435	-	(42,737)	(237,602)
Fair value Gain recorded in Income Statement		(276,130)	-	-	104,500	(171,630)
Income Tax Paid		(41,428)	(5,772)	-	-	(47,200)
Interest Paid		-	-	906	(43,222)	(42,316)
Payment to gratuity and pension funds		(669,995)	(1,322)	(607)	(4,534)	(676,458)
<b>Net Cash Flows from Operating Activities</b>		<b>12,143,236</b>	<b>41,475</b>	<b>(23,466)</b>	<b>67,245</b>	<b>12,228,491</b>
<b>Note B.</b>						
Cash and Cash Equivalents at 1st January		264,827	(42,858)	-	(579)	221,440
Cash and Cash Equivalents at 31st December	Note C	93,667	6,823	-	(508)	100,509
<b>Increase / (Decrease) in Cash and Cash Equivalents</b>		<b>(171,160)</b>	<b>49,681</b>	<b>-</b>	<b>71</b>	<b>(120,931)</b>
<b>Note C.</b>						
Cash at Bank and in Hand		510,436	2,919	50	-	528,149
Bank Overdraft		(416,770)	(45,777)	-	-	(427,639)
		93,667	(42,858)	50	-	100,510



**Segment Statement of Cash Flows for the year ended 31 December 2018**

For the Year Ended 31 December	Notes	Life Insurance Rs.'000	Ceylinco Healthcare Services Limited Rs.'000	Serene Resorts Limited Rs.'000	Adjustments and Eliminations Rs.'000	Group Rs.'000
<b>Cash Flows from Operating Activities</b>						
Premiums/Revenue received from Customers		17,838,611	-	-	-	17,838,611
Reinsurance Premiums (net of Commission) Paid		(76,899)	-	-	-	(76,899)
Commission Paid		(1,907,023)	-	-	-	(1,907,023)
Claims and Benefits Paid		(9,880,745)	-	-	-	(9,880,745)
Reinsurance Receipts in respect of Claims & Benefits		47,770	-	-	-	47,770
Interest and Dividends Received		9,726,855	-	24,646	-	9,751,501
Other Operating Cash Payments		(3,995,598)	163,088	(43,932)	(3,502)	(3,879,944)
Other Income		68,067	-	-	-	68,067
Gratuity/Pension payments		(278,395)	-	-	-	(278,395)
Income Taxes Paid		-	(4,338)	(5,641)	-	(9,979)
Interest paid		(20,328)	(1,695)	(2,905)	-	(24,927)
<b>Net Cash Flows from Operating Activities</b>	Note A	11,522,313	157,055	(27,832)	(3,502)	11,648,035
<b>Cash Flows from Investing Activities</b>						
Investments in/Proceeds from Subsidiaries/ Associates		(50,000)	-	44,649	-	(5,351)
Proceeds from sale of Investment Property		-	-	(19,297)	-	(19,297)
Acquisition of Financial Investments		(205,215,012)	(84,430)	(43,500)	-	(205,342,942)
Proceeds from Financial Investments		194,431,668	-	1,250	-	194,432,918
Acquisition of Property, Plant & Equipment		(463,512)	(229,337)	(4,792)	-	(697,641)
Proceeds from Disposal of Property, Plant & Equipment		43,466	710	-	-	44,176
<b>Net Cash Flows from Investing Activities</b>		(11,253,390)	(313,057)	(21,690)	-	(11,588,137)
<b>Cash Flows from Financing Activities</b>						
Increase in Share Capital		-	-	50,000	-	50,000
Proceeds from short-term borrowing		-	120,070	-	-	120,070
Dividends Paid to Equity holders		(537,654)	-	-	-	(537,654)
<b>Net Cash Flows from Financing Activities</b>		(537,654)	120,070	50,000	-	(367,584)
<b>Increase / (Decrease) in Cash &amp; Cash Equivalents</b>	Note B	(268,731)	(35,932)	478	(3,502)	(307,686)

## Notes to the Consolidated Financial Statements

For the Year Ended 31 December	Notes	Life Insurance Rs.'000	Ceylinco Healthcare Services Limited Rs.'000	Serene Resorts Limited Rs.'000	Adjustments and Eliminations Rs.'000	Group Rs.'000
<b>Note A.</b>						
<b>Reconciliation of Profit before tax with Net Cash Flows from Operating Activities</b>						
Profit before tax		7,157,389	127,963	(1,979)	(70,713)	7,212,660
<i>Adjustments for:</i>						
Depreciation		197,009	34,437	7,417	-	238,863
Provision for Gratuity & Pension		(1,084,245)	2,316	614	-	(1,081,314)
Amortisation of Intangible Assets		10,036	387	-	-	10,423
Change in Trade and Other Receivables		(2,605,883)	(70,054)	(24,429)	626	(2,699,740)
Change in Reinsurance Receivable		(154,165)	-	-	-	(154,165)
Increase in Life Insurance Funds		6,457,292	-	-	-	6,457,292
Increase in Unit-linked Fund		19,748	-	-	-	19,748
Increase in Takaful Fund		2,578	-	-	-	2,578
Increase in Individual Investment Fund (IFS)		70,223	-	-	-	70,223
Change in Trade and Other Payables		2,016,026	62,005	(908)	66,585	2,218,170
Realised Gains/(Losses)		(177,199)	-	-	-	(177,199)
Fair value Gains/(Losses) recorded in Income Statement		(108,102)	-	-	-	(108,102)
Income Tax Paid		-	-	(5,641)	-	(5,641)
Interest Paid		-	-	(2,905)	-	(2,905)
Payment to gratuity and pension funds		(278,395)	-	-	-	(278,395)
<b>Net Cash Flows from Operating Activities</b>		<b>11,522,313</b>	<b>157,054</b>	<b>(27,831)</b>	<b>(3,502)</b>	<b>11,648,035</b>
<b>Note B.</b>						
Cash and Cash Equivalents at 1st January		533,558	(6,926)	50	2,444	529,126
Cash and Cash Equivalents at 31st December		264,827	(42,858)	528	(1,056)	221,441
<b>Increase / (Decrease) in Cash and Cash Equivalents</b>		<b>(268,731)</b>	<b>(35,932)</b>	<b>478</b>	<b>(3,500)</b>	<b>(307,685)</b>

**5. (d). Summarised information of Significant Subsidiaries****Summarised Income Statement**

Ceylinco Healthcare Services Limited		
	2019 /	2018 /
	Rs.'000	Rs.'000
Revenue	<b>320,038</b>	361,646
Cost of Sales	<b>(196,680)</b>	(172,823)
Other Income	<b>3,512</b>	11,687
Administrative Expenses	<b>(125,125)</b>	(129,057)
Selling & Distribution Expenses	<b>(9,332)</b>	(6,622)
Finance Income/ (Cost)	<b>47,396</b>	63,131
Profit Before Tax	<b>40,280</b>	127,963

**Summarised Statement of Financial Position**

	2019 /	2018 /
	Rs.'000	Rs.'000
Current Assets	<b>466,281</b>	669,707
Non-Current Assets	<b>694,000</b>	752,027
<b>Total Assets</b>	<b>1,160,281</b>	1,421,734
Current Liabilities	<b>39,350</b>	161,481
Non-Current Liabilities	<b>127,484</b>	253,979
<b>Total Equity</b>	<b>993,447</b>	1,006,274
<b>Total Assets and Liabilities</b>	<b>1,160,281</b>	1,421,734

**Summarised Statement of Cash Flows**

	2019 /	2018 /
	Rs.'000	Rs.'000
Operating Cash Flows	<b>41,475</b>	112,042
Investing Cash Flows	<b>140,618</b>	(268,044)
Financing Cash Flows	<b>(132,412)</b>	120,070
Net Increase /(Decrease ) In cash and cash equivalents	<b>49,681</b>	(35,932)
Cash and Cash Equivalent at the Beginning of the Year	<b>(42,858)</b>	(6,926)
Cash and Cash Equivalent at the End of the Year	<b>6,823</b>	(42,858)

## Notes to the Consolidated Financial Statements

### 6. Intangible Assets

#### ACCOUNTING POLICY

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangibles are not capitalised and the related expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

#### Intangible assets with finite useful lives

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category consistent with the function of the intangible asset.

The estimated useful lives for Intangible Assets are as follows:

Item	Useful Life
Computer software	3-5 years

#### Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at cash generating unit level, irrespective of whether there is an indication of impairment. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis. Group/Company does not have intangible assets with indefinite useful life for the year under review.

#### Derecognition

The carrying amount of an intangible asset is de-recognised on disposal or when no future economic benefits are expected from its use. Gain or loss arising from de-recognition of an intangible asset is calculated as the difference between the net disposal proceeds and the carrying amount of the asset as at the date of disposal, and are recognised in the statement of income when the asset is de-recognised.

	Group		Company	
	Computer Software & License Rs.'000	Total Rs.'000	Computer Software & License Rs.'000	Total Rs.'000
<b>Cost</b>				
As at 1 January 2018	351,495	351,495	340,034	340,034
Addition during the year	-	-	-	-
Transfer / Disposal during the year	(9,556)	(9,556)	(9,556)	(9,556)
As at 1 January 2019	341,901	341,901	330,478	330,478
Addition During the Year	373,178	373,178	372,898	372,898
Transfer / Disposal during the year	-	-	-	-
<b>As at 31 December 2019</b>	<b>715,079</b>	<b>715,079</b>	<b>703,376</b>	<b>703,376</b>

	Note	Group		Company	
		Computer Software & License Rs.'000	Total Rs.'000	Computer Software & License Rs.'000	Total Rs.'000
<b>Accumulated Amortisation and Impairment</b>					
As at 1 January 2018		294,158	294,158	283,084	283,084
Amortisation for the Year		10,385	10,385	10,036	10,036
As at 1 January 2019		304,543	304,543	293,120	293,120
Amortisation for the Year	33	59,807	59,807	59,780	59,780
Amortization Adjustment		850	850	850	850
<b>As at 31 December 2019</b>		<b>365,200</b>	<b>365,200</b>	<b>353,750</b>	<b>353,750</b>
<b>Carrying amount</b>					
As at 1 January 2019		37,358	37,358	37,358	37,358
<b>As at 31 December 2019</b>		<b>349,879</b>	<b>349,879</b>	<b>349,627</b>	<b>349,627</b>

#### 6. (a). Acquisition of Intangible Assets during the year

During the year, the Group/Company acquired intangible assets amounting to Rs. 373.1 Million (Group) and Rs 372.9 Million (Company).

#### 6. (b). Fully Amortised Intangible Assets in use

##### Group/Company

Intangible Assets includes fully amortized Computer software which are in the use of normal business activities having a gross carrying amounts of Rs. 280.49 Million. (2018 - Rs. 280.19 Million).

#### 6. (c). Title Restriction on Intangible Assets

There were no restrictions that existed on the title of the Intangible Assets of the Group/Company as at the reporting date.

#### 6. (d). Assessment of impairment of Intangible Assets

The Board of Directors has assessed potential impairment indicators of intangible assets as at 31st December 2019. Based on the assessment, no impairment indicators were identified.

#### 6. (e). Capitalisation of Borrowing Costs

There were no capitalised borrowing costs related to the acquisition of Intangible Assets during the year. (2018 - Nil)

**7. Property, Plant and Equipment****ACCOUNTING POLICY**

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period.

**Basis of Recognition**

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably in accordance with "LKAS 16 - Property, Plant and Equipment".

**Basis of Measurement**

Items of property, plant and equipment are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses.

**Initial Measurement**

Initially items of property, plant and equipment are measured at its cost. Cost includes expenditure that is directly attributable to the acquisition or construction 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 and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are also capitalised.

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

**Subsequent Measurement**

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is de-recognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

**Revaluation**

Revaluation is performed on freehold land and buildings by professionally qualified valuers using the open market value. Land and buildings are revalued in every three years. The revaluation surplus is recognised on the net carrying value of the asset.

Any revaluation gain or loss attributable to policyholders is recognised in the Life Insurance Fund, whereas any revaluation gain or loss attributable to shareholders is recognised in revaluation reserve.

**Depreciation**

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The assets are depreciated from the month it is available for use and cease to depreciate from the month of disposal. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

The estimated useful lives for property, plant and equipment are as follows:

Item	2019 /	2018 /
	Useful Life	Useful Life
Buildings	<b>50-70 years</b>	50-70 years
Furniture and fittings	<b>5-10 years</b>	5-10 years
Office equipment	<b>3-10 years</b>	3-10 years
Computer equipment	<b>2-5 years</b>	2-5 years
Motor vehicles	<b>4-5 years</b>	4-5 years
Plant and machinery - Medical equipment	<b>5 years</b>	5 years
Plant and machinery - Electrical equipment	<b>5 years</b>	5 years
Plant and machinery - Other	<b>4-33 years</b>	4-33 years

### Impairment

The carrying amounts of the Group's non-financial assets are reviewed at each Reporting date 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in Income Statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

For assets excluding goodwill, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

The impairment analysis is principally based upon discounted estimated cash flows from the use and eventual disposal of the assets. Factors like lower than anticipated sales and resulting decreases of net cash flows and changes in the discount rates could lead to impairment.

### Capital work-in-progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in Property, Plant and Equipment, under construction.

### Borrowing Cost

Borrowing Cost that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalised as part of the cost of the asset as per the Sri Lanka Accounting Standard – LKAS 23 Borrowing Costs. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Other borrowing cost are recognized in the income statements in the period in which expense incur.

## Notes to the Consolidated Financial Statements

### Derecognition

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in Income Statement in the year the asset is de-recognised. When a previously revalued asset is de-recognised, the revaluation reserve pertaining to such asset is transferred to retained earnings.

Group		Freehold Land	Building	Plant & Machinery	Motor Vehicles	Office Equipment	Computer Equipment	Furniture & Fittings	Capital WIP	Total
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>At Cost/Valuation</b>										
At 1 January 2018		5,107,977	2,638,793	861,453	539,086	585,662	530,227	383,758	26,152	10,673,108
Additions during the Year		145,934	91,419	344,745	137,414	77,175	25,487	7,193	58,308	887,674
Transfers to during the Year		-	-	-	-	-	(44,558)	-	(46,769)	(91,328)
Disposals during the year		-	-	(236,997)	(60,019)	(2,903)	(16)	(3,954)	-	(303,889)
Revaluation		-	-	-	-	-	-	-	-	-
At 1 January 2019		5,253,911	2,730,212	969,201	616,480	659,934	511,140	386,998	37,690	11,165,566
Additions during the Year		-	86,756	6	326,986	69,868	24,151	5,710	145,483	658,960
Adjustment		-	(2,010)	-	-	(6)	32	(39)	-	(2,023)
Revaluation		893,689	173,864	-	-	-	-	-	-	1,067,553
Disposals		-	-	(5,480)	(128,313)	(2,706)	-	(91)	-	(136,590)
<b>At 31 December 2019</b>		<b>6,147,600</b>	<b>2,988,822</b>	<b>963,727</b>	<b>815,154</b>	<b>727,090</b>	<b>535,323</b>	<b>392,577</b>	<b>183,174</b>	<b>12,753,467</b>
<b>Accumulated Depreciation at Cost/Valuation</b>										
At 1 January 2018		-	54,645	465,101	258,650	334,770	373,625	256,639	-	1,743,430
Depreciation for the Year	33	-	41,909	30,728	61,088	45,947	37,144	22,047	-	238,862
Disposals during the year		-	-	(236,442)	(35,473)	(2,247)	(15)	(3,537)	-	(277,714)
At 1 January 2019		-	96,553	259,387	284,265	378,470	410,754	275,149	-	1,704,578
Depreciation for the Year	33	-	55,265	50,193	70,624	48,255	37,232	21,968	-	283,537
Adjustment		-	385	-	(3,907)	(303)	-	(25)	-	(3,850)
Disposals during the year		-	-	(4,045)	(88,577)	(2,205)	-	(86)	-	(94,913)
Revaluation		-	(125,963)	-	-	-	-	-	-	(125,963)
<b>At 31 December 2019</b>		<b>-</b>	<b>26,241</b>	<b>305,535</b>	<b>262,405</b>	<b>424,217</b>	<b>447,986</b>	<b>297,006</b>	<b>-</b>	<b>1,763,389</b>
<b>Carrying Amount</b>										
At 1 January 2018		5,253,911	2,633,659	709,814	332,215	281,464	100,386	111,848	37,690	9,460,988
<b>At 31 December 2019</b>		<b>6,147,600</b>	<b>2,962,581</b>	<b>658,192</b>	<b>552,749</b>	<b>302,873</b>	<b>87,337</b>	<b>95,571</b>	<b>183,174</b>	<b>10,990,078</b>



Company		Freehold		Plant &	Motor	Office	Computer	Furniture	Capital	Total
	Note	Land	Building	Machinery	Vehicles	Equipment	Equipment	& Fittings	WIP	
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>At Cost/Valuation</b>										
At 1 January 2018		4,538,977	2,074,002	-	539,086	544,829	516,800	308,897	23,273	8,545,864
Additions during the Year		145,934	91,419	-	137,414	53,069	19,710	4,429	58,308	510,281
Transfers to during the Year		-	0	-	-	-	(44,558)	-	(46,769)	(91,328)
Disposals during the year		-	-	-	(60,019)	(2,903)	(16)	(3,954)	-	(66,892)
Revaluation		-	-	-	-	-	-	-	-	-
At 1 January 2019		4,684,911	2,165,421	-	616,481	594,995	491,936	309,372	34,812	8,897,925
Additions during the Year		-	86,568	-	326,986	68,989	23,924	5,062	145,483	657,012
Adjustment		-	(2,010)	-	-	(6)	32	(39)	-	(2,023)
Revaluation		893,689	173,864	-	-	-	-	-	-	1,067,553
Disposals during the year		-	-	-	(128,313)	(2,706)	-	(91)	-	(131,110)
<b>At 31 December 2019</b>		<b>5,578,600</b>	<b>2,423,842</b>	<b>-</b>	<b>815,154</b>	<b>661,272</b>	<b>515,892</b>	<b>314,304</b>	<b>180,295</b>	<b>10,489,359</b>
<b>Accumulated Depreciation at Cost/Valuation</b>										
At 1 January 2018		-	40,243	-	258,649	319,670	362,345	193,475	-	1,174,382
Depreciation for the Year	33	-	41,909	-	61,088	41,689	36,478	15,845	-	197,009
Disposals during the year		-	-	-	(35,473)	(2,247)	(15)	(3,537)	-	(41,272)
Revaluation		-	-	-	-	-	-	-	-	-
At 1 January 2019		-	82,152	-	284,264	359,112	398,808	205,783	-	1,330,119
Depreciation for the Year	33	-	43,426	-	70,624	42,626	35,490	16,316	-	208,482
Adjustment		-	385	-	(3,907)	(303)	-	(25)	-	(3,850)
Disposals during the year		-	-	-	(88,577)	(2,205)	-	(86)	-	(90,868)
Revaluation		-	(125,963)	-	-	-	-	-	-	(125,963)
<b>At 31 December 2019</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>262,404</b>	<b>399,230</b>	<b>434,298</b>	<b>221,988</b>	<b>-</b>	<b>1,317,920</b>
<b>Carrying Amount</b>										
At 1 January 2018		4,684,911	2,083,269	-	332,216	235,882	93,128	103,589	34,811	7,567,806
<b>At 31 December 2019</b>		<b>5,578,600</b>	<b>2,423,842</b>	<b>-</b>	<b>552,750</b>	<b>262,042</b>	<b>81,594</b>	<b>92,316</b>	<b>180,295</b>	<b>9,171,436</b>

## Notes to the Consolidated Financial Statements

### 7. (a). Valuation of Freehold Land and Building

The Company performed the valuation as of 31 December 2019 for the freehold land and buildings and significant changes in the market value of the properties as of reporting period have been recognized in revaluation reserve.

As at 31 December 2019, the fair values of the freehold land and building are based on valuations performed by an accredited independent valuer Mr. Chandrasena Weerasinghe.

The Effective date of valuation of the freehold land and buildings is 31 December 2019

Valuation models used for valuation include Cost Basis method, Investment Method and Comparison Method are in compliance with the SLFRS/LKAS and also in accordance with the 8th Edition of International Valuation Standards recommended by the International Valuation Standards Committee.

There were no transfers between Levels 1 and 2 or to Level 3 during the year.

### 7. (b). Acquisition of Property, Plant and Equipment's during the year

#### Group

During the financial year Group has acquired Property, Plant & Equipment to the aggregate value of Rs. 659 Million ( 2018-Rs. 887 Million). Cash payments amounting to Rs. 659 Million (2018 - Rs. 887 Million) were made for the purchase of Property, Plant and Equipment

#### Company

During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 657 million (2018 - 510 million) - Cash payments amounting to Rs. 657 Million (2017 - Rs. 510 Million) were made during the year for purchase of Property Plant and Equipment.

### 7. (c). Capital Commitments and Assets Pledged

The Company has committed to pay an amount of Rs. 155,531,937/- (2018 - Rs.62,035,731/-) as at the reporting date under contract entered into on Capital expenditure projects.

### 7. (d). Title Restrictions on Property, Plant and Equipment

There are no restriction that existed on the title of the Property, Plant and Equipment of the Group and Company as at reporting date

### 7. (e). Temporarily idle Property, Plant and Equipment

There are no temporarily idle Property, Plant and Equipment as at year ended 31 December 2019

### 7. (f). Assessment of Impairment

The Company has assessed the potential impairment indicators of Property, Plant and Equipment as at 31 December 2019 Based on the assessment, no impairment indicators were identified.

**7. (g). Capitalization of Borrowing Cost**

There are no capitalised borrowing costs relating to the acquisition of Property, Plant and Equipment during the year. (2018 - Nil)

**7. (h). Fully Depreciated Property, Plant and Equipment**

The initial cost of fully depreciated property, plant and equipment which are still in use as at reporting date is as follows;

At 31 December	Group		Company	
	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Plant and Machinery	119,274	94,718	-	-
Computer Equipment	350,672	321,492	340,097	310,917
Office Equipment	167,308	147,194	160,094	140,571
Furniture and Fittings	219,800	167,560	183,479	134,573
Motor Vehicles	198,175	186,093	198,175	186,093
	<b>1,055,230</b>	<b>917,057</b>	<b>881,845</b>	<b>772,154</b>

**7 (i). Details of Freehold Land & Buildings of Company****Company**

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of Land Rs.'000	Value of Buildings Rs.'000	Cost/ Revaluation Rs.'000	Date of the Valuation
No.115, Greens Road, Negombo	13,169	A-0-R-0-P-15.00	Contractor's Test Method	Price per perch	Rs. 2,467,000	37,000	74,000	111,000	31/12/2019
No. 63, Janadhipathi Mawatha, Colombo 1	-	A-0-R-0-P-13.84	Residual Method	Price per Sq ft	Rs. 5,000	154,000	-	154,000	31/12/2019
No.60, Colombo Road, Kaluwella, Galle	11,385	A-0-R-0-P-15.00	Contractor's Test Method	Price per perch	Rs. 3,230,000	52,000	53,000	105,000	31/12/2019
No.54, Dharmapala Mawatha, Anuradhapura	23,100	A-0-R-1-P-10.68	Contractor's Test Method	Price per Sq ft	Rs. 7,500	114,000	120,000	234,000	31/12/2019
No.144, Hambanthota Road, Kachcheriyagama, Tissamaharama	8,130	A-0-R-1-P- 01.00	Contractor's Test Method	Price per perch	Rs. 1025,000	41,000	48,000	89,000	31/12/2019
No .45,Dharmapala Mawatha , Rathnapura	2,560	A-0-R-0-P-35.50	Contractor's Test Method	Price per Sq ft	Rs. 7,000	74,000	10,000	84,000	31/12/2019
No. 45,Dharmapala Mawatha , Rathnapura (New Building)	8,102	-	Contractor's Test Method	Price per Sq ft	Rs. 8,750	-	71,000	71,000	31/12/2019
No. 401, Main street , Panadura	7,116	A-0-R-1-P-412	Contractor's Test Method	Price per perch	Rs. 3,500,000	154,000	59,000	213,000	31/12/2019
No. 423, Main Street , Kalutara	12,000	A-0-R-0-P-32.75	Contractor's Test Method	Price per Sq ft	Rs. 8,750	65,000	89,000	154,000	31/12/2019

## Notes to the Consolidated Financial Statements

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of Land Rs.'000	Value of Buildings Rs.'000	Cost/ Revaluation Rs.'000	Date of the Valuation
				Price per Sq ft	Rs. 9,000				
No. 327, Badulla Road , Bandarawela	8,970	A-0-R-0-P-1701	Market Comparable Method	Price per perch	Rs. 1,200,000	20,500	89,500	110,000	31/12/2019
				Price per Sq ft	Rs. 10,000				
No. 106, Havelock Road, Colombo 05	61,630	A-0-R-0-P-35.27	Contractor's Test Method	Price per perch	Rs. 12,000,000	423,000	693,000	1,116,000	31/12/2019
				Price per Sq ft	Rs. 12,500				
No. 32, Mistry Hills, Nuwara Eliya	5,227	A-0-R-0-P-26.9	Direct Comparison Method	Price per perch	Rs. 558,000	15,000	22,000	37,000	31/12/2019
				Price per Sq ft	Rs. 2,000 - 5,500				
No15 , Rexdias Mawatha, Wennappuwa	9,114	A-0-R-0-P-3740	Contractor's Test Method	Price per perch	Rs. 1,000,000	37,000	61,000	98,000	31/12/2019
				Price per Sq ft	Rs. 7,000				
No 91, Baudhdhaloka Mawatha, Gampaha	9,458	A-0-R-0-P-32.5	Contractor's Test Method	Price per perch	Rs. 3,000,000	97,000	70,000	167,000	31/12/2019
				Price per Sq ft	Rs. 8,500				
No. 40, Rajapihilla Road, Kurunegala	10,485	A-0-R-0-P-15.5	Contractor's Test Method	Price per perch	Rs. 2,500,000	38,500	89,500	128,000	31/12/2019
				Price per Sq ft	Rs. 9,000				
No.90/4, Kurunegala Road, Chilaw	6,150	A-0-R-0-P-30.0	Contractor's Test Method	Price per perch	Rs. 833,000	25,000	55,000	80,000	31/12/2019
				Price per Sq ft	Rs. 8,650				
No 38, Abdul Gafoor Mawatha, Colombo 03	-	A-0-R-1-P-4.5	Income Capitalization Method	Price per perch	Rs. 12,494,000	556,000	-	556,000	31/12/2019
				Price per Sq ft	Rs. 4,000 - 4,500				
No 406, Galle Road, Rawatawatta, Moratuwa	6,874	A-0-R-0-P-39.73	Contractor's Test Method	Price per perch	Rs. 3,250,000	129,000	16,000	145,000	31/12/2019
				Price per Sq ft	Rs. 2,000,000				
No. 3739 & 41, Kannarthiddy Road, Jaffna	4,144	A-0-R-1-P-79	Contractor's Test Method	Price per perch	Rs. 2,000,000	96,000	78,000	174,000	31/12/2019
				Price per Sq ft	Rs. 5,500				
No.22 (New 32), Lloyd's Avenue, Batticaloa	11,690	A-0-R-0-P-23.83	Contractor's Test Method	Price per perch	Rs. 1,750,000	41,500	79,500	121,000	31/12/2019
				Price per Sq ft	Rs. 7,000				
No.2, Gower Street, Colombo-05	5,210	A-0-R-1-P-67.25	Market Comparable Method	Price per perch	Rs. 12,000,000	807,000	14,000	821,000	31/12/2019
				Price per Sq ft	Rs. 5,000				
No. 20 & 22/3 Kandy Road, Trincomalee	11,310	A-0-R-1-P-20	Contractor's Test Method	Price per perch	Rs. 850,000	51,000	91,000	142,000	31/12/2019
				Price per Sq ft	Rs. 8,500				
No.38,38/B Rajapilla Road, Kurunegala	-	A-0-R-0-P-23.93	Market Comparable Method	Price per perch	Rs. 2,507,000	60,000	-	60,000	31/12/2019
				Price per Sq ft	Rs. 6,000 - Rs.7,000.				
No.92 & 98 Jampettah Street, Colombo - 13	18,480	A-0-R-1-P-11.22	Market Comparable Method	Price per perch	Rs. 2,875,000	147,000	72,000	219,000	31/12/2019
				Price per Sq ft	Rs. 12,000,000				
No.70, Park Street, Colombo 02	4,510	A-0-R-1-P-32.4	Replacement Cost Method	Price per perch	Rs. 12,000,000	869,000	121,500	990,500	31/12/2019
				Price per Sq ft	Rs. 27,000				

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of Land Rs.'000	Value of Buildings Rs.'000	Cost/ Revaluation Rs.'000	Date of the Valuation
No.615, Galle Road, Mount Lavinia	4,315	A-0-R-1-P-12.5	Market Comparable Method	Price per perch	Rs. 4,000,000	210,000	19,000	229,000	31/12/2019
				Price per Sq ft	Rs. 5,500				
No.274, Panadura Road, Horana	5,860	A-0-R-0-P-25.5	Contractor's Test Method	Price per perch	Rs. 2,750,000	70,000	44,000	114,000	31/12/2019
				Price per Sq ft	Rs. 7,500				
No.65, King Street, Kandy	14650	A-0-R-1-P-125	Contractor's Test Method	Price per perch	Rs. 6,000,000	247,500	47,500	295,000	31/12/2019
				Price per Sq ft	Rs. 5,000				
No.45, Anagarika Dharmapala Mawatha, Matara	7232	A-0-R-0-P-26.44	Replacement Cost Method	Price per perch	Rs. 6,500,000	171,500	25,500	197,000	31/12/2019
				Price per Sq ft	Rs. 6,500				
No.213, Highlevel Road, Nugegoda	-	A-0-R-0-P-23.75	Market Comparable Method	Price per perch	Rs. 3,500,000	83,000	-	83,000	31/12/2019
No.15A, Jaya Mawatha, Kadawatha	5,914	A-0-R-0-P-19.5	Contractor's Test Method	Price per perch	Rs. 1,500,000	29,000	50,000	79,000	31/12/2019
				Price per Sq ft	Rs. 8,500				
No.26, Gammedda Road, Jaela	-	A-0-R-0-P-32	Market Comparable Method	Price per perch	Rs. 1,575,000	50,000	-	50,000	31/12/2019
190, Horana Road, Mampe, Kesbewa	-	A-0-R-0-P-25.35	Market Comparable Method	Price per perch	Rs. 3,000,000	76,000	-	76,000	31/12/2019
No 43 & 45, Galle Road, Wellawatta, Colombo 6	12,676	A-0-R-0-P-25.31	Contractor's Test Method	Price per perch	Rs. 15,000,000	379,000	39,000	418,000	31/12/2019
				Price per Sq ft	Rs. 7,200			-	31/12/2019
No.582, Malabe Road, Malabe	5,600	A-0-R-0-P-29	Contractor's Test Method	Price per perch	Rs. 3,500,000	101,500	47,500	149,000	31/12/2019
				Price per Sq ft	Rs. 8,500				
No 301, point pedro Rd, Nelliady, Karaveddy	-	A-0-R-0-P-44.32	Contractor's Test Method	Price per perch	Rs. 475,000	21,000		21,000	31/12/2019
				Price per Sq ft	Rs. 6,500				
Mirigama Road, Wewagedara, Divulapitiya.	2,865	A-0-R-0-P-40	Contractor's Test Method	Price per perch	Rs. 700,000	28,000		28,000	31/12/2019
				Price per Sq ft	Rs. 3,000				
No.301/A, Point Pedro Road, Nellyaddy, Jaffna	-	A-0-R-0-P-53.92	Contractor's Test Method	Price per perch	Rs. 160,000	8,600	75,342	83,942	31/12/2019
				Price per Sq ft	Rs. 6,500				
<b>Total</b>						<b>5,578,600</b>	<b>2,423,842</b>	<b>8,002,442</b>	

## Notes to the Consolidated Financial Statements

### 7. (j). Movement of Revalued Freehold Land & Buildings, if Accounted on Cost.

	Freehold land	Building
<b>At Cost</b>		
As at 1 January 2018	3,136,539	1,927,985
Addition during the year	145,934	91,419
As at 31 December 2018	3,282,473	2,019,404
Addition during the year	-	86,565
As at 31 December 2019	3,282,473	2,105,972
<b>Depreciation</b>		
As at 1 January 2018	-	135,190
Addition during the year	-	41,909
As at 31 December 2018	-	177,099
Addition during the year	-	42,119
As at 31 December 2019	-	219,218
<b>Carrying amount</b>		
As at 1 January 2018	3,136,539	1,792,795
As at 31 December 2018	3,282,473	1,842,305
As at 31 December 2019	3,282,473	1,886,754

### 8. Right-of-use Assets

#### ACCOUNTING POLICY

SLFRS 16 supersedes LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 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 all leases under a single on-balance sheet model. The Company has adopted SLFRS 16 using full retrospective method from 1 January 2019, without restating comparatives for 2018 reporting period, as permitted under the specific transitional provisions in the standard.

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

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

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right of use assets of the Company consist of branches premises and vehicles taken on rent which were previously recognised as operating leases under LKAS 17.

#### Initial Measurement

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the

commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

#### Subsequent Measurement

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

#### 8. (a). Assets hold under lease have been recognized as Right-of Use Assets under SLFRS 16

	Group		Company	
	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Assets as at 1 January 2019 - Effect of adoption of SLFRS 16	158,391	-	158,391	-
Impact of new leases	140,685	-	140,685	-
Amortization change for the year	(69,198)	-	(69,198)	-
<b>Asset as at 31 December</b>	<b>229,878</b>	<b>-</b>	<b>229,878</b>	<b>-</b>

#### 8. (b). Corresponding Liability for the Right-of-use assets has recognized under other liabilities

	Group		Company	
	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Liabilities as at 1 January 2019 - Effect of adoption of SLFRS 16	227,491	-	227,491	-
Impact of new leases	135,735	-	135,735	-
Accretion of Interest	19,102	-	19,102	-
Rental paid during the year	(114,405)	-	(114,405)	-
Rental paid in Advance	(26,016)	-	(26,016)	-
<b>Lease Liability as at 31 December</b>	<b>241,908</b>	<b>-</b>	<b>241,908</b>	<b>-</b>

## Notes to the Consolidated Financial Statements

On transition to SLFRS 16, the Company recognized right-of use assets of Rs. 229,878,000/- and lease liabilities of Rs. 241,908,000/- in the Statement of Financial Position. The difference between the asset and liability was prepaid rental as at 1 January 2019. The impact of transition as at 1 January 2019 is summarised below

The adoption of SLFRS 16 had no impact on Company's retained earnings and no material impact of capital adequacy ratio (CAR) of the company.

As at 31 December	Rs.'000
Operating lease commitments as at 31 December 2018	287,975
Weighted Average Incremental borrowing as at 1 January 2019	11%
Discounted operating lease commitments (Right-of-use Assets) as at January 2019	241,908

### 8. (c). Maturity Analysis - Contractual Discounted Cash Flows

The Company has entered into commercial leases on certain property and equipment. These leases have an average life of between three and five years, with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into the leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

	2019 /
	Rs.' 000
Within one year	77,897
After one year but not more than three years	120,548
After three years but not more than five years	43,257
More than five years	209
<b>Total operating lease rentals payable</b>	<b>241,908</b>

### 8. (d). Amounts recognised in profit or loss

	2019 /
	Rs.' 000
Interest on lease liabilities	69,198
Amortization change for the year	(19,102)

## 9. Investment Properties

### ACCOUNTING POLICY

#### Initial Measurement

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.



### Subsequent Measurement

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the Income Statement in the year in which they arise.

Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model, when there are indications of fair value changes in investment property.

### Transfers

Transfers are made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes investment property, the Company and the Group account for such property in accordance with the policy stated under property, plant and equipment up to the date of the change in use.

### Derecognition

Investment properties are de-recognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Income Statement in the year of retirement or disposal.

	Note	Group		Company	
		2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
At 1 January		<b>1,103,000</b>	1,026,000	<b>2,304,500</b>	2,160,914
Fair Value Gains	30	<b>61,000</b>	77,000	<b>166,000</b>	143,586
<b>At 31 December</b>		<b>1,164,000</b>	1,103,000	<b>2,470,500</b>	2,304,500

### 9. (a). Valuation of Investment Properties

As at 31 December 2019, the fair values of the land and building held for investment purpose are based on valuations performed by an accredited independent valuer, Mr. Chandrasena Weerasinghe.

Valuation models used for valuation include Cost Basis method, Investment Method and Comparison Method, which are in compliance with the SLFRS/LKAS and also in accordance with the 8th Edition of International Valuation Standards recommended by the International Valuation Standards Committee.

The Effective date of valuation of the land and building held for investment purpose is 31 December 2019

There were no transfers between Levels 1 and 2 or to Level 3 during the year.

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below;

The fair value measurement for all of the Land and Building held the as investment purpose has been categorized as a Level 3 based on the inputs to the valuation techniques used.

## Notes to the Consolidated Financial Statements

Valuation Technique	Significant unobservable valuation inputs	Sensitivity of the fair value measurement to inputs
<p><b>Market Comparable Method</b></p> <p>This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property in this process outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.</p>	<p>Price per perch for Land</p> <p>Price per square foot</p>	<p>Estimated fair value would increase (decrease) if; Price per perch increases (decreases) Price per square foot increases (decreases) Depreciation rate for building (decreases)/ increases</p>
<p><b>Investment Method</b></p> <p>This method involves capitalisation of the expected rental income at an appropriate Rate of years purchase currently characterised by the real estate market.</p>	<p>Gross Monthly Rental Years</p>	<p>Estimated fair value would increase (decrease) if; Gross Annual Rental increases (decreases) Years Purchase increases (decreases) Void Period (decrease) / increases</p>

### 9. (b). Temporarily Idle Investment Property

There are no temporarily idle Investment property as at year ended 31 December 2019

### 9. (c). Assessment of Impairment

The Company has assessed the potential Impairment indicators of Investment Properties as at 31 December 2019. Based on the assessment, no impairment indicators were identified

### 9. (d). Capital commitments and assets pledged

There are no capital commitments as at reporting date under contract entered into on Capital expenditure projects.

### 9. (e). Title restriction on Investment Property.

There are no restriction that existed on the title of the Investment Property of the Group and Company as at reporting date.

### 9. (f). Capitalization of Borrowing Cost

There are no capitalised borrowing costs relating to the acquisition of Investment Property during the year. (2018 - Nil).

## 9. (g). Details of Investment Properties of Company

2019 /									
	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of Land Rs.'000	Value of Buildings Rs.'000	Cost/ Revaluation Rs.'000	Date of the Valuation
No. 36, Talbot Town, Galle	6,668	A-0-R-0-P-20	Investment Method	Rent per Sq.ft per month	Rs.120 - Rs. 140	100,000	18,000	118,000	12/31/19
No. 24A, New Galle Road, Nambimulla, Ambalangoda	4,614	A-0-R-0-P-20	Investment Method	Rent per Sq.ft per month	Rs.90 - Rs. 120	70,000	18,000	88,000	12/31/19
No. 115, Green Road, Negombo		A-0-R-0-P-375	Market Comparable Method	Price per perch	Rs.2,750,000	131,000	-	131,000	12/31/19
No. 428, 428/2/1, R. A. De Mel Mawatha, Colombo 03	8,249	Condominium	Investment Method	Rent per Sq.ft per month	Rs.160 - Rs. 200	-	136,000	136,000	12/31/19
No. 60, Park Street, Colombo 02	34,854	A-0-R-1-P-2.82	Investment Method	Rent per Sq.ft per month	Rs.150 - Rs. 210	514,000	211,000	725,000	12/31/19
No. 70, Park Street, Colombo 02	4,510		Market Comparable Method	Rent per Sq.ft per month	Rs.125 - Rs. 160	-	128,500	128,500	12/31/19
No. 06, Railway Station Road, Matara	2,982	A-0-R-0-P-25.88	Investment Method	Rent per Sq.ft per month	Rs.50 - Rs. 100	77,500	5,500	83,000	12/31/19
Ceylinco House, No.69, Janadhipathi Mawatha, Colombo 01 (5th Floor)	11,323		Investment Method	Rent per Sq.ft per month	Rs.160 - Rs. 220	-	240,000	240,000	12/31/19
Ceylinco House, No.69, Janadhipathi Mawatha, Colombo 01 (6th Floor)	11,323		Investment Method	Rent per Sq.ft per month	Rs.160 - Rs. 220	-	250,000	250,000	12/31/19
Ceylinco House, No.69, Janadhipathi Mawatha, Colombo 01 (7th Floor)	5,318		Investment Method	Rent per Sq.ft per month	Rs.160 - Rs. 220	-	118,000	118,000	12/31/19
Serene Resorts, Bopitiya Road, Uswetakeijawa	37,184	A-2-R-3-P-30	Market Comparable Method	Price per perch	Rs.375,000	211,000	242,000	453,000	12/31/19
				Price per Sq. ft	Rs.3,000 - 7,000				
<b>Total</b>						1,103,500	1,367,000	2,470,500	

2018 /									
	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of Land Rs.'000	Value of Buildings Rs.'000	Cost/ Revaluation Rs.'000	Date of the Valuation
No. 36, Talbot Town, Galle	6,668	A-0-R-0-P-20	Investment Method	Rent per Sq.ft per month	Rs.50 - Rs.150	95,000	16,000	111,000	31/12/2018
No. 24A, New Galle Road, Nambimulla, Ambalangoda	4,614	A-0-R-0-P-20	Investment Method	Rent per Sq.ft per month	Rs.75 - Rs.100	60,000	17,000	77,000	31/12/2018
No. 115, Green Road, Negombo		A-0-R-0-P-375	Market Comparable Method	Price per perch	Rs.2,700,000	103,000	-	103,000	31/12/2018
No. 428, 428/2/1, R. A. De Mel Mawatha, Colombo 03	8,249	Condominium	Investment Method	Rent per Sq.ft per month	Rs.65 - Rs.125	-	135,000	135,000	31/12/2018
No. 60, Park Street, Colombo 02	34,854	A-0-R-1-P-2.82	Investment Method	Rent per Sq.ft per month	Rs.80 - Rs.150	450,000	210,000	660,000	31/12/2018
No. 70, Park Street, Colombo 02	4,510		Market Comparable Method	Rent per Sq.ft per month	Rs.125 - Rs.160	-	128,500	128,500	31/12/2018
No. 06, Railway Station Road, Matara	2,982	A-0-R-0-P-25.88	Investment Method	Rent per Sq.ft per month	Rs.60 - Rs.120	64,500	4,500	69,000	31/12/2018
Ceylinco House, No.69, Janadhipathi Mawatha, Colombo 01 (5th Floor)	11,323		Investment Method	Rent per Sq.ft per month	Rs.135	-	240,000	240,000	31/12/2018
Ceylinco House, No.69, Janadhipathi Mawatha, Colombo 01 (6th Floor)	11,323		Investment Method	Rent per Sq.ft per month	Rs.135	-	250,000	250,000	31/12/2018
Ceylinco House, No.69, Janadhipathi Mawatha, Colombo 01 (7th Floor)	5,318		Investment Method	Rent per Sq.ft per month	Rs.135	-	118,000	118,000	31/12/2018
Serene Resorts, Bopitiya Road, Uswetakeijawa	37,184	A-2-R-3-P-30	Market Comparable Method	Price per perch	Rs.375,000	176,000	237,000	413,000	31/12/2018
				Price per Sq. ft	Rs.3,000 - 5,500				
<b>Total</b>						948,500	1,356,000	2,304,500	

## Notes to the Consolidated Financial Statements

The fair value of investment property reflects the actual market value as at reporting date.

No Depreciation/Amortization recognized for the investments properties carried at Fair Value

### 9. (h). Rental Income

	Note	Group		Company	
		2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Rental Income Derived from Investment Properties	28	<b>76,642</b>	71,859	<b>78,742</b>	71,859
Direct operating Expenses Generating Rental Income		<b>(1,746)</b>	-	<b>(1,746)</b>	-
Direct operating Expenses that did not Generating Rental Income		<b>(4,619)</b>	(4,027)	<b>(4,619)</b>	(4,027)
<b>Net Profit Arising From Investment Properties</b>		<b>70,277</b>	67,832	<b>72,377</b>	67,832

### 10. Investment in Subsidiaries-Company

#### ACCOUNTING POLICY

Business combinations are accounted for using the purchase method. Transaction costs directly attributable to the acquisition form part of the acquisition costs. Non-controlling interests are measured at the proportionate share of the acquirer's identifiable net assets.

The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquire. For each business combination, the Group measures the non-controlling interest in the acquire at fair value or at the proportionate share of the acquirer's identifiable net assets. Transaction costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combinations are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in Income Statement. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with LKAS 39 either in Income Statement or as a change to Other Comprehensive Income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS/LKAS.

#### Subsidiary Companies

Serene Resorts Limited  
Ceylinco Healthcare Services Limited

#### Associate Company

Citizens Development Business Finance PLC

The above transaction is considered as a common control business combination. A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

As common control business combinations are scoped out in SLRFS 3 – Business Combinations, management used the guidance available in LKAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors and the guidance issued under the Statement of Recommended Practice (‘SoRP’) – ‘Merger Accounting for Common Control Business Combinations’ issued by The Institute of Chartered Accountants of Sri Lanka.

In applying merger accounting, Financial Statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the Consolidated Financial Statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

Accordingly, the comparative figures of the Consolidated Financial Statements were restated as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties of Ceylinco Life Insurance Limited.

#### **Transactions Eliminated on Consolidation**

Intra-group balances and transactions, and any unrealised income expenses arising from intra-group transactions and dividend, are eliminated in preparation of the Consolidated Financial Statements.

#### **SUBSIDIARIES**

Subsidiaries are entities controlled by the parent company. Control is achieved when the Group is exposed or has the right, to variable returns from its involvement with the investee and when it has the ability to affect those returns through its power over the investee. Specially, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., Existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its return

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee including:

- The contractual agreement with the other vote holders of the investee
- Rights arising from other contractual agreements
- The Group’s voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

## Notes to the Consolidated Financial Statements

The Financial Statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

### Unquoted Shares

	% of Direct Holding		Number of Shares		Cost	
	2019 /	2018 /	2019 /	2018 /	2019 /	2018 /
					Rs.'000	Rs.'000
Serene Resorts Ltd.	<b>98.44%</b>	98.44%	<b>31,500,000</b>	31,500,000	<b>315,000</b>	315,000
Ceylinco Healthcare Services Ltd.	<b>99.45%</b>	99.45%	<b>77,100,000</b>	77,100,000	<b>771,000</b>	771,000
					<b>1,086,000</b>	1,086,000

### Transactions with Non-Controlling Interests

The profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the parent, directly or indirectly through subsidiaries, is disclosed separately under 'Non-Controlling Interest'. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

### Assessment of Impairment

The Company has assessed the recoverability of investment made as at 31 December 2019. Based on the assessment, no impairment indicators were identified

## II. Investment in Associates

### ACCOUNTING POLICY

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is not control or joint control over those policies. Associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

The Income Statement reflects the Group's share of the results of operations of the associate. Any change in Other Comprehensive Income of those investees is presented as part of the Group's Other Comprehensive Income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the Income Statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The Financial Statements of the associate is prepared for the same Reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associates. At each Reporting date, the Group determines whether there is any objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the Income Statement.

Upon loss of significant influence over the associate, the Group measures and recognises any remaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in Income Statement.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## II. (a). Company / Group Investments in Associates

	% Holding		Number of Shares		Value	
	2019 /	2018 /	2019 /	2018 /	2019 /	2018 /
					Rs.'000	Rs.'000
<b>Company</b>						
<b>Quoted Investments</b>						
Citizens Development Business Finance PLC						
Cost as at 01 January	<b>30.80%</b>	30.67%	<b>21,498,096</b>	16,655,116	<b>457,370</b>	457,370
New Investment made during the year					<b>350,302</b>	-
<b>Company Investments in Associates ( At Cost)</b>					<b>807,672</b>	457,370
<b>Group</b>						
<b>Negative Goodwill on Acquisition over Consideration</b>						
Citizens Development Business Finance Ltd					<b>103,749</b>	103,749
<b>Group's Share of Associates Companies Retained Assets</b>						
<b>Citizens Development Business Finance PLC</b>						
Cumulative Equity Changes					<b>1,851,778</b>	1,438,867
Share of Profit					<b>470,242</b>	534,730
Share of Other Comprehensive Income					<b>33,958</b>	(47,357)
Dividend Received					<b>(44,996)</b>	(74,462)
<b>Group Investment in Associates ( Equity Basis)</b>					<b>3,222,402</b>	2,412,898

## II. (b). Summarized Financial Information of the Associates

### Citizens Development Business Finance PLC

	Total -Associate		Share of Associate	
	2019 /	2018 /	2019 /	2018 /
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Associate's Statement of Financial Position</b>				
Total Assets	<b>90,275,961</b>	87,968,467	<b>27,804,995</b>	26,979,929
Total Liabilities	<b>79,813,617</b>	80,101,176	<b>24,582,594</b>	24,567,031
<b>Net Assets</b>	<b>10,462,344</b>	7,867,291	<b>3,222,402</b>	2,412,898

## Notes to the Consolidated Financial Statements

	Total -Associate		Share of Associate	
	2019 /	2018 /	2019 /	2018 /
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Associate's Revenue and Profit</b>				
Revenue	<b>14,878,321</b>	13,460,395	<b>4,572,812</b>	4,128,303
Profit Before Tax	<b>1,941,585</b>	2,099,129	<b>596,741</b>	643,803
Profit After Tax	<b>1,658,673</b>	1,743,498	<b>470,242</b>	534,730
Other Comprehensive Income	<b>110,486</b>	(154,410)	<b>33,958</b>	(47,357)
Dividend	<b>271,528</b>	271,528	<b>44,996</b>	74,462

Above summarized financials includes share of following account balances

	Total -Associate		Share of Associate	
	2019 /	2018 /	2019 /	2018 /
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash and Cash Equivalent	<b>962,129</b>	4,539,549	<b>296,336</b>	1,392,280
Non Current Financial Liabilities	<b>26,264,772</b>	24,883,723	<b>8,089,550</b>	7,631,838
Interest Expenses	<b>(9,046,681)</b>	(8,493,037)	<b>(2,780,473)</b>	(2,604,814)
Income Tax Expense	<b>(282,912)</b>	(355,631)	<b>(86,952)</b>	(109,072)

Citizens Development Business Finance PLC (CDB) is a public limited liability company incorporated and domiciled in Sri Lanka, which is also listed in Colombo Stock Exchange. The principle activity of the Company is to provide a vast range of Financial Services including accepting deposits, leasing, hire purchase, and loan facilities etc.

### 11. (c). Fair Value of the Investment

Fair Value of the Company's investments in the associate as at reporting date Rs. 1,806 Million (2018 - Rs. 1,366 Million)

## 12. Financial Instruments and Fair Values of Financial Instruments

### ACCOUNTING POLICY

Depending on the intention and ability to hold the invested assets, the Company classifies its non-derivative financial assets into following categories:

- Financial assets at fair value through profit or loss (FVTPL)
- Held-to-maturity (HTM)
- Loans and receivables (L&R) and
- Available-for-sale (AFS) financial assets as appropriate.



### Initial Recognition

The Group/Company initially recognises loans and receivables, and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group/Company becomes a party to the contractual provisions of the instrument. In the case of financial assets not at fair value through profit or loss, a financial asset is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

Income and expenses are presented on a net basis only when permitted under SLFRS/LKAS, or for gains and losses arising from a group of similar transactions such as in the Group/Company's trading activity.

The following table consists of the fair values of the financial investments together with their carrying values.

Fair Value through Profit or Loss investments and Available-For-Sale investments are valued at fair value. Held to maturity investments and loans and receivable investments are valued at amortised cost.

As at 31 December		Group		Company	
		2019 /	2018 /	2019 /	2018 /
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Held to maturity financial assets	12(a)	<b>56,889,866</b>	60,575,394	<b>56,889,866</b>	60,575,394
Loans and receivables	12(b)	<b>46,413,045</b>	38,205,440	<b>45,769,731</b>	37,446,065
Available-for-sale financial assets	12(c)	<b>7,657,812</b>	1,469,787	<b>7,576,619</b>	1,309,787
Financial assets at fair value through profit or loss	12(d)	<b>2,317,923</b>	565,829	<b>2,317,923</b>	565,829
<b>Total Financial Instruments</b>		<b>113,278,647</b>	100,816,450	<b>112,554,139</b>	99,897,075

The following table compares the fair values of the financial instruments to their carrying values:

As at 31 December	Group				Company			
	2019 /		2018 /		2019 /		2018 /	
	Carrying value Rs.'000	Fair value Rs.'000	Carrying value Rs.'000	Fair value Rs.'000	Carrying value Rs.'000	Fair value Rs.'000	Carrying value Rs.'000	Fair value Rs.'000
Held to maturity financial assets	<b>56,889,866</b>	<b>57,662,522</b>	60,575,394	60,488,162	<b>56,889,866</b>	<b>57,662,522</b>	60,575,394	60,488,162
Loans and receivables	<b>46,413,045</b>	<b>46,413,045</b>	38,205,440	38,205,440	<b>45,769,731</b>	<b>45,781,779</b>	37,446,065	37,446,065
Available-for-sale financial assets	<b>7,657,812</b>	<b>7,657,812</b>	1,469,787	1,469,787	<b>7,576,619</b>	<b>7,576,619</b>	1,309,787	1,309,787
Financial assets at fair value through profit or loss	<b>2,317,923</b>	<b>2,317,923</b>	565,829	565,829	<b>2,317,923</b>	<b>2,317,923</b>	565,829	565,829
<b>Total Financial Instruments</b>	<b>113,278,647</b>	<b>114,051,303</b>	100,816,450	100,729,218	<b>112,554,139</b>	<b>113,338,843</b>	99,897,075	99,809,843

## Notes to the Consolidated Financial Statements

### Impairment of Financial Assets

The Group assesses, at each Reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset de-recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the Consolidated Income Statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

### Derecognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - (a) the Group has transferred substantially all the risks and rewards of the asset; or
  - (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### 12. (a). Held to Maturity Financial Assets

#### ACCOUNTING POLICY

Financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate (EIR). The EIR amortisation is included in finance income in the Income Statement.

The losses arising from impairment are recognised as finance cost in the Income Statement.

As at 31 December	Group		Company	
	2019 /	2018 /	2019 /	2018 /
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Fair value</b>				
Treasury Bills & Bonds	<b>38,825,574</b>	38,936,641	<b>38,825,574</b>	38,936,641
Debentures - Quoted	<b>18,836,948</b>	21,551,521	<b>18,836,948</b>	21,551,521
<b>Total Held to Maturity Financial Assets at Fair Value</b>	<b>57,662,522</b>	60,488,162	<b>57,662,522</b>	60,488,162
<b>Amortised Cost</b>				
Treasury Bonds	<b>37,689,470</b>	38,603,523	<b>37,689,470</b>	38,603,523
Debentures - Quoted	12 (j)(1) <b>19,200,396</b>	21,971,871	<b>19,200,396</b>	21,971,871
<b>Total Held to Maturity Financial Assets at Amortised Cost</b>	<b>56,889,866</b>	60,575,394	<b>56,889,866</b>	60,575,394

### 12. (a). 1. Impairment of Financial Investments at HTM

The Group/ Company has not experienced any indication for impairment in respect of HTM financial assets.

### 12. (a). 2. Re-Classification

During the Year Group/Company did not reclassify any financial assets under this category

### 12. (a). 3. Fair Value Measurement

The Group/Company measures the fair value using fair value hierarchy which reflects the significance of level of inputs used in making the fair value measurement which is described in the Note 12(g).

### 12. (b) Loans and Receivables

#### ACCOUNTING POLICY

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Income Statement. The losses arising from impairment are recognised in the Income Statement in finance costs for loans and in other operating expenses for receivables.

As at 31 December	Note	Group		Company	
		2019 /	2018 /	2019 /	2018 /
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Staff Vehicle Hire		<b>718,566</b>	559,522	<b>718,566</b>	559,522
Staff Loans other than vehicle Hire Purchase		<b>332,938</b>	173,936	<b>332,938</b>	173,936
Repo Investment		<b>59,186</b>	166,925	<b>59,186</b>	159,918
Debentures - Unquoted	12 (j)(2)	<b>5,432,180</b>	1,301,203	<b>5,432,180</b>	1,301,203
Quoted Debentures	12 (j)(3)	<b>6,703,775</b>	4,213,041	<b>6,703,775</b>	4,213,041
Term Deposits	12 (j)(4)	<b>33,166,401</b>	31,790,812	<b>32,523,087</b>	31,038,444
<b>Total Loans and Receivables at Amortised Cost</b>		<b>46,413,045</b>	38,205,440	<b>45,769,731</b>	37,446,065

## Notes to the Consolidated Financial Statements

The carrying value of the staff loan and the Car hire to sales agents have been computed based on the market interest rates prevailed at the time of granting the loan/hire.

### 12. (b).1. Impairment of Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Income Statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the Income Statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the Income Statement.

### 12. (b).2. Re-Classification

During the Year Group/Company did not reclassify any financial assets under this category

### 12. (b).3. Fair Value Measurement

The Group/Company measures the fair value using fair value hierarchy which reflects the significance of level of inputs used in making the fair value measurement which is described in the Note 12(g).

### 12. (c). Available-For-Sale Financial Assets

#### ACCOUNTING POLICY

Available-for-sale financial assets are financial assets that are designated as Available-for-Sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses on available-for sale equity instruments are recognised in Other Comprehensive Income and presented within equity in the available-for-sale reserve. When an investment is derecognized, the cumulative gain or loss in Other Comprehensive Income is transferred to the Income Statement.

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

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 management has the intention and ability to hold these assets for the foreseeable future or until maturity. There classification to held-to-maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

As at 31 December	Note	Group		Company	
		2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Treasury Bills & Bonds		<b>7,159,730</b>	724,523	<b>7,159,730</b>	724,523
Quoted debentures	12 (j)(5)	<b>294,237</b>	469,633	<b>294,237</b>	469,633
Quoted Share Investment	12 (j)(6)	<b>122,651</b>	115,631	<b>122,651</b>	115,631
Unit Trust Investments		<b>81,193</b>	160,000	-	-
<b>Total Available-For-Sale Financial Assets at Fair Value</b>		<b>7,657,812</b>	1,469,787	<b>7,576,619</b>	1,309,787

### 12. (c). 1. Impairment of Available-for-Sale Financial Investments

The Group assesses at each Reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as Available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement – is removed from Other Comprehensive Income and recognised in the Income Statement. Impairment losses on equity investments are not reversed through the Income Statement; increases in their fair value after impairment are recognised directly in Other Comprehensive Income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Income Statement, the impairment loss is reversed through the Income Statement.

The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates among other factors, the duration or extent to which the fair value of the investment is less than its cost.

### 12. (c). 2. Re-Classification

During the Year Group/Company did not reclassify any financial assets under this category

### 12. (c). 3. Fair Value Measurement

The Group/Company measures the fair value using fair value hierarchy which reflects the significance of level of inputs used in making the fair value measurement which is described in the Note 12(g).

## Notes to the Consolidated Financial Statements

### 12. (d). Financial Assets at Fair Value Through Profit or Loss

#### ACCOUNTING POLICY

A financial asset is classified as fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's investment strategy. Attributable transaction costs are recognised in Income Statement as incurred.

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with changes in fair value recognised in the Income Statement. Financial assets designated at fair value through profit or loss comprises quoted equity instruments and Treasury Bonds unless otherwise have been classified as available-for-sale.

As at 31 December	Group		Company	
	2019 /	2018 /	2019 /	2018 /
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Fair value</b>				
Treasury Bills & Bonds	<b>2,305,764</b>	557,918	<b>2,305,764</b>	557,918
Short Term Investment - Quoted	12(j)(7) <b>12,158</b>	7,911	<b>12,158</b>	7,911
<b>Total Financial Assets at Fair Value Through Profit or Loss</b>	<b>2,317,923</b>	565,829	<b>2,317,923</b>	565,829

#### 12. (d). 1. Re-Classification

During the Year Group/Company did not reclassify any financial assets under this category.

#### 12. (d) .2. Fair Value Measurement

The Group/Company measures the fair value using fair value hierarchy which reflects the significance of level of inputs used in making the fair value measurement which is described in the Note 12(g).

#### 12. (e). Accrued Income

As at 31 December	Group		Company	
	2019 /	2018 /	2019 /	2018 /
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Held to Maturity Investments	<b>1,785,885</b>	1,999,708	<b>1,785,885</b>	1,999,708
Financial assets at fair value through profit or loss	<b>66,925</b>	28,588	<b>66,925</b>	28,588
Loans & Receivables	<b>605,219</b>	1,911,854	<b>572,002</b>	1,885,856
Available for sale investments	<b>194,732</b>	30,971	<b>194,732</b>	30,971
	<b>2,652,761</b>	3,971,122	<b>2,619,544</b>	3,945,123

Accrued Income of Financial Instruments, which were shown separately in the statement of Financial Position are amalgamated to the each instruments and shown under each class of financial instruments above.

#### 12. (f). Pledged of Financial Instruments

Details of pledged assets held under Financial assets have been disclosed under note number 43 in page number 305 .

## 12. (g). Determination of Fair Value and Fair Value Hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or;
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly and

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each Reporting period. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### Fair Value Basis – Instrument Wise

Instrument	Measurement Basis
<b>Government Securities</b>	
Treasury Bonds/Bills	Average buying yield as per secondary market daily report published by the Central Bank of Sri Lanka
<b>Investment in Listed Shares</b>	
	Volume Weighted-Average (VWA) prices
<b>Corporate Debt</b>	
Listed	Last traded price
Unlisted Fixed Rate	Discounted Cash Flow (DCF) Method (Cost plus accrued interest)
<b>Fixed and Term Deposits</b>	
Deposit > 1 Year	Discounted Cash Flow (DCF) Method

## Notes to the Consolidated Financial Statements

The following table shows an analysis of Assets & Liabilities recorded at fair value by level of the fair value hierarchy:

Company	2019 /				2018 /			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Financial assets</b>								
<b>Financial Assets at Fair Value Through Profit/Loss</b>								
Equity securities	12,158	-	-	12,158	7,911	-	-	7,911
Debt securities	2,305,764	-	-	2,305,764	557,918	-	-	557,918
	<b>2,317,923</b>	-	-	<b>2,317,923</b>	565,829	-	-	565,829
<b>Available-For-Sale Financial Assets:</b>								
Equity securities	120,126	-	2,525	122,651	115,631	-	-	115,631
Debt securities	7,453,968	-	-	7,453,968	1,354,156	-	-	1,354,156
	<b>7,576,619</b>	-	<b>2,525</b>	<b>7,576,619</b>	1,469,787	-	-	1,469,787
<b>Held to Maturity Financial Assets</b>	<b>38,825,574</b>	<b>18,836,948</b>	-	<b>57,662,522</b>	38,936,641	21,551,521	-	60,488,162
<b>Total Financial Assets</b>	<b>48,717,591</b>	<b>18,836,948</b>	<b>2,525</b>	<b>67,557,064</b>	40,972,257.28	21,551,521	-	62,523,778
<b>Property Plant and Equipment's</b>								
Land	-	-	5,578,600	5,578,600	-	-	4,684,911	4,684,911
Buildings	-	-	2,423,842	2,423,842	-	-	2,083,269	2,083,269
	-	-	<b>8,002,442</b>	<b>8,002,442</b>	-	-	6,768,180	6,768,180
Investment Properties	-	-	2,471,500	2,471,500	-	-	2,304,500	2,304,500
<b>Total Assets</b>	<b>48,717,591</b>	<b>18,836,948</b>	<b>10,476,467</b>	<b>78,031,006</b>	40,972,257	21,551,521	9,072,680	71,596,458

\*Listed corporate debt has been classified under level two in the above fair value hierarchy as there is no active market for those corporate debts, even though such corporate debts are listed



**12 .(h). Carrying Values of Financial Instruments**

The movement of carrying value of above financial instruments as of Reporting date is as follows:

Group	Held to	Loans and	Available-	Fair value	Total
	Maturity	Receivables	For-Sale	Through	
	Rs.'000	Rs.'000	Rs.'000	Profit or Loss Rs.'000	Rs.'000
<b>At 1 January 2018</b>	65,272,729	17,973,682	3,851,240	2,349,607	89,447,258
Purchases	5,126,893	177,241,892	11,859,391	11,114,766	205,342,942
Maturities	(9,053,438)	(158,478,779)	-	-	(167,532,217)
Disposals	-	-	(14,144,906)	(12,755,795)	(26,900,701)
Fair value gains recorded in the income statement	-	-	-	(35,484)	(35,484)
Fair value gains recorded in other comprehensive income	-	-	(131,577)	-	(131,577)
Interest Accrual Adjustment	(12,676)	1,346,586	(71,594)	(36,969)	1,225,347
Amortisation adjustment	(758,114)	122,058	107,232	(70,296)	(599,120)
<b>At 1st January 2019</b>	60,575,394	38,205,440	1,469,787	565,829	100,816,449
Purchases	789,676	156,379,793	18,065,351	9,372,889	184,607,709
Maturities	(4,350,780)	(149,877,407)	-	-	(154,228,187)
Disposals	-	-	(12,180,942)	(7,838,979)	(20,019,921)
Fair value gains recorded in the income statement	-	-	-	110,130	110,130
Fair value gains recorded in other comprehensive income	-	-	(28,052)	-	(28,052)
Interest Accrual Adjustment	(213,823)	(1,321,072)	163,760	38,336	(1,332,798)
Amortisation adjustment	89,400	3,026,292	167,908	69,716	3,353,316
<b>At 31 December 2019</b>	56,889,866	46,413,045	7,657,812	2,317,923	113,278,647

## Notes to the Consolidated Financial Statements

Company	Held to Maturity Rs.'000	Loans and Receivables Rs.'000	Available-For-Sale Rs.'000	Fair value Through Profit or Loss Rs.'000	Total Rs.'000
<b>At 1 January 2018</b>	65,272,729	17,199,111	3,807,709	2,349,607	88,629,157
Purchases	5,126,893	177,273,963	11,699,391	11,114,766	205,215,013
Maturities	(9,053,438)	(158,521,061)	-	-	(167,574,499)
Disposals	-	-	(14,101,374)	(12,755,795)	(26,857,169)
Fair value gains recorded in the income statement	-	-	-	(35,484)	(35,484)
Fair value gains recorded in other comprehensive income	-	-	(131,577)	-	(131,577)
Interest Accrual Adjustment	(12,676)	1,328,467	(71,594)	(36,969)	1,207,228
Amortisation adjustment	(758,114)	165,584	107,232	(70,296)	(555,594)
<b>At 1st January 2019</b>	60,575,394	37,446,065	1,309,787	565,828	99,897,074
Purchases	789,676	155,769,658	18,065,351	9,372,889	183,997,574
Maturities	(4,350,780)	(149,158,430)	-	-	(153,509,210)
Disposals	-	-	(12,102,137)	(7,838,979)	(19,941,116)
Fair value gains recorded in the income statement	-	-	-	110,130	110,130
Fair value gains recorded in other comprehensive income	-	-	(28,052)	-	(28,052)
Interest Accrual Adjustment	(213,823)	(1,313,854)	163,760	38,336	(1,325,580)
Amortisation adjustment	89,400	3,026,292	167,908	69,716	3,353,316
<b>At 31 December 2019</b>	56,889,866	45,769,731	7,576,619	2,317,923	112,554,139

### 12. (I). Assets For Which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

**12. (j). Entity wise details of Financial Instruments****12.(j). (1). Held to Maturity Financial Assets -Debentures (Quoted)**

As at 31 December	Group		Company	
	2,019 /	2,018 /	2,019 /	2,018 /
	Carrying Value (Rs. '000)	Carrying Value (Rs. '000)	Carrying Value (Rs. '000)	Carrying Value (Rs. '000)
Bank of Ceylon	<b>1,306,802</b>	1,354,276	<b>1,306,802</b>	1,354,276
Central Finance PLC	<b>45,111</b>	280,932	<b>45,111</b>	280,932
Commercial Bank of Ceylon PLC	<b>1,399,633</b>	1,359,656	<b>1,399,633</b>	1,359,656
Commercial Credit & Finance PLC	<b>14,353</b>	14,349	<b>14,353</b>	14,349
DFCC Bank PLC	<b>2,743,853</b>	5,114,293	<b>2,743,853</b>	5,114,293
Hatton National Bank PLC	<b>3,132,570</b>	3,126,213	<b>3,132,570</b>	3,126,213
National Development Bank PLC	<b>1,605,711</b>	1,558,516	<b>1,605,711</b>	1,558,516
Nations Trust Bank PLC	<b>660,866</b>	661,952	<b>660,866</b>	661,952
Peoples' Leasing & Finance PLC	<b>507,483</b>	729,775	<b>507,483</b>	729,775
Sampath Bank PLC	<b>5,709,501</b>	5,714,498	<b>5,709,501</b>	5,714,498
Seylan Bank PLC	<b>2,074,514</b>	2,057,411	<b>2,074,514</b>	2,057,411
<b>Total</b>	<b>19,200,396</b>	21,971,871	<b>19,200,396</b>	21,971,871

**12 (j). (2) Loans and Receivables -Debentures (Unquoted)**

As at 31 December	Group		Company	
	2,019 /	2,018 /	2,019 /	2,018 /
	Carrying Value (Rs. '000)	Carrying Value (Rs. '000)	Carrying Value (Rs. '000)	Carrying Value (Rs. '000)
Regional Development Bank	<b>299,462</b>	300,132	<b>299,462</b>	300,135
National Savings Bank	<b>5,132,717</b>	1,001,071	<b>5,132,717</b>	1,001,068
<b>Total</b>	<b>5,432,180</b>	1,301,203	<b>5,432,180</b>	1,301,203

## Notes to the Consolidated Financial Statements

### 12. (j). (3). Loans and Receivables - Debentures (Quoted)

As at 31 December	Group		Company	
	2,019 / Carrying Value (Rs. '000)	2,018 / Carrying Value (Rs. '000)	2,019 / Carrying Value (Rs. '000)	2,018 / Carrying Value (Rs. '000)
ABANS PLC	175,739	-	175,739	-
Citizens Development Business Fin. PLC	114,113	-	114,113	-
Commercial Bank of Ceylon PLC	4,210,824	-	4,210,824	-
DFCC Bank PLC	2,203,099	-	2,203,099	-
Hatton National Bank PLC	-	4,213,041	-	4,213,041
<b>Total</b>	<b>6,703,775</b>	<b>4,213,041</b>	<b>6,703,775</b>	<b>4,213,041</b>

### 12. (j). (4). Loans and Receivables - Fixed Deposits

As at 31 December	Group		Company	
	2,019 / Carrying Value (Rs. '000)	2,018 / Carrying Value (Rs. '000)	2,019 / Carrying Value (Rs. '000)	2,018 / Carrying Value (Rs. '000)
Bank of Ceylon	9,301,582	1,062	9,301,582	1,062
Citizens Development Business Finance PLC	519,968	527,214	519,968	527,214
Commercial Bank of Ceylon PLC	259,011	-	259,011	-
DFCC Bank PLC	1,450,554	1,055,381	1,383,054	1,055,381
Hatton National Bank PLC	21,600	8,140,800	21,600	8,057,612
HDFC Bank of Sri Lanka	3,576	-	3,576	-
National Development Bank PLC	9,847,583	4,012,256	9,508,943	3,568,256
National Savings Bank	3,750,352	263,619	3,750,352	263,619
Nations Trust Bank PLC	103	851,050	103	851,050
Pan Asia Bank PLC	323,278	109,905	323,278	109,905
Peoples Bank	3,918,587	10,846,594	3,681,413	10,674,914
People's Leasing & Finance PLC	1,039,007	-	1,039,007	-
Sampath Bank PLC	1,589,302	4,717,125	1,589,302	4,697,125
Seylan Bank PLC	1,130,921	1,254,904	1,130,921	1,221,404
Union Bank of Colombo PLC	10,979	10,903	10,979	10,903
<b>Total</b>	<b>33,166,401</b>	<b>31,790,812</b>	<b>32,523,087</b>	<b>31,038,444</b>

**12 (j)(5) Available-for-Sale Financial Assets - Quoted Debentures**

As at 31 December	Group		Company	
	2,019 / Carrying Value (Rs. '000)	2,018 / Carrying Value (Rs. '000)	2,019 / Carrying Value (Rs. '000)	2,018 / Carrying Value (Rs. '000)
Bank of Ceylon	7,074	1,041	7,074	1,041
Central Finance PLC	10,125	20,124	10,125	20,124
Commercial Bank of Ceylon PLC	48,077	54,685	48,077	54,685
DFCC Bank PLC	50,823	50,926	50,823	50,926
Hatton National Bank PLC	54,480	54,461	54,480	54,461
National Development Bank PLC	72,713	64,797	72,713	64,797
Nations Trust Bank PLC	50,944	50,947	50,944	50,947
Sampath Bank PLC	-	22,597	-	22,597
Seylan Bank PLC	-	25,050	-	25,050
Siyapatha Finance PLC	-	125,007	-	125,007
<b>Total</b>	<b>294,237</b>	<b>469,633</b>	<b>294,237</b>	<b>469,633</b>

**12 (j)(6) Available-For-Sale Financial Assets - Quoted Shares**

As at 31 December	Group		Company	
	2,019 / Carrying Value (Rs. '000)	2,018 / Carrying Value (Rs. '000)	2,019 / Carrying Value (Rs. '000)	2,018 / Carrying Value (Rs. '000)
Blue Diamonds Jewellery Worldwide Ltd	1,680	1,200	1,680	1,200
Commercial Credit and Finance PLC	118,438	114,423	118,438	114,423
Merchant Bank of Sri Lanka	8	8	8	8
Ceylinco Education Group Pvt LTD	2,525	-	2,525	-
<b>Total</b>	<b>122,651</b>	<b>115,631</b>	<b>122,651</b>	<b>115,631</b>

## Notes to the Consolidated Financial Statements

### 12 (j)(7) Financial Assets at Fair Value Through Profit or Loss - Quoted Shares

As at 31 December	Group		Company	
	2,019 /	2,018 /	2,019 /	2,018 /
	Fair Value (Rs. '000)	Fair Value (Rs. '000)	Fair Value (Rs. '000)	Fair Value (Rs. '000)
<b>Banking, Finance and Insurance</b>				
National Development Bank PLC	11	11	11	11
Commercial Bank of Ceylon PLC	32	38	32	38
DFCC Bank PLC	165	167	165	167
Central Finance PLC	22	19	22	19
<b>Manufacturing, Plantations</b>				
Chevron Lubricants Lanka PLC	37	36	37	36
Tokyo Cements Company PLC	56	30	56	30
Dipped Products PLC	29	30	29	30
Chemical Industries Colombo PLC	11,424	7,200	11,424	7,200
Hayleys PLC	17	19	17	19
Kotagala Plantation	1	1	1	1
<b>Service</b>				
John Keels Holdings PLC	70	66	70	66
Aitken Spense PLC	104	106	104	106
Hemas Holdings PLC	101	109	101	109
Dialog Axiata PLC	43	35	43	35
Royal Palms Beach Hotels PLC	2	2	2	2
Asiri Surgical Hospital Holdings PLC	30	30	30	30
Ceylon Hospitals PLC	13	12	13	12
<b>Total</b>	<b>12,158</b>	<b>7,911</b>	<b>12,158</b>	<b>7,911</b>

## 13/14 Pensions, Gratuity and Other Post-Employment Benefits

### Accounting Policy

#### (a) Pensions and Other Post-Employment Benefits

The Group operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined separately using the projected unit credit valuation method as recommended by LKAS 19 – 'Employee Benefits'. Actuarial gains and losses are recognised immediately in retained earnings through other comprehensive income (OCI) in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment and
- The date that the Group recognises restructuring-related costs.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are expected to be settled directly.

Plan assets are assets that are held by a long term employee benefit fund. Plan assets are not available to creditors of the Group nor can they be paid directly to the Group.

Fair value is based on market price information and, in the case of quoted securities, it is the published market price. The value of any defined benefit asset is restricted to the sum of any past service cost and actuarial gains and losses not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The amount recognised as defined benefit liabilities has been netted with the fair value of the plan assets of the reporting period. Any surplus in plan assets has been measured based on the requirements of LKAS 19 – 'Employee Benefits', Para 58 and IFRIC 14 – 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for gratuity payments to an employee arises on the completion of five years of continued service with the Group. The provision is externally funded.

The present value of the defined benefit obligations 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 13 and 14 to the Financial Statements. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

#### (b) 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 if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

## Notes to the Consolidated Financial Statements

### 13. Gratuity Benefit Liability/(Asset)

The amounts recognised in the income statement are as follows:

	Group		Company	
	2,019 /	2,018 /	2,019 /	2,018 /
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current service cost	42,718	47,577	42,718	47,577
Interest cost on benefit obligation	124,080	128,025	124,080	128,025
Expected return on plan assets	(521,247)	(330,240)	(521,247)	(330,240)
	<b>(354,449)</b>	<b>(154,638)</b>	<b>(354,449)</b>	<b>(154,638)</b>
Net actuarial gain/ (loss) recognised in other comprehensive income	<b>(909,940)</b>	457,843	<b>(909,940)</b>	457,843

The amounts recognised in the statement of financial position at the reporting date are as follows:

	Note	Group		Company	
		2,019 /	2,018 /	2,019 /	2,018 /
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Present value of the defined benefit obligation	13(a)	<b>(1,237,202)</b>	(1,034,001)	<b>(1,237,202)</b>	(1,034,001)
Fair value of plan assets	13(b)	<b>4,618,155</b>	4,343,723	<b>4,618,155</b>	4,343,723
Net defined benefit obligation	13(e)	<b>3,380,953</b>	3,309,722	<b>3,380,953</b>	3,309,722
<b>Total Net Defined Benefit Asset</b>		<b>3,380,953</b>	3,309,722	<b>3,380,953</b>	3,309,722

#### 13. (a). The Movement in the Defined Benefit Liability is as follows:

	Group		Company	
	2,019 /	2,018 /	2,019 /	2,018 /
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Defined Gratuity Benefit obligation of the company</b>				
At 1 January	<b>1,034,001</b>	1,219,289	<b>1,034,001</b>	1,219,289
Current service cost	<b>42,718</b>	47,577	<b>42,718</b>	47,577
Interest cost	<b>124,080</b>	128,025	<b>124,080</b>	128,025
Benefits paid	<b>(82,321)</b>	(274,120)	<b>(82,321)</b>	(274,120)
Actuarial (gains )/ losses	<b>118,724</b>	(86,770)	<b>118,724</b>	(86,770)
<b>At 31 December</b>	<b>1,237,202</b>	1,034,001	<b>1,237,202</b>	1,034,001
<b>Gratuity Liability -Subsidiaries</b>	<b>13,970</b>	12,918	-	-

As at 31 December 2019, the gratuity liability was actuarially valued under the Projected Unit Credit (PUC) Method by Consultant Actuary Mr K A Pandit as required by Sri Lanka Accounting Standard (LKAS) 19 – 'Employee Benefits'.

According to LKAS 19 - Employee Benefits, the re-measurements of the net defined benefit liability, assets, which comprise actuarial gains and losses are recognised in Other Comprehensive Income.



**13. (b). The movement in the plan assets is as follows:**

	Group		Company	
	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
<b>At 1 January</b>	<b>4,343,723</b>	2,368,962	<b>4,343,723</b>	2,368,962
Contribution Paid by employer	<b>626,722</b>	771,391	<b>626,722</b>	771,391
Expected return on plan assets	<b>521,247</b>	330,240	<b>521,247</b>	330,240
Recognition of Plan Assets	-	776,178	-	776,178
Actuarial gains / (loss)	<b>(791,216)</b>	371,073	<b>(791,216)</b>	371,073
Benefit Paid	<b>(82,321)</b>	(274,120)	<b>(82,321)</b>	(274,120)
<b>At 31 December</b>	<b>4,618,155</b>	4,343,723	<b>4,618,155</b>	4,343,723

**13. (c). Details of Plan Assets:**

The distribution of the Plan Assets at the reporting date is as follows:

	Group		Company	
	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
<b>As at 31 December</b>				
Investment in shares	<b>3,662,178</b>	2,696,744	<b>3,662,178</b>	2,696,744
Commercial Papers & Other Short Term Investments	<b>16,958</b>	435,505	<b>16,958</b>	435,505
Fixed Deposits	<b>893,639</b>	514,831	<b>893,639</b>	514,831
Other Assets	<b>45,380</b>	696,643	<b>45,380</b>	696,643
<b>Total Plan Assets</b>	<b>4,618,155</b>	4,343,724	<b>4,618,155</b>	4,343,724

The overall expected rate of return on assets is determined based on market expectations prevailing on that date, applicable to the period over which the obligation is to be settled.

**13. (d). Principal Actuarial Assumptions**

The principal actuarial assumptions used in determining the gratuity benefit obligation for the Group's plan assets are as follows:

	2019 /	2018 /
Future salary increases	<b>10.00%</b>	10.00%
Discount rate	<b>12.00%</b>	12.00%
Expected rate of return on plan assets	<b>12.00%</b>	12.00%
Retirement Age	<b>55 Yrs</b>	55 Yrs
Attrition Rate	<b>1%</b>	1%
Mortality Table	<b>IALM2006-08</b>	IALM2006-08

## Notes to the Consolidated Financial Statements

### 13. (e). Changes in the defined benefit obligation and fair value of plan assets

#### Group/ Company

#### 31 - December 2019

	Amounts charged to Profit or Loss						Remeasurement gains/(Losses) in other comprehensive income						
	As at 01 January Rs.000	Recognition of Plan Assets Rs.000	Service cost Rs.000	Net interest Rs.000	Sub total included in profit or loss Rs.000	Benefit paid Rs.000	Return on plan assets (Excluding amounts included in net interest expenses) Rs.000	Actuarial changes arising from demographic assumptions Rs.000	Actuarial changes arising from financial assumptions Rs.000	Experience adjustments Rs.000	Actuarial Gains/(Losses) Rs.000	contribution by employers Rs.000	As at 31 December Rs.000
Defined Benefit Obligation	(1,034,001)	-	(42,718)	(124,080)	(166,798)	82,321	-	-	(107,982)	(10,742)	(118,724)	-	(1,237,202)
Fair value of plan assets	4,343,723	-	-	-	-	(82,321)	521,247	-	-	(791,216)	(791,216)	626,722	4,618,155
Benefit assets/(Liability)	3,309,722	-	(42,718)	(124,080)	(166,798)	-	521,247	-	(107,982)	(801,958)	(909,940)	626,722	3,380,953

#### 31 - December 2018

	Amounts charged to Profit or Loss						Remeasurement gains/(Losses) in other comprehensive income						
	As at 01 January Rs.000	Recognition of Plan Assets Rs.000	Service cost Rs.000	Net interest Rs.000	Sub total included in profit or loss Rs.000	Benefit paid Rs.000	Return on plan assets (Excluding amounts included in net interest expenses) Rs.000	Actuarial changes arising from demographic assumptions Rs.000	Actuarial changes arising from financial assumptions Rs.000	Experience adjustments Rs.000	Actuarial Gains/(Losses) Rs.000	contribution by employers Rs.000	As at 31 December Rs.000
Defined Benefit Obligation	(1,219,289)	-	(47,577)	(128,025)	(175,602)	274,120	-	-	85,701	1,069	86,770	-	(1,034,001)
Fair value of plan assets	2,368,961	776,178	-	-	-	(274,120)	330,240	-	-	371,073	371,073	771,391	4,343,723
Benefit assets/(Liability)	1,149,672	776,178	(47,577)	(128,025)	(175,602)	-	330,240	-	85,701	372,142	457,843	771,391	3,309,722

Gratuity benefit asset has been in excess of the Gratuity benefit liability due to share investment which has share appreciation annually.

### 13. (f). A quantitative sensitivity analysis for significant assumptions as at 31-December 2019 is shown below:

Sensitivity level		Discount Rate		Rate of Future salary increasement rate		Rate of Employee Turnover	
		Increase	Decrease	Increase	Decrease	Increase	Decrease
		1%	1%	1%	1%	1%	1%
Impact on defined benefit obligation (Rs. Mn)	2019	(63,867)	72,528	71,992	(64,543)	798	(912)
Impact on defined benefit obligation (Rs. Mn)	2018	(49,127)	55,355	55,885	(50,400)	7,268	(8,042)

**13. (g). Following amount are expected to be paid out of the defined benefit plan obligation in the future years**

	2019 / Rs.'000	2018 / Rs.'000
Within the next 12 Months	<b>352,461</b>	324,640
2nd Following Year	<b>80,224</b>	33,287
3rd Following Year	<b>74,479</b>	94,982
4th Following Year	<b>101,245</b>	71,061
5th Following Year	<b>123,232</b>	97,311
Between 5 and 10 Years	<b>614,181</b>	591,863

**14. Pension Benefit Obligation**

The Company has two defined benefit pension plans, both of which require contributions to be made to separately administered funds namely Pension Trust Fund of Ceylinco Insurance PLC and Pension Fund of Ceylinco Insurance PLC.

As at 31 December 2019, and as at the end of the comparative period the pension liability was actuarially valued under the Projected Unit Credit (PUC) method by Consultant Actuary K A Pandit, as required by Sri Lanka Accounting Standard (LKAS) 19 – ‘Employee Benefits’.

Pension benefit obligation is valued by K A Pandit Actuarial Valuers.

According to LKAS 19 - Employee Benefits, the re-measurements of the net defined benefit liability, assets, which comprise actuarial gains and losses are recognised in Other Comprehensive Income.

**14. (a). Changes in Pension benefit obligation and fair value of plan assets****Group/Company**

	Amounts charged to Profit or Loss							Re-measurement gains/(losses) in other comprehensive income							
	As at 01 January	Disposal of Plan Assets	Current Service cost	Interest cost on benefit obligation	Sub total Included in Profit/Loss	Benefit paid	Return on plan assets (excluding net interest expenses)	Past service costs recognised	Recognised in Income Statement Note	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Actuarial Gains/(Losses)	Contributions by employer	As at 31 December
Defined benefit Obligation	(671,856)	-	(161)	(56,178)	(56,340)	4,768	-	-	(51,571)	-	(36)	(1,341)	(1,377)	-	(724,805)
Fair value of plan assets	1,178,057	-	-	-	-	(4,768)	141,838	-	137,070	-	-	(138,276)	(138,276)	47,808	1,224,658
<b>Total recognised benefit (liability) / Asset</b>	<b>506,201</b>	<b>-</b>	<b>(161)</b>	<b>(56,178)</b>	<b>(56,340)</b>	<b>-</b>	<b>141,838</b>	<b>-</b>	<b>85,498</b>	<b>-</b>	<b>(36)</b>	<b>(139,617)</b>	<b>(139,653)</b>	<b>47,808</b>	<b>499,853</b>

## Notes to the Consolidated Financial Statements

Pension benefit asset has decreased due to the actuarial loss recognized during the year

	Amounts charged to Profit or Loss								Re-measurement gains/(losses) in other comprehensive income						
	As at 01 January	Disposal of Plan Assets	Current Service cost	Interest cost on benefit obligation	Sub total Included in Profit/Loss	Benefit paid	Return on plan assets (excluding amounts in net interest expenses)	Past service costs recognised	Recognised in Income Statement Note	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Actuarial Gains/ (Losses)	Contributions by employer	As at 31 December
Defined benefit Obligation	(624,572)	-	(383)	(51,567)	(51,950)	4,275	-	-	(47,675)	391	-	-	391	-	(671,856)
Fair value of plan assets	1,672,693	(776,178)	-	-	-	(4,275)	94,134	-	89,859	-	-	138,891	138,891	52,792	1,178,057
<b>Total recognised benefit (liability) / Asset</b>	<b>1,048,121</b>	<b>(776,178)</b>	<b>(383)</b>	<b>(51,567)</b>	<b>(51,950)</b>	<b>-</b>	<b>94,134</b>	<b>-</b>	<b>42,184</b>	<b>391</b>	<b>-</b>	<b>138,891</b>	<b>139,282</b>	<b>52,792</b>	<b>506,201</b>

#### 14. (b). The distribution of the Plan Assets at the reporting date is as follows:

	Group		Company	
	2019 /	2018 /	2019 /	2018 /
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>As at 31 December</b>				
Investment in shares	<b>643,541</b>	885,681	<b>643,541</b>	885,681
Other Assets	<b>581,116</b>	292,375	<b>581,116</b>	292,375
<b>Total Plan Assets</b>	<b>1,224,656</b>	1,178,055	<b>1,224,656</b>	1,178,055

Plan Assets include investment in equity shares of Ceylinco Insurance PLC , market value amounting to Rs. 643,540,895 /- at the Reporting date. ( 2018 - Rs.885,680,708/-)

#### 14. (c). Principal Actuarial Assumptions

The principal assumptions used in determining pension and post-employment medical benefit obligations for the Company's plans are shown below:

	2019 /	2018 /
Discount rate	<b>12.04%</b>	12.04%
Rate of return on Plan Assets	<b>12.04%</b>	12.04%
Salary Escalation rate	<b>10%</b>	10%
Attrition rate	<b>1% p.a</b>	1% p.a
Retirement age	<b>55Yrs</b>	55Yrs
Mortality Table	<b>IALM2006-08</b>	IALM2006-08

**A quantitative sensitivity analysis for significant assumption as at 31 December 2019 as shown below**

Sensitivity level	Discount Rate (Obligation @ Discount Rate : 10.23%)	
	Increase	Decrease
	1%	1%
Impact on defined benefit obligation (Rs. Mn) 2019	(20,449)	21,729

**15. Reinsurance Receivables****ACCOUNTING POLICY**

Reinsurance receivables consist of short term balances due from reinsurers that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. 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.

**Impairment**

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/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 Group/Company will receive from the reinsurer. The impairment loss is recorded in the Income Statement.

**Derecognition**

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

	Group		Company	
	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Reinsurance Receivable - Swiss Re	<b>129,199</b>	214,658	<b>129,199</b>	214,658
Reinsurance Receivable - Munich Re	<b>119,517</b>	54,516	<b>119,517</b>	54,516
Reinsurance Receivable - RGA	<b>24,693</b>	-	<b>24,693</b>	-
<b>Total Reinsurance Receivables</b>	<b>273,408</b>	269,175	<b>273,408</b>	269,175

The carrying amounts disclosed above is in respect of the reinsurance of insurance contracts approximate fair value at the reporting date.

## Notes to the Consolidated Financial Statements

### 15. (a). The age analysis of the reinsurance receivable

	Group		Company	
	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Up to 90 Days	<b>71,523</b>	95,044	<b>71,523</b>	95,044
91-180 Days	<b>46,653</b>	43,583	<b>46,653</b>	43,583
181- 365 Days	<b>93,109</b>	41,653	<b>93,109</b>	41,653
More than 365 Days	<b>62,123</b>	88,895	<b>62,123</b>	88,895
<b>Total</b>	<b>273,408</b>	269,175	<b>273,408</b>	269,175

### 15. (b). Fair Value Measurement

The carrying value of reinsurance receivables approximate the fair value at the reporting date.

### 15. (c). Impairment Losses on Reinsurance Receivables

The Company has assessed potential impairment loss of reinsurance receivables as at 31st December 2019. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date.

## 16. Taxation

### Accounting Policy

#### Income Tax Expense

Income tax expense comprises current and deferred tax.

#### (i) Current Tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the Reporting date and any adjustment to tax payable in respect of previous years.

The Inland Revenue Act No. 24 of 2017 and amendments thereto are applied in determining the taxable income/loss of the Company and its subsidiaries.

The Company is liable to pay income tax in accordance with the provisions of the Inland Revenue Act, No.24 of 2017 and subsequent amendments thereto. Applicable income rates as per the act are stipulated as follows:

1. Surplus distributed to shareholders from Life Insurance business as certified by appointed actuary @ 28%
2. Investment Income of Shareholder fund less any expenses incurred in the production of such income @ 28%
2. Bonus Distributed to policyholders @ 14%

Ceylinco Healthcare Services Limited is taxable under concessionary rates at 14%.

**(ii) Deferred Tax**

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is not recognized for:

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group/Company expects, at the end of the Reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 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 and liabilities will be realized simultaneously.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, equity accounted investee and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each Reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside Income Statement is recognized outside Income Statement. Deferred tax items are recognized in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances changed.

## Notes to the Consolidated Financial Statements

Uncertainties exist with respect to the interpretation of complex tax regulation, changes in tax laws and the amount and timing of future taxable income. Given the long term nature and the complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establish provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based on upon the likely timing and the level of future taxable profits together as with future tax planning strategies.

### (iii) Withholding Tax on Dividends

Withholding tax that arises from the distribution of dividends by the Company is recognized at the time the liability to pay the related dividend is recognized.

### 16. (a) Movement of Tax Receivable

	Group		Company	
	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
At 1 January	261,503	789,140	244,051	787,540
Amounts recorded in the income statement	(1,496,163)	(1,181,511)	(1,496,163)	(1,181,511)
Tax Payable Recognized	521,640	-	526,667	-
Notional tax/ WHT recognized	818,301	719,241	812,413	713,369
Payments made on-account during the year	(5,772)	9,979	-	-
Tax on Dividend Distribution	(86,968)	(75,347)	(86,968)	(75,347)
<b>At 31 December</b>	<b>12,541</b>	<b>261,503</b>	<b>-</b>	<b>244,051</b>

### 16. (b) Details of Tax Receivables

	Group		Company	
	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
As at 31 December				
Notional Tax Receivable	-	242,297	-	242,297
WHT Receivable	9,696	16,919	-	1,285
ESC Receivable	2,846	2,287	-	469
	<b>12,541</b>	<b>261,503</b>	<b>-</b>	<b>244,051</b>



## 16 .(c) Deferred Tax Assets- Group

	Consolidated Other Comprehensive Income Statement		Consolidated Income Statement		Consolidated Statement of Financial Position	
	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Losses carried forward	(357)	-	-	11,009	8,740	8,383
Temporary Difference from Retirement Benefit Liability - Gratuity	317	-	-	341,119	1,408	1,725
Temporary Difference from Retirement Benefit Liability - Pension	-	-	-	174,880	-	-
Temporary Difference from Property Plant and Equipment	-	-	18,671	(294,498)	(91,320)	(72,651)
Temporary Difference from Investment Properties	-	-	30,250	-	(30,250)	-
Revaluation reserve	78,213	-	-	-	(78,213)	-
Available for sale financial assets	4,468	-	-	-	(4,468)	-
Temporary Difference from Land (Capital gain)	-	-	-	(26,226)	-	-
Deferred Tax on Share of profit of Associate	-	-	46,607	152,492	(338,062)	(291,455)
<b>Deferred Tax Expense/(Income)</b>	<b>82,641</b>	<b>-</b>	<b>95,528</b>	<b>358,777</b>	<b>-</b>	<b>-</b>
<b>Deferred Tax Liability</b>					<b>(532,165)</b>	<b>(353,996)</b>

## Total Deferred Tax Asset/(Liability)

	Group	
	2019 / Rs.'000	2018 / Rs.'000
At 1 January	353,996	176,808
Differed tax Assets recognized for Ceylinco Life Insurance Limited	-	(181,589)
Amounts recorded in the income statement	48,921	206,285
Amounts recorded in other comprehensive income	82,641	-
Deferred Tax on Share of profit of Associate	46,607	152,492
<b>At 31 December</b>	<b>532,165</b>	<b>353,996</b>

## Notes to the Consolidated Financial Statements

### 16. (d) Deferred Tax Asset- Company

	Other Comprehensive Income Statement		Income Statement		Statement of Financial Position	
	2019 /	2018 /	2019 /	2018 /	2019 /	2018 /
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Temporary Difference from Retirement Benefit Liability - Gratuity	-	-	-	341,401	-	-
Temporary Difference from Retirement Benefit Liability - Pension	-	-	-	174,880	-	-
Temporary Difference from Property Plant and Equipment	-	-	13,855	(308,466)	(13,855)	-
Temporary Difference from Investment Properties			30,250	-	(30,250)	
Revaluation reserve	78,213	-		-	(78,213)	-
Available for sale financial assets	4,468	-		-	(4,468)	-
Temporary Difference from Land (Capital gain)				(26,226)		
<b>Deferred Tax Expense/(Income)</b>	<b>82,681</b>	<b>-</b>	<b>44,105</b>	<b>181,589</b>		
<b>Deferred Tax Liabilities</b>					<b>(126,786)</b>	<b>-</b>

### Total Deferred Tax Assets/(Liability)

	Company	
	2019 /	2018 /
	Rs.'000	Rs.'000
At 1 January	-	(181,589)
Amounts recorded in the income statement	<b>44,105</b>	181,589
Amounts recorded in other comprehensive income	<b>82,681</b>	-
<b>At 31 December</b>	<b>126,786</b>	<b>-</b>

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profits will be available against which such tax losses can be utilized.

## 17. Loans to Policy Holders

### Accounting Policy

Policyholder Loans are granted up to 90% of the surrender value of a Life Insurance Policy at a rate equivalent to market rate. Policyholder loans are initially measured at Fair value of Loan amount granted and subsequently measured at the amortised cost. If the policyholder dies before the full repayment of the loan, the loan balance is deducted from the death benefit. Policyholder Loans are reviewed for impairment at each reporting date. Loans receivable as at reporting date as follows

### 17(a) Movement of Policy Loans

	Group		Company	
	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Balance as of 1st January	<b>1,190,274</b>	1,630,346	<b>1,190,274</b>	1,630,346
Loans Granted During the Period	<b>1,414,928</b>	1,235,745	<b>1,414,928</b>	1,235,745
Repayment During the Period	<b>(1,269,733)</b>	(1,675,818)	<b>(1,269,733)</b>	(1,675,818)
<b>Total Policy Holder Loans as at 31 December</b>	<b>1,335,469</b>	1,190,274	<b>1,335,469</b>	1,190,274

### 17(b) Fair value of loans to life policyholders

The fair value of the policyholder loans are equal to its carrying value as those are given at competitive market rates.

### 17(c) Concentration risk of loans to life policyholders

There is lower concentration of credit risk with respect to policyholders, The total receivable of the loan, including interest due and accrued, exceeds the cash surrender value, the policy terminates and becomes void. The Company has a first lien on all policies which are subject to policy loans. This mitigates the Company's credit exposure on Policy Loans.

### 17(d) Impairment of loans to life policyholders

The Board of Directors has assessed the potential impairment loss of Loans to Life Policyholders as at 31st December 2019. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of Loans to Life Policyholders.

### 17(e) Number of Policy Loans

Number of policy loans due as at 31 December 2019 was 35,948 (2018 - 37,270).

### 17(f) Collateral Details

The company does not hold any collateral as security against potential default by policyholders other than surrender value.

## Notes to the Consolidated Financial Statements

### 18. Premium Receivables

#### Accounting Policy

Premium receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Income Statement. Insurance receivables are de-recognised when the de-recognition criteria for financial assets have been satisfied.

As at 31 December	Group		Company	
	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Premium Receivables	<b>275,881</b>	268,334	<b>275,881</b>	268,334
<b>Total</b>	<b>275,881</b>	268,334	<b>275,881</b>	268,334

### 19. Other Assets

#### Accounting Policy - Inventories

Inventories include all consumable items and are measured at the lower of cost and net realisable value. Cost is generally determined by reference to weighted average cost. Net realisable value is the estimated market price in the ordinary course of business less any estimated expense to sell. The cost of the inventories include all expenses incurred in bringing inventories to the present location and condition.

As at 31 December	Group		Company	
	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Advances, Deposits & Prepayments	<b>189,768</b>	384,691	<b>161,079</b>	347,727
Inventories	<b>15,365</b>	41,197	<b>12,957</b>	40,449
Deferred staff benefits	<b>92,113</b>	156,875	<b>92,113</b>	156,875
	<b>297,247</b>	582,764	<b>266,149</b>	545,052

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

### 20. Cash and Cash Equivalents

#### Accounting Policy

Cash and cash equivalents comprise cash in hand and cash at bank. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

As at 31 December	Group		Company	
	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Cash in hand and at Bank	<b>528,149</b>	379,390	<b>510,436</b>	376,471
Bank Overdraft	<b>(427,639)</b>	(157,949)	<b>(416,770)</b>	(111,644)
<b>Total Cash and Cash Equivalents</b>	<b>100,510</b>	221,441	<b>93,667</b>	264,827

**20.(a). Cash Pledged as Security for Liabilities**

The company has obtained a Bank Guarantee facility from Seylan Bank PLC and National Development Bank PLC, being the 25% of sum assessed by the Commissioner General of Inland Revenue.

**21. Equity**

As at 31 December	Note	Group		Company	
		2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Ordinary Shares - Voting	21(a)	<b>500,001</b>	500,001	<b>500,001</b>	500,001
Other Reserves	21(b)	<b>33,143,258</b>	27,733,328	<b>30,992,076</b>	25,925,582
		<b>33,643,260</b>	28,233,328	<b>31,492,076</b>	26,425,583

**21. (a). Ordinary Shares - Voting (Stated Capital)****Accounting Policy****Ordinary Shares**

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

As at 31 December	Group		Company	
	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Balance as at 1st January	<b>500,001</b>	500,001	<b>500,001</b>	500,001
50,000,050 Ordinary Shares Voting	<b>500,001</b>	500,001	<b>500,001</b>	500,001

All issued shares are fully paid. There is only one class of ordinary shares issued. All shares issued carry equal voting rights. The holders of ordinary shares – voting are entitled to receive dividends as declared from time to time and are entitled to one vote per share at AGM of the Company.

**21.(b). Other Reserves**

As at 31 December	Note	Group		Company	
		2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Retained Earnings	21(c)	<b>22,012,314</b>	16,731,981	<b>19,993,932</b>	15,057,036
Available for Sale Reserve	21(d)	<b>802</b>	212	<b>802</b>	212
Revaluation Reserve	21(e)	<b>362,308</b>	233,301	<b>229,508</b>	100,501
Restricted Regulatory Reserve	21(g)	<b>3,456,184</b>	3,456,184	<b>3,456,184</b>	3,456,184
Special Reserve	21(f)	<b>7,311,651</b>	7,311,651	<b>7,311,651</b>	7,311,651
<b>Total</b>		<b>33,143,258</b>	27,733,328	<b>30,992,076</b>	25,925,582

## Notes to the Consolidated Financial Statements

### 21. (c). Retained Earnings

	Group		Company	
	2019 /	2018 /	2019 /	2018 /
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st January	<b>16,731,978</b>	10,628,715	<b>15,057,034</b>	9,278,621
Profit for the Period	<b>6,979,436</b>	6,132,135	<b>6,671,669</b>	5,794,289
Other Comprehensive Income for the period	<b>(1,015,734)</b>	583,121	<b>(1,049,593)</b>	597,125
Dividend Paid Equity Holder for Previous Year	-	(18,000)	-	(18,000)
Dividend Paid Equity Holder for Current Year	<b>(670,001)</b>	(595,001)	<b>(670,001)</b>	(595,001)
Adjustment due to Recognition of right to use assets	<b>(13,366)</b>	-	<b>(15,178)</b>	-
Adjustment for Transitional provision under SLFRS 9 in Associate	-	1,008	-	-
<b>Total</b>	<b>22,012,314</b>	16,731,981	<b>19,993,932</b>	15,057,036

### 21.(d). Available for Sale Reserve

	Group		Company	
	2019 /	2018 /	2019 /	2018 /
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st January	<b>213</b>	46,196	<b>212</b>	(60)
Other Comprehensive Income for the period	<b>(32,520)</b>	(131,577)	<b>(32,520)</b>	(131,577)
Transferred to Long Term Insurance Fund	<b>33,109</b>	131,849	<b>33,109</b>	131,849
Adjustment for Transitional provision under SLFRS 9 in Associate	-	(46,255)	-	-
<b>Total</b>	<b>802</b>	212	<b>802</b>	212

### 21.(e). Revaluation Reserve

	Group		Company	
	2019 /	2018 /	2019 /	2018 /
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st January	<b>233,301</b>	318,887	<b>100,501</b>	100,501
Other Comprehensive Income for the period	<b>1,115,300</b>	(33,353)	<b>1,115,300</b>	-
Transferred to Long Term Insurance Fund	<b>(986,294)</b>	-	<b>(986,294)</b>	-
Adjustment for Transitional provision under SLFRS 9 in Associate	-	(52,233)	-	-
<b>Total</b>	<b>362,308</b>	233,301	<b>229,508</b>	100,501

### 21.(f). Special Reserve

As at 31 December	Group		Company	
	2019 /	2018 /	2019 /	2018 /
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Special Reserve	<b>7,311,651</b>	7,311,651	<b>7,311,651</b>	7,311,651
<b>Total</b>	<b>7,311,651</b>	7,311,651	<b>7,311,651</b>	7,311,651

The special reserve represents the value (net book value) of net assets transferred from Ceylinco Insurance PLC on 1 June 2015 as a result of the segregation.

### 21.(g). Restricted Regulatory Reserve

As at 31 December	Group		Company	
	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Restricted Regulatory Reserve	<b>3,456,184</b>	3,456,184	<b>3,456,184</b>	3,456,184
<b>Total</b>	<b>3,456,184</b>	3,456,184	<b>3,456,184</b>	3,456,184

Restricted Regulatory reserve was created as a result of One-Off Surplus generated due to change in valuation method from 'Net Premium Valuation' to 'Gross Premium Valuation' as specified in Direction 16, issued by IRCSL on 20th March 2018, for identification and treatment of One-Off Surplus. Complying with the same, the transfer made from policyholders' to Shareholders' fund is limited to surplus generated from other than participating business, whereas the surplus generated from the participating business will be maintained within the participating fund.

The basis for computation of one-off surplus is in line with Direction 16 issued by IRCSL titled "Directions on the Identification and Treatment of One-off Surplus" dated 20th March 2018.

The Company's One-off Surplus is equal to the minimum One-off Surplus prescribed in the recommendations in the Direction issued by the IRCSL. The basis is same for both participating business and other than participating business.

The One-Off Surpluses in amounts, created for participating business and other than participating business are as follows:

Line item	One-off Surplus Rs.000
Participating Business	2,736,685
Other than Participating Business	3,456,184
Tabarru Reserve	1,920
<b>Total</b>	<b>6,194,789</b>

Distribution of One-Off Surplus to Shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon receiving approval from IRCSL. The One-Off Surplus in the Shareholders' Fund will remain invested in assets in below note as per directions of IRCSL.

One-off surplus of participating business amounting to Rs. 2,736,685,339/- will be held within the participating fund as part of the unallocated valuation surplus and may only be transferred to the shareholders by means of bonuses to policyholders in line with Section 38 of the "Regulation of Insurance Industry, Act No.43 of 2000".

## Notes to the Consolidated Financial Statements

The composition of the assets, held to support the Restricted Regulatory Reserves (One-off Surplus for other than participating business) as at 31 December 2018 are disclosed below at their market values:

Assets	Market Value (Rs. 000)	Market Value (Rs. 000)
Government Debt Securities		1,299,660
Deposits with licensed commercial banks		
Bank of Ceylon	2,799,241	2,799,241
<b>Total</b>		<b>4,098,901</b>

### 22. Insurance Contract Liabilities

#### Accounting Policy

##### (a) Classification of Insurance Contracts

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

Insurance contracts are contracts under which one party (the Insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. The classification of contracts identifies both, the insurance contracts that the Company issues and reinsurance contracts that the Company holds.

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. Insurance and investment contracts are further classified as being either with or without discretionary participating features (DPF).

##### (b) Discretionary Participating Features (DPF)

DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- the amount or timing of which is contractually at the discretion of the issuer; and that are contractually based on:
- the performance of a specified pool of contracts or a specified type of contracts;
- realised and or unrealised investment returns on a specified pool of assets held by the issuer; and
- the profit or loss of the Company, fund or other entity that issues the contract.



IRCSL regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus) and within which the Company may exercise its discretion as to the quantum and timing of their payment to contract holders.

At least 90% of the eligible surplus must be attributed to contract holders as a group (which can include future contract holders) and the amount and timing of the distribution to individual contract holders is at the discretion of the Company, subject to the advice of the Appointed Actuary. All DPF liabilities including unallocated surpluses, at the end of the reporting period are held within insurance contract liabilities, as appropriate.

### (c) Unit-Linked Contracts

Unit-Linked contracts are those contracts that do not meet the definition of insurance or investment contracts with discretionary participating features. For these Unit-Linked contracts, the liabilities are valued at current unit value, i.e., on the basis of the fair value of the financial investments backing those contracts at the reporting date together with rights to future management fees.

### (d) Life Insurance Contract Liabilities

These liabilities are calculated as the total of best estimate liability and a risk margin for adverse deviation. The best estimate liabilities are measured by using the gross premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees, investment income from assets backing such liabilities and investment management expenses, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows, based on the valuation assumptions used, charges and fees. Adjustments to the liabilities at each Reporting date are recorded in the Income Statement in 'Increase in life insurance contract liabilities'.

The liability is released when the contract expires, discharged or cancelled.

At each Reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, by using an existing liability adequacy test in accordance with SLFRS 4.

## 22. (a). Liability Adequacy Test (LAT)

At each Reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4. The liability value is adjusted to the extent that it is sufficient to meet future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows to the extent that the test involves discounting of cash flows, the interest rate applied based on management's prudent expectation of current market interest rates. Any deficiency shall be recognised in the Income Statement by setting up a provision for liability adequacy.

As at 31 December	Group		Company	
	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Insurance Contract Liability - Long Term	22(b) 96,206,469	88,051,582	96,204,089	88,049,202
Insurance Contract Liability - Unit Linked	328,869	335,691	328,869	335,691
Insurance Contract Liability - Takaful	18,869	19,548	18,869	19,548
Individual Investment Fund (ISF)	235,187	164,456	235,187	164,456
<b>Total Insurance Contract Liabilities</b>	<b>96,789,394</b>	<b>88,571,277</b>	<b>96,787,014</b>	<b>88,568,897</b>

## Notes to the Consolidated Financial Statements

The Company's actuaries have performed Liability Adequacy Test in accordance with SLFRS -4 Insurance Contracts requirements. The valuation of the Life Insurance business as at 31 December 2019 was carried out by our Consulting Actuary, Mr Vivek Jalan, FIA, on behalf of Willis Towers Watson. In the opinion of the Consulting Actuary, proper reserves have been provided for all known liabilities in respect of the Life Insurance business and the Company has adequate financial resources to cover its capital requirements in accordance with the Solvency Margin (risk-based capital) Rules 2015 dated 15th December 2015.

Following the actuarial valuation as at 31 December 2019 the Consulting Actuary has approved a transfer of Rs. 3.90 Bn (2018 - Rs.4.875 Bn) from the Life Fund to the Shareholder's Retained Profit Account.

The Company's Capital Adequacy Ratio (CAR) as at 31 December 2019 is 345% (2018- 364%) and is well above the minimum requirement of 120%.

### Effect of taxation on Surplus/Bonus Transferred to Policyholders

According to the Section 67 (2) of new Inland Revenue Act No. 24 of 2017 which is effective from 1st April 2018, the surplus distributed to the Life Policyholders shall be deemed as gains and profit from the life insurance business and will be taxed at concessionary rate of 14% for next three years of assessments commencing from 01 April 2018. Company declared and paid a bonus of Rs. 143.9 Mn to Life Policyholders participating in the profits of the Life Insurance Business. The Company has charged a tax of Rs. 20.1 Mn on the said bonus which is payable to the Department of Inland Revenue as of the reporting date.

### Key Assumption

Key Assumptions used for deciding Life insurance contracts liabilities are discussed under note 22(a) in page 271.

### 22. (b). Life Insurance Contract Liabilities

The following tables shows the concentration of life insurance contract liabilities by type of contracts.

	Insurance Contract Liabilities with DPF Rs.'000	Insurance Contract Liabilities without DPF Rs.'000	Total Gross Insurance Contract Liabilities Rs.'000
<b>At 1 January 2019</b>	51,879,174	36,170,028	88,049,201
Gross Premium Income	6,386,674	12,331,879	18,718,553
Premiums ceded to reinsurers	(20,692)	(529,430)	(550,122)
Liabilities paid for death, maturities, surrenders, benefits and claims	(4,694,784)	(5,909,282)	(10,604,066)
Investment return	6,363,491	4,376,171	10,739,662
Reinsurance commission income	6,125	110,517	116,642
Other operating and Admin Expenses Including Income Tax	(2,252,105)	(3,115,961)	(5,368,067)
Underwriting and net Acquisition Cost	(727,011)	(1,235,780)	(1,962,792)
Net Transfer to Shareholder	(186,979)	(3,713,021)	(3,900,000)
Increase in Pension Saver Fund	-	11,891	11,891
Reevaluation Reserve and AFS Reserve Transferred to Life Fund	958,592	(5,408)	953,184
<b>At 31 December 2019</b>	57,712,485	38,491,604	96,204,088

	Insurance Contract Liabilities with DPF Rs.'000	Insurance Contract Liabilities without DPF Rs.'000	Total Gross Insurance Contract Liabilities Rs.'000
<b>At 1 January 2018</b>	46,822,618	34,901,141	81,723,759
Gross Premium Income	6,334,239	11,478,535	17,812,774
Premiums ceded to reinsurers	(5,561)	(451,949)	(457,509)
Liabilities paid for death, maturities, surrenders, benefits and claims	(3,838,402)	(5,965,148)	(9,803,550)
Investment return	5,454,486	4,647,599	10,102,085
Other operating and Admin Expenses Including Income Tax	(1,893,723)	(2,501,332)	(4,395,055)
Underwriting and net Acquisition Cost	(729,210)	(1,197,243)	(1,926,454)
Net Transfer to Shareholder	(210,310)	(4,664,690)	(4,875,000)
Reevaluation Reserve and AFS Reserve Transferred to Life Fund	(54,964)	(76,885)	(131,849)
<b>At 31 December 2018</b>	51,879,174	36,170,028	88,049,202

## 23. Financial liabilities

### Accounting Policy

#### (i) Initial Recognition and Measurement

Financial liabilities within the scope of LKAS 39 are classified as Financial Liabilities at Fair Value through Profit or Loss, loans and borrowings as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowing and amounts due to equity accounted investees.

#### (ii) Subsequent Measurement

The measurement of financial liabilities depends on their classification as described below:

##### (a) Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at Fair Value through Profit or Loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at Fair Value through Profit or Loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognized in the Income Statement.

Financial liabilities designated upon initial recognition at Fair Value through Profit and Loss are so designated at the initial date of recognition, if and only if the criteria of LKAS 39 are satisfied.

##### (b) Loans and Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the Income Statement when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance Income in the Income Statement.

## Notes to the Consolidated Financial Statements

### (iii) De-recognition of Financial Liabilities

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the Income Statement.

### (iv) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset de-recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the Consolidated Income Statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

### 23.(a) Interest Bearing and Borrowings

As at 31 December	Group		Company	
	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
As at 1st January	120,070	-	-	-
Addition During the Year	126,400	120,070	-	-
Settlement During the Year	(246,470)	-	-	-
As at 31 December	-	120,070	-	-

### 24. Reinsurance Payables

#### Accounting Policy

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets or liabilities are de-recognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

As at 31 December	Group		Company	
	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Reinsurance payables - Swiss Re	319,992	362,143	319,992	362,143
Reinsurance payables - Munich Re	246,617	106,910	246,617	106,910
Reinsurance payables - RGA	37,284	1,836	37,284	1,836
	603,893	470,889	603,893	470,889

## 25. Trade and other payables

### Accounting Policy

#### (a) Insurance Payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration payable less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

Insurance payables are derecognised when the obligation under the liability is discharged, cancelled or expired.

#### (b) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

As at 31 December	Group		Company	
	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Policyholders payment in advance	<b>654,058</b>	909,062	<b>654,058</b>	909,062
Agency commission payable	<b>371,126</b>	238,823	<b>371,126</b>	238,823
Tax Payable	<b>526,667</b>	-	<b>526,667</b>	
Trade Creditors & Accrued Expenses	<b>1,249,380</b>	828,080	<b>1,212,133</b>	638,520
Unclaimed Death Claim Payable	<b>119,727</b>	97,310	<b>119,727</b>	97,310
Unclaimed Other Benefits Payable	<b>659,240</b>	598,662	<b>659,240</b>	598,662
	<b>3,580,197</b>	2,671,936	<b>3,542,950</b>	2,482,376

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

All amounts are payable within one year.

## Notes to the Consolidated Financial Statements

### 26. Net Premiums

#### 26. (a). Gross Premiums

##### Accounting Policy

Gross recurring premiums are recognised as revenue when receivable from the policyholder. Premiums received in advance are not recognised as revenue but as a liability until the premiums become due. For single premium business, revenue is recognised on the date on which the policy is effective.

For the Year Ended 31 December	Note	Group		Company	
		2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Life insurance Premium	26.(b)	<b>18,718,518</b>	17,812,718	<b>18,718,553</b>	17,812,774
<b>Gross Written Premiums</b>		<b>18,718,518</b>	17,812,718	<b>18,718,553</b>	17,812,774

#### 26. (b). Life Insurance Premium

For the Year Ended 31 December	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
New Businesses	<b>4,256,370</b>	3,995,655	<b>4,256,370</b>	3,995,655
Single Premium	<b>2,104,212</b>	2,930,101	<b>2,104,212</b>	2,930,101
Renewal Premium	<b>11,453,231</b>	10,298,538	<b>11,453,266</b>	10,298,594
Group Life Premium	<b>904,705</b>	588,425	<b>904,705</b>	588,425
<b>Total</b>	<b>18,718,518</b>	17,812,718	<b>18,718,553</b>	17,812,774

#### 26.(c) Premiums Ceded to Reinsurers on Insurance Contracts

##### Accounting Policy

Gross reinsurance premiums are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

For the Year Ended 31 December	Note	Group		Company	
		2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Life insurance	26.(d)	<b>550,122</b>	457,509	<b>550,122</b>	457,509
<b>Premiums ceded to Reinsurers</b>		<b>550,122</b>	457,509	<b>550,122</b>	457,509

#### 26. (d). Premiums Ceded to Reinsurers

For the Year Ended 31 December	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Reinsurance Receivable - Swiss Re	<b>319,813</b>	316,306	<b>319,813</b>	316,306
Reinsurance Receivable - Munich Re	<b>194,861</b>	139,367	<b>194,861</b>	139,367
Reinsurance Receivable - RGA	<b>35,448</b>	1,836	<b>35,448</b>	1,836
<b>Total</b>	<b>550,122</b>	457,509	<b>550,122</b>	457,509

**26. (e) Annualised New Business Life Premium**

	2019 /	2018 /
	Rs.'000	Rs.'000
Annualised New Business Life Premium	<b>6,054,290</b>	5,876,672

**26. (f). Revenue From Subsidiaries**

For the Year Ended 31 December	2019 /	2018 /
	Rs.'000	Rs.'000
<b>Ceylinco Healthcare Services Limited</b>		
Revenue from Treatments	<b>296,443</b>	333,895
Medical Tests	<b>26,655</b>	34,405
Registration Fees	<b>547</b>	579
Refunds (Packages and Test)	<b>(3,606)</b>	(7,232)
	<b>320,039</b>	361,647
<b>Serene Resorts</b>		
Resident Income	<b>3,360</b>	601
Consolidation Adjustments	<b>(2,485)</b>	(3,691)
	<b>875</b>	(3,090)
Total Revenue from Subsidiaries	<b>320,913</b>	358,556

Ceylinco Healthcare Services Limited has conducted a gap analysis based on the SLFRS 15- Contracts with customers and there are no significant adjustment to be made in the financial statement.

**27. Fees and commission income****Accounting Policy****Reinsurance Commission Income**

Commission received or receivable in respect of premium paid or payable to a Reinsurer. Reinsurance commission income on outwards reinsurance contracts are recognised as revenue when receivable.

	Group		Company	
For the Year Ended 31 December	2019 /	2018 /	2019 /	2018 /
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Reinsurance commission income	<b>116,642</b>	89,147	<b>116,642</b>	89,147
Other fees	<b>61,293</b>	50,105	<b>61,293</b>	50,105
<b>Total Fees and Commission Income</b>	<b>177,935</b>	139,251	<b>177,935</b>	139,251

## Notes to the Consolidated Financial Statements

### 28. Investment Income

#### Accounting Policy

##### Finance 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.

##### Dividend Income

Dividend income is recognised when the Company's right to receive the payment is established.

##### Rental income

Rental income from property is recognised in profit or loss on a straight line basis over the term of the lease.

##### Other Income

Other income comprises fees charged for policy administration services, and miscellaneous income.

For the Year Ended 31st December	Group		Company	
	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Rental income from investment properties	<b>76,642</b>	71,859	<b>78,742</b>	71,859
<b>Financial assets at fair value through profit or loss (held for trading purposes)</b>				
Interest income	<b>283,059</b>	137,478	<b>283,059</b>	137,478
<b>Held to maturity financial assets interest income</b>	<b>5,085,706</b>	7,504,993	<b>5,085,706</b>	7,421,777
<b>Available-for-sale financial assets</b>				
Interest income	<b>741,834</b>	179,106	<b>741,834</b>	179,106
Dividend income	<b>8,353</b>	3,236	<b>8,353</b>	3,236
<b>Loans and receivables interest income</b>	<b>6,464,108</b>	3,020,226	<b>6,416,712</b>	3,020,226
Interest Income from Staff Loan	<b>23,732</b>	25,706	<b>23,732</b>	25,706
<b>Investment income Excluding Dividend Income of Associate</b>	<b>12,683,434</b>	10,942,605	<b>12,638,134</b>	10,933,852

#### 28. (b). Dividend Income from Associate

	Group		Company	
	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Citizens Development Business Finance PLC	-	-	<b>44,996</b>	74,462
<b>Total Investment Income</b>	<b>12,683,434</b>	10,942,605	<b>12,683,134</b>	10,933,851



## 29. Realised Gains

### Accounting Policy

Realised gains and losses recorded in the Income Statement include gains and losses on financial assets and on disposal of property, plant and equipment. 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.

Gains and losses on disposal of property, plant and equipment are calculated as the difference between net sales proceeds and the carrying amount on the date of disposal.

For the Year Ended 31st December	Group		Company	
	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
<b>Property, Plant and equipment</b>				
Realised gains	<b>42,302</b>	17,869	<b>42,302</b>	17,869
<b>Available-for-sale financial assets</b>				
<b>Realised gains/(losses)</b>				
Debt securities	<b>195,300</b>	177,199	<b>195,300</b>	177,199
<b>Total realised gains for available-for-sale financial assets</b>	<b>195,300</b>	177,199	<b>195,300</b>	177,199
<b>Total Realised Gains</b>	<b>237,602</b>	195,068	<b>237,602</b>	195,068

## 30. Fair value gains and losses

### Accounting Policy

Fair value gains and losses recorded in the Income Statement on investments include fair value gains and losses on financial assets at fair value through profit or loss, and on investment property.

For the Year Ended 31st December	Notes	Group		Company	
		2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Fair value gains on investment properties	9	<b>61,000</b>	77,000	<b>166,000</b>	143,586
Fair value gains on financial assets at fair value through profit or loss (held for trading purposes)		<b>110,603</b>	(35,484)	<b>110,130</b>	(35,484)
<b>Total fair value gains and losses</b>		<b>171,603</b>	41,516	<b>276,130</b>	108,102

## Notes to the Consolidated Financial Statements

### 31. Net benefits and claims

#### Accounting Policy

#### Gross Benefits and Claims Expense

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses. Death claims and surrenders are recorded on the basis of notifications received. Maturities, annuity payments and interim payments are recorded when due.

#### Reinsurance Claims Recoveries

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

		Group		Company	
For the Year Ended 31st December		2019 /	2018 /	2019 /	2018 /
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
31. (a). Gross benefits and claims paid	31(d)	<b>10,769,988</b>	9,997,299	<b>10,769,988</b>	9,997,299
31. (b). Claims ceded to reinsurers	31(d)	<b>(165,923)</b>	(193,749)	<b>(165,923)</b>	(193,749)
31. (c). Gross change in contract liabilities		<b>7,189,811</b>	6,457,292	<b>7,189,811</b>	6,457,292
<b>Net benefits and claims</b>		<b>17,793,876</b>	16,260,842	<b>17,793,876</b>	16,260,842

#### 31. (d). Gross claims and benefits (Excluding Life fund increase)

		Group		Company	
For the Year Ended 31st December		2019 /	2018 /	2019 /	2018 /
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Claims - death, disability and hospitalisation		<b>909,224</b>	807,049	<b>909,224</b>	807,049
Policy Maturities		<b>6,949,340</b>	6,365,351	<b>6,949,340</b>	6,365,351
Interim payments on Anticipated Endowment plans		<b>1,093,305</b>	918,945	<b>1,093,305</b>	918,945
Surrenders		<b>1,648,033</b>	1,718,132	<b>1,648,033</b>	1,718,132
Encashment of bonus to policyholders					
Cash & Loyalty Bonus expenses		<b>144,593</b>	159,317	<b>144,593</b>	159,317
Annuities		<b>25,492</b>	25,504	<b>25,492</b>	25,504
<b>Total</b>		<b>10,769,987</b>	9,997,299	<b>10,769,988</b>	9,997,299
Share of Claim		<b>(165,923)</b>	(193,749)	<b>(165,923)</b>	(193,749)
<b>Life Insurance Net Claims and Benefits</b>		<b>10,604,065</b>	9,803,550	<b>10,604,065</b>	9,803,550

### 32. Acquisition costs

#### Accounting Policy

Commission expense is charged to the period in which it is incurred. Commission payable on accrued premium is recognised to the extent that these costs are recoverable out of future premiums. All expenses vary with, and are primarily related to, the acquisition of new insurance contracts.

For the Year Ended 31 December	Group		Company	
	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Fees and commission expenses	<b>1,962,792</b>	1,922,762	<b>1,962,792</b>	1,926,454
<b>Total</b>	<b>1,962,792</b>	1,922,762	<b>1,962,792</b>	1,926,454

### 33. Other Operating and Administrative Expenses

#### Accounting Policy

#### Expenditure Recognition

Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Income Statement.

For the Year Ended 31 December	Notes	Group		Company	
		2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Amortisation of intangible assets	6	<b>59,807</b>	10,423	<b>59,780</b>	10,036
Depreciation on property and equipment	7	<b>283,537</b>	238,862	<b>208,482</b>	197,009
Depreciation on Right-to use Assets	8	<b>69,198</b>	-	<b>69,198</b>	-
Other Operating expenses		<b>1,132,894</b>	1,269,574	<b>1,114,666</b>	1,220,868
Auditors' remuneration	33(b)	<b>10,994</b>	6,700	<b>10,914</b>	6,323
Employee benefits expense	33(a)	<b>1,598,359</b>	1,627,318	<b>1,539,117</b>	1,568,515
Selling expenses		<b>543,553</b>	376,895	<b>531,756</b>	367,374
Legal expenses		<b>16,296</b>	14,363	<b>16,296</b>	14,363
<b>Total other operating and administrative expenses</b>		<b>3,714,638</b>	3,544,135	<b>3,550,209</b>	3,384,487

## Notes to the Consolidated Financial Statements

### 33. (a). Employee Benefits Expense

For the Year Ended 31. December	Notes	Group		Company	
		2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Wages and salaries including bonus & incentives		<b>1,770,678</b>	2,565,492	<b>1,720,901</b>	2,512,352
Employees' Provident Fund 12%		<b>115,719</b>	107,193	<b>110,220</b>	102,663
Employees' Trust Fund 3%		<b>28,679</b>	26,799	<b>27,555</b>	25,666
Defined gratuity benefit & Pension costs		<b>(351,607)</b>	(1,084,245)	<b>(354,449)</b>	(1,084,245)
Other staff related cost		<b>34,890</b>	12,078	<b>34,890</b>	12,078
<b>Total employee benefits expense</b>	33	<b>1,598,359</b>	1,627,317	<b>1,539,117</b>	1,568,515

### 33. (b). Auditor's Fee and Expenses

For the Year Ended 31 December	Group		Company	
	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Audit Fees	<b>10,994</b>	6,700	<b>10,914</b>	6,323
<b>Total</b>	<b>10,994</b>	6,700	<b>10,914</b>	6,323

### 33. (c). Other Operating Expenses Respect of Investment Property

The operating expenses incurred in respect of investment property which does not earn rental income is Rs. 4,619,370/- (2018 - Rs. 4,027,000/-)  
The operating expenses incurred in respect of investment property which earns rental income is Rs. 1,746,741 (2018- Nil)

**33 (d).** Net Gratuity Benefit and Pension Cost shows a negative amount primarily due to expected return on plan assets over current service cost and interest cost on benefit obligations.

### 34. Finance Costs

#### Accounting Policy

Finance cost mainly includes the charges and commission paid on financial services provided by financial institutions, particularly bank charges.

For the Year Ended 31 December	Group		Company	
	2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Interest expense	<b>42,316</b>	25,072	<b>42,170</b>	20,328
<b>Total Finance Cost</b>	<b>42,316</b>	25,072	<b>42,170</b>	20,328

### 35. Income tax expense

#### Accounting Policy

Refer Accounting Policy under Taxation page 283.

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

#### 35. (a). Current Year Tax Charge

	Note	Group		Company	
		2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
<b>Current tax</b>					
Income tax	35.(c)	<b>1,695,839</b>	1,138,685	<b>1,695,839</b>	1,138,685
Over/under provision in respect of previous year		<b>(199,676)</b>	42,827	<b>(199,676)</b>	42,827
<b>Total current tax</b>		<b>1,496,163</b>	1,181,511	<b>1,496,163</b>	1,181,511
<b>Deferred tax</b>					
Origination of temporary differences	16 (c) & (d)	<b>95,528</b>	358,777	<b>44,105</b>	181,589
<b>Total income tax expense</b>		<b>1,591,691</b>	1,540,288	<b>1,540,269</b>	1,363,100

#### 35.(b) Tax Recorded in Other Comprehensive Income

	Note	Group		Company	
		2019 / Rs.'000	2018 / Rs.'000	2019 / Rs.'000	2018 / Rs.'000
Deferred tax	39	<b>82,642</b>	-	<b>82,642</b>	-
<b>Total tax charge to other comprehensive income</b>		<b>82,642</b>	-	<b>82,642</b>	-



assessments 2014/15 and 2016/17. The Company is of the view that these assessments will not materialise as these assessments have been issued by the Department of Inland Revenue in contrary to the Inland Revenue Act No. 10 of 2006 and Value Added Tax Act No. 14 of 2002 including any amendments thereto. Therefore, there will be no additional tax liabilities arising against the Company. Hence, no provision has been made for the assessments received. The Company has made representations against the assessments issued to the Department of Inland Revenue in consultation with the tax consultants of the Company.

Above Balances are free from Material Misstatements.

### 36. Non Controlling Interests (NCI)

#### 36. (a). Accumulated Balances of Non-Controlling Interest

Name of Company	2019 /		2018 /	
				Effective ownership by NCI %
Ceylinco Sereka Ltd	(877)		(877)	0.00%
Ceylinco Healthcare (Pvt) Ltd	4,498		4,430	0.55%
Srerene Resort Ltd	2,335		2,140	1.56%
<b>Total</b>	<b>5,956</b>		<b>5,693</b>	

#### 36. (b). Profit Allocated to Non-Controlling Interest

Name of the Company	2019 /	2018 /
Ceylinco Sereka Ltd	-	(26)
Ceylinco Healthcare (Pvt) Ltd	68	591
Srerene Resort Ltd	195	(61)
<b>Total</b>	<b>263</b>	<b>504</b>

### 37. Basic/Diluted Earnings per share

#### Earnings Per Share (EPS)

##### Accounting Policy

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Basic Earnings per Share has been calculated by dividing profit after taxation attributable to ordinary shareholders of the parent by the weighted average Ordinary Shares in issue at the year end.

#### 37. (a). Earnings Per Share

For the Year Ended 31 December	Group		Company	
	2019 /	2018 /	2019 /	2018 /
Profit for the year (Rs.'000)	6,979,436	6,132,135	6,671,669	5,794,289
Weighted Average Number of Ordinary Shares ('000)	50,000	50,000	50,000	50,000
Basic Earnings per Ordinary Share (Rs.)	139.59	122.65	133.43	115.89

There were no potential dilutive Ordinary Shares outstanding at any time during the year. Therefore, diluted earnings per share is same as basic earnings per share shown above.

## Notes to the Consolidated Financial Statements

### 38. Dividends paid and proposed

For the Year Ended 31 December	Company	
	2019 / Rs.'000	2018 / Rs.'000
Interim Dividend - Paid (Rs.'000)	<b>670,001</b>	595,001
Final Dividend - Proposed (Rs.'000)	-	-
<b>Total Dividend (Rs.'000)</b>	<b>670,001</b>	595,001
No. of Shares in issue for the year ('000)	<b>50,000</b>	50,000
Dividend per share (Rs.)		
<b>Final Dividend</b>	<b>13.40</b>	11.90

The Board of Directors has recommended a Total dividend of Rs. 13.40 per share (paid as Interim Dividend)) for the year ended 31 December, 2019 (2018 - Rs. 11.90 - per share) was approved by the Board of Directors on 5 December 2019.

As required by Section 56 of the Companies Act No. 07 Of 2007, the Board of Directors of the Company has satisfied the solvency test in accordance with Section 57, prior to recommending the interim/final dividend for the year ended 31 December 2019. A statement of solvency was completed and duly signed Directors on 20th December 2019 and has been audited by Messrs. Ernst & Young Chartered Accountants.

### 39. Income tax effects relating to other comprehensive income

Group	2019 /			2018 /		
	Before tax amount Rs.'000	Tax (expense) benefit Rs.'000	Net of tax amount Rs.'000	Before tax amount Rs.'000	Tax (expense) benefit Rs.'000	Net of tax amount Rs.'000
Net gain/(loss) on Available-for-sale financial assets	<b>(28,052)</b>	<b>(4,468)</b>	<b>(32,520)</b>	(131,577)	-	(131,577)
Actuarial gain on defined benefit plans	<b>(1,049,732)</b>	<b>39</b>	<b>(1,049,593)</b>	597,125	-	597,125
Share of other comprehensive income of equity accounted investees	<b>33,958</b>	-	<b>33,958</b>	(47,357)	-	(47,357)
Revaluation surplus/(Deficit) during the year	<b>1,193,513</b>	<b>(78,213)</b>	<b>1,115,300</b>	-	-	-
<b>Total</b>	<b>149,687</b>	<b>(82,642)</b>	<b>67,045</b>	418,191	-	418,191



Company	2019 /			2018 /		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
	amount	(expense)	amount	amount	(expense)	amount
	Rs.'000	benefit	Rs.'000	Rs.'000	benefit	Rs.'000
Net gain/(loss) on Available-for-sale financial assets	<b>(28,052)</b>	<b>(4,468)</b>	<b>(32,520)</b>	(131,577)	-	(131,577)
Actuarial gain on defined benefit plans	<b>(1,049,593)</b>	<b>39</b>	<b>(1,049,554)</b>	597,125	-	597,125
Revaluation surplus/(Deficit) during the year	<b>1,193,513</b>	<b>(78,213)</b>	<b>1,115,300</b>		-	-
<b>Total</b>	<b>115,868</b>	<b>(82,642)</b>	<b>33,227</b>	465,548	-	465,548

#### 40. Risk management framework

##### 40. (a). Governance framework

The primary objective of the Group's financial risk management is to manage financial risks within its risk appetite and provide reasonable assurance on the achievement of financial objectives.

Financial risk management is embedded into the Group's broader Risk Management Framework and spans across the Group with clear objectives, duties and responsibilities specified at each level. The Board of Directors, with the assistance of the Board Risk Committee, bears the overall responsibility for establishment and oversight of the risk management framework. The Executive Risk Management Committee, headed by the Chief Risk Officer, is responsible for developing, facilitating and monitoring the control framework and execution of proper risk management strategies. The line management and staff are responsible for day-to-day risk management and are represented at the Sub-committee level. Regular review of risks and effective risk mitigation strategies ensure consistent corporate performance, while risks are managed within the risk appetite of the Group.

##### 40. (b) Capital management objectives, policies and approach

The Group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- To maintain the required level of stability of the Group thereby providing a degree of security to policyholders
- To allocate capital efficiently and support the development of business by ensuring that return on capital employed meet the requirements of its capital providers
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets
- To align the profile of assets and liabilities taking account of risks inherent in the business
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders

Operations of the Group are also subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimise the risk of insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

The Company maintains capital, investments and solvency as per the regulations prescribed by Insurance Regulatory Commission of Sri Lanka. (IRCSL). New changes in regulations are timely adopted and necessary changes are made to internal processes.

## Notes to the Consolidated Financial Statements

### 40. (c). Approach to capital management

The Group allocates capital to businesses as required and ensures sufficient returns to shareholders and policyholders. The assets and liabilities management establishes the required level of liquidity and reduces the risks of the company and achieves the required capital levels of the company.

The primary source of capital used by the Company is equity shareholders' funds.

The return expectations are regularly forecasted and comparisons are made in order to ensure the requirements of stakeholders are achieved.

The Group has no significant changes in its policies and processes to its capital structure during the past year from previous years.

Ceylinco Life Insurance Ltd has following capital resources.

	2019 /	2018 /
	Rs.'000	Rs.'000
Total equity	<b>31,492,076</b>	26,425,585
Adjustments on to regulatory basis	<b>29,903,365</b>	27,434,492
<b>Available capital resources</b>	<b>61,395,441</b>	53,860,077

The adjustments onto a regulatory basis includes the followings:

1. Adjustment for valuation differences of Assets and Liabilities between SLFRS and RBC frameworks.
2. Unallocated valuation surplus maintained in the insurance funds.
3. 50% of net future bonuses in respect of participating business
4. Value of Inadmissible Assets under RBC framework.

### 40. (d). Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Group maintains an appropriate Capital Adequacy position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The Company is regulated by Insurance Regulatory Commission of Sri Lanka (IRCSL) with the objective of protecting shareholders and policyholders.

There are various regulations and directive the company is expected to adhere to in order to achieve the expected norms, which leads the company to maintain required solvency and maintain sufficient capital.

Financial risks arise due to movements in market variables. The risks mainly involve interest rate risk and equity price risk. The company manages these risks through various strategies adopted at the Investment Committee and Financial Risk Committee.

The new Risk Based Capital framework or RBC is focused on managing the risks rather than complying with solvency margin rules. The RBC framework has been tested and refined since 2011 and full implementation of RBC started from January 2016. RBC reporting to the regulator consists of templates and questionnaires developed over the past years. RBC is a flexible framework for maintenance of minimum capital requirements based on riskiness of respective insurance company. It consist of risk factors exposed by insurance companies are exposed

to such as Credit Risk, Concentration Risk, Market Risk, Operational Risk and Liability Risk. It also includes quantified capital charges for those risk factors and valuation methodology for assets and liabilities of insurance companies. The implementation of RBC was intended to increase transparency and establish appropriate risk management systems. It was expected to create a more stable industry with greater public confidence. This framework helps to develop a culture of risk awareness in the industry while encouraging efficient use of capital to improve returns based on the risk exposure. This will be advantageous to the companies with good risk management practices.

The Company operates according to the requirements set by the Regulator - IRCSL. The Capital Adequacy Ratio of the Company is as follows:

		31st December 2019 /	31st December 2018 /
Total Available Capital (TAC)	Rs. Mn	<b>61,395</b>	53,860
Regulatory Minimum Capital Requirement	Rs. Mn	<b>17,547</b>	14,813
Risk-based Capital Adequacy Ratio (CAR)	%	<b>345%</b>	364%
Regulatory Minimum CAR Ratio	%	<b>120%</b>	120%

#### 40. (e). Asset Liability Management (ALM) Framework

ALM framework is used to manage the risks arising due to mismatches of asset and liability cash flows. ALM is the ongoing process of formulating, implementing, monitoring and revising strategies related to management of assets and liabilities to achieve our financial objectives, given our risk appetite, tolerance and other constraints. ALM deals with optimal investment of assets in view of meeting current and future goals as well as liabilities.

Various financial risks arise from open positions in interest rates, currency and equity instruments, all of which are exposed to general and specific market movements.

The Board Investment Committee (BIC), along with inputs from Operational Investment Committee (OIC), identifies the nature of liabilities arising from the product portfolio and evaluates investment options that best suit to hedge/manage the same. The Company manages these selected positions prudently, within a strategically crafted ALM framework that has been developed considering the cyclical nature of the domestic interest rates, in order to achieve risk-adjusted investment returns in excess of its obligations, in the long term.

#### 41. Insurance and financial risk

##### 41. (a) Insurance Risk

The principal insurance risk the Company faces is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient financial and reinsurance protection is available to cover these liabilities.

The variability of risks is also mitigated by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company has entered into long term reinsurance treaties with the world's leading reinsurers as a part of its risks mitigation program.

The reinsurance program is designed to mitigate the Company's net exposure to a single claim as well as to catastrophic losses.

More details on how we mitigate underwriting, claims and reinsurance risk are described under Risk Management Report on page xx

## Notes to the Consolidated Financial Statements

### 41. (a).1. Reinsurers 'Credit Ratings

The following table shows the credit ratings of reinsurance companies with whom the Company has entered in to the reinsurance arrangements as of 31st December 2019.

Reinsurer	Country of Origin	Ratings	Rating Agency
Munich-Re	Germany	AA	Fitch Rating
Munich-Re takaful	Malaysia (Retakaful branch)	AA	Fitch Rating
Swiss-Re	Switzerland	AA-	Standard & Poor
RGA	Ireland	AA-	Standard & Poor

The below note shows the re insurances receivables as of 31 December, with the respective ratings of each reinsurer, company has engaged with.

	Ratings	Group		Ratings	Company	
		2019 /	2018 /		2019 /	2018 /
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
Reinsurance Receivable - Swiss Re	AA-	<b>129,199</b>	214,658	AA-	<b>129,199</b>	214,658
Reinsurance Receivable - Munich Re	AA	<b>119,517</b>	54,516	AA	<b>119,517</b>	54,516
Reinsurance Receivable - RGA	AA-	<b>24,693</b>	-	AA-	<b>24,693</b>	-
<b>Total Reinsurance Receivables</b>		<b>273,408</b>	269,175		<b>273,408</b>	269,175

### 41. (a). (2). Life Insurance Contracts

Life insurance contracts offered by the Company include: whole life, term assurance, endowment plans, retirement plans, critical illness benefit, disability insurance, daily hospital cash, and major surgery benefit.

The main risks that the Company is exposed to are as follows:

- Mortality risk – risk of loss arising due to policyholder death experience being different than expected
- Morbidity risk – risk of loss arising due to policyholder health experience being different than expected
- Investment return risk – risk of loss arising from actual returns being different than expected
- Expense risk – risk of loss arising from expense experience being different than expected
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected

The Company's underwriting strategy is designed to ensure that risks are properly assessed and correct premium is charged.

The use of scientifically designed proposal forms and medical screening ensures that appropriate data related to the risks to be covered are collected to arrive at a premium which takes into account current health conditions and additional risks of the life to be insured.

The strategy also addresses regular review of actual claim experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria.

For contracts in which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

**Key Assumptions**

The company exercises to significant judgment in determining the policy liabilities and in selecting assumptions. The key assumptions for which the liability value can be sensitive are mortality, morbidity, expenses, discount rates, lapse and surrender rates. The choice of assumptions depends on the past and current experience of the Company and other available information. Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the Company's historical experience. Discount rates are based on current industry risk free rates. All these assumptions are within the guidelines issued by the IRCSL.

**Mortality rate**

Mortality assumptions are based on standard mortality tables.

**Lapse rates**

Lapses occur due to non-payment of premiums before the policy acquires a surrender value. Surrenders occur due to termination of policies by policyholders after acquiring a surrender value.

**Risk Free Rate**

Risk free discount rate is used to discount the cash flows for corresponding durations for guaranteed benefits of non-participating and participating insurance fund policies. The applicable risk free rates are shared by the Insurance Board of Sri Lanka every quarter.

**Fund-based yield**

Fund-based yield is used in the participating fund to discount the cash flows for corresponding durations where total benefits are considered.

**Management Expenses**

The assumptions for management expenses are determined based on the investigation into the expenses of the Company over the last four calendar years. Each expense is classified as acquisition/maintenance/termination and then classified as fixed/variable.

**41. (a). 3. Sensitivity of the Value of Insurance Liabilities for Changes in Assumptions**

Sensitivity of the Value of Insurance Liabilities as at 31/12/2019	Changes in Assumptions	Impact on the Net Best Estimate Liabilities
Expenses	+10%	1.31%
Mortality	+10%	0.41%
Mortality	-10%	-0.41%
Morbidity	+20%	0.40%
Morbidity	-20%	-0.43%
Withdrawal Rate	+20%	-0.06%
Withdrawal Rate	-20%	0.00%

**41. (b). Credit Risk**

Credit Risk (in ALM context) is the risk that an issuer or counterparty failing to meet its contractual obligations towards the Company, due to various reasons such as declining financial strength.

The sub-categories of credit risk include;

- i. Default risk: the risk that the issuer failing to make timely interest or principal payments.
- ii. Downgrade risk: the risk that the rating of the issuer/debt instrument may be downgraded.
- iii. Credit spread risk: the risk that credit spreads will widen.

## Notes to the Consolidated Financial Statements

To minimize credit risk, financial investments (such as term deposits, debentures, etc.) are placed, investment transactions (such as government securities purchases and sales, repurchase/reverse repurchase agreements) are entered, strictly adhering to guidelines set by the Board Investment Committee.

In addition, individual exposures to such approved counterparties are set and monitored based on the determination issued by the Insurance Regulatory Commission of Sri Lanka (IRC SL) as well as internal limits, which are set by the Board Investment Committee. The internal limits and their exposures are reviewed periodically by the Board Investment Committee.

- Reinsurance is placed with counterparties that have a good credit rating. At each reporting date, an assessment of creditworthiness of reinsurers are performed and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
- The credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

More details on how we mitigate Interest rate risk is described under risk management report on pages 161 to 165.

### 4I. (b). 1. Credit Risk Exposure

The table below shows the maximum exposure to credit risk for the components of the Statement of Financial Position and items such as future commitments.

	Notes	Group				Company			
		2019 / Rs.'000	%	2018 / Rs.'000	%	2019 / Rs.'000	%	2018 / Rs.'000	%
<b>Financial instruments</b>									
<b>Held-to-maturity financial assets</b>	12(a)								
Government Securities		37,689,470	32.58	38,603,523	37.51	37,689,470	32.79	38,603,523	37.85
Corporate Debts		19,200,396	16.60	21,971,871	21.35	19,200,396	16.70	21,971,871	21.55
<b>Loans and receivables</b>	12(b)								
Government Securities		59,186	0.05	166,925	0.16	59,186	0.05	159,918	0.16
Corporate Debts		12,135,954	10.49	5,514,244	5.36	12,135,954	10.56	5,514,244	5.41
Term Deposits		33,166,401	28.67	31,790,812	30.89	32,523,087	28.29	31,038,444	30.44
Other		1,051,504	0.91	733,458	0.71	1,051,504	0.91	733,459	0.72
<b>Available-for-sale financial assets</b>	12(c)								
Equity securities		122,651	0.11	115,631	0.11	122,651	0.11	115,631	0.11
Debt securities		7,535,161	6.51	1,354,156	1.32	7,453,968	6.48	1,194,156	1.17
<b>Financial assets at fair value through profit or loss</b>	12(d)								
Equity securities		12,158	0.01	7,911	0.01	12,158	0.01	7,911	0.01
Debt securities		2,305,764	1.99	557,918	0.54	2,305,764	2.01	557,918	0.55
Reinsurance assets	15	273,408	0.24	269,175	0.26	273,408	0.24	269,175	0.26
Loans to Policyholders	17	1,335,469	1.15	1,190,274	1.16	1,335,469	1.16	1,190,274	1.17
Premium Receivables	18	275,381	0.24	247,393	0.24	275,381	0.24	247,393	0.24
Cash and cash equivalents	20	528,149	0.46	379,390	0.37	510,436	0.44	376,471	0.37
<b>Total credit risk exposure</b>		<b>115,691,054</b>	<b>100</b>	<b>102,902,681</b>	<b>100</b>	<b>114,948,833</b>	<b>100</b>	<b>101,980,389</b>	<b>100</b>

Investments in Government securities consist of Treasury Bonds, Treasury Bills and Repo investments. Treasury Bills and Treasury Bonds are considered to be risk free instruments, which are fully backed by the Government of Sri Lanka.

**4i. (b). 2. Industry analysis - Company****31 December 2019**

	Note	Financial Services Rs.'000	Government Rs.'000	Services Rs.'000	Manufacturing and Power Rs.'000	Others Rs.'000	Total Rs.'000
<b>Assets</b>							
<b>Held-to-Maturity Financial Assets</b>							
	12.(a)						
Debt securities		19,200,396	37,689,470	-	-	-	56,889,866
		19,200,396	37,689,470	-	-	-	56,889,866
<b>Loans and Receivables</b>							
	12.(b)						
Term Deposits		32,523,087	-	-	-	-	32,523,087
Repo Investments		59,186	-	-	-	-	59,186
Unquoted Debentures		5,432,180	-	-	-	-	5,432,180
Quoted Debentures		6,703,775	-	-	-	-	6,703,775
Staff and vehicle Loans (Hire Purchase)		-	-	-	-	1,051,504	1,051,504
		44,718,227	-	-	-	1,051,504	45,769,731
<b>Available-for-Sale Financial Assets</b>							
	12.(j)(6)						
Equity securities		118,446	-	2,525	1,680	-	122,651
Debt securities		294,237	7,159,730	-	-	-	7,453,968
		412,683	7,159,730	2,525	1,680	-	7,576,619
<b>Financial Assets at Fair Value through Profit or Loss</b>							
	12.(d)						
Equity securities		230	-	363	11,565	-	12,158
Debt securities		-	2,305,764	-	-	-	2,305,764
		230	2,305,764	363	11,565	-	2,317,923
<b>Total credit risk exposure</b>		<b>64,331,537</b>	<b>47,154,965</b>	<b>2,888</b>	<b>13,245</b>	<b>1,051,504</b>	<b>112,554,140</b>

## Notes to the Consolidated Financial Statements

31 December 2018

	Note	Financial Services Rs.000	Government Rs. 000	Services Rs. 000	Manufacturing Rs. 000	Others Rs. 000	Total Rs. 000
<b>Held-to-Maturity Financial Assets</b>							
	12(a)						
Debt securities		21,971,871	38,603,523	-	-	-	60,575,394
		21,971,871	38,603,523	-	-	-	60,575,394
<b>Loans and Receivables</b>							
	12(b)						
Term Deposits		31,038,444	-	-	-	-	31,038,444
Repo Investments		159,918	-	-	-	-	159,918
Unquoted Debentures		1,301,203	-	-	-	-	1,301,203
Quoted Debentures		4,213,041	-	-	-	-	4,213,041
Staff and vehicle Loans (Hire Purchase)		-	-	-	-	733,458	733,458
		36,712,606	-	-	-	733,458	37,446,064
<b>Available-for-Sale Financial Assets</b>							
	12(c)						
Equity securities		114,431	-	-	1,200	-	115,631
Debt securities		469,633	724,523	-	-	-	1,194,156
		584,064	724,523	-	1,200	-	1,309,787
<b>Financial Assets at Fair Value through Profit or Loss</b>							
	12(d)						
Equity securities		236	-	360	7,315	-	7,911
Debt securities		-	557,918	-	-	-	557,918
		236	557,918	360	7,315	-	565,829
<b>Total credit risk exposure</b>		<b>59,268,777</b>	<b>39,885,964</b>	<b>360</b>	<b>8,515</b>	<b>733,458</b>	<b>99,897,074</b>



**4i. (b).3. Credit Ratings of Financial Instruments - Company**

The below table indicates the rating of investments as at 31st December 2019 & 2018.

**31 December 2019**

	Note	AAA Rs.'000	AA+ Rs.'000	AA Rs.'000	AA- Rs.'000	A+ Rs.'000	A Rs.'000	A- Rs.'000	BBB+ Rs.'000	BBB Rs.'000	BBB- Rs.'000	BB+ Rs.'000	Not rated Rs.'000	Total Rs.'000
<b>Financial instruments</b>														
<b>Held-to-Maturity</b>														
<b>Financial Assets</b>														
Debt securities	12.(a)	37,689,470	1,306,802	1,399,633	6,383,906	7,360,322	660,866	2,074,514	-	14,353	-	-	-	56,889,866
Loans and Receivables	12.(b)	59,186	21,866,064	4,210,824	4,646,760	11,098,245	299,566	1,130,921	809,819	259,011	334,256	3,576	1,051,504	45,769,731
<b>Available-for-Sale</b>														
<b>Financial Assets</b>														
Equity securities	12.(c)	-	-	-	-	-	8	-	-	118,438	-	-	4,205	122,651
Debt securities	12.(c)	7,159,730	7,074	48,077	105,304	82,839	50,944	-	-	-	-	-	-	7,453,968
<b>Financial Assets at Fair Value through Profit or Loss</b>														
Equity securities	12.(d)	43	-	-	267	33	-	-	-	32	-	-	11,784	12,158
Debt securities	12.(d)	2,305,764	-	-	-	-	-	-	-	-	-	-	-	2,305,764
<b>Total</b>		<b>47,214,194</b>	<b>23,179,941</b>	<b>5,658,534</b>	<b>11,136,236</b>	<b>18,541,439</b>	<b>1,011,384</b>	<b>3,205,435</b>	<b>809,819</b>	<b>391,833</b>	<b>334,256</b>	<b>3,576</b>	<b>1,067,493</b>	<b>112,554,139</b>

**31 December 2018**

	Note	AAA Rs.'000	AA+ Rs.'000	AA Rs.'000	AA- Rs.'000	A+ Rs.'000	A Rs.'000	A- Rs.'000	BBB+ Rs.'000	BBB Rs.'000	BBB- Rs.'000	BB+ Rs.'000	Not rated Rs.'000	Total Rs.'000
<b>Financial instruments</b>														
<b>Held-to-Maturity Financial Assets</b>														
Debt securities	12.(a)													
Debt securities	12.(b)	38,585,636	1,354,276	1,359,656	8,988,168	7,553,946	661,952	2,057,411	-	14,349	-	-	-	60,575,394
Loans and Receivables		1,424,606	10,639,815	4,213,041	9,112,993	8,265,381	1,187,346	1,221,404	527,214	10,903	109,905	-	733,458	37,446,065
<b>Available-for-Sale</b>														
<b>Financial Assets</b>														
Equity securities	12.(c)	-	-	-	-	-	8	-	-	114,423	-	-	1,200	115,631
Debt securities		722,138	1,041	54,685	105,432	109,643	50,947	150,270	-	-	-	-	-	1,194,156
<b>Financial Assets at Fair Value through Profit or Loss</b>														
Equity securities	12.(d)	35	66	38	295	30	-	-	-	-	-	-	7,446	7,911
Debt securities		557,918	-	-	-	-	-	-	-	-	-	-	-	557,918
<b>Total</b>		<b>41,290,334</b>	<b>11,995,198</b>	<b>5,627,420</b>	<b>18,206,887</b>	<b>15,929,001</b>	<b>1,900,252</b>	<b>3,429,085</b>	<b>527,214</b>	<b>139,675</b>	<b>109,905</b>	<b>-</b>	<b>742,104</b>	<b>99,897,074</b>

## Notes to the Consolidated Financial Statements

### 4i. (b).4. Corporate Debt Securities by Credit Ratings

The following table shows the credit rating of Investment in Corporate Debt.

	Group				Company			
	2019 /		2018 /		2019 /		2018 /	
Held to Maturity Financial Assets -Debentures (Quoted)	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%
AA+	1,306,802	6.82	1,354,276	6.16	1,306,802	6.82	1,354,276	6.16
AA	1,399,633	7.29	1,359,656	6.19	1,399,633	7.29	1,359,656	6.19
AA-	6,383,906	33.25	8,988,168	40.91	6,383,906	33.25	8,988,168	40.91
A+	7,360,322	38.33	7,553,946	34.38	7,360,322	38.33	7,553,946	34.38
A	660,866	3.44	661,952	3.01	660,866	3.44	661,952	3.01
A-	2,074,514	10.80	2,039,524	9.28	2,074,514	10.80	2,039,524	9.28
BBB	14,353	0.07	14,349	0.07	14,353	0.07	14,349	0.07
	<b>19,200,396</b>	<b>100</b>	21,971,871	100	<b>19,200,396</b>	<b>100</b>	21,971,871	100

The Group/Company has invested 89.12 % (2018- 90.65 %) of its investment in Corporate Debentures (Quoted) held under HTM category in instruments, which are rated by Fitch Ratings Lanka Ltd. or ICRA Lanka Ltd.

	Group				Company			
	2019 /		2018 /		2019 /		2018 /	
Loans and Receivables -Debentures (Quoted)	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%
AA	4,210,824	62.83	4,213,041	100.00	4,210,824	62.82	4,213,041	100.00
AA-	2,203,099	32.85	-	-	2,203,099	32.86	-	-
BBB+	289,851	4.32	-	-	289,851	4.32	-	-
	<b>6,703,775</b>	<b>100</b>	4,213,041	100.00	<b>6,703,775</b>	<b>100.00</b>	4,213,041	100.00

The Group/Company has invested 95.68 % (2018- 100%) of its investment in Corporate Debentures (Quoted) held under Loans and Receivables category in instruments, which are rated Fitch Ratings Lanka Ltd or ICRA Lanka Ltd.

	Group				Company			
	2019 /		2018 /		2019 /		2018 /	
Loans and Receivables -Debentures (Unquoted)	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%
AAA	-	-	1,001,068	76.93	-	-	1,001,068	76.93
AA+	5,132,717	94.49	-	-	5,132,717	94.49	-	-
A	299,462	5.51	300,135	23.07	299,462	5.51	300,135	23.07
	<b>5,432,179</b>	<b>100.00</b>	1,301,203	100	<b>5,432,179</b>	<b>100.00</b>	1,301,203	100

The Group/Company has invested 100 % (2018- 100%) of its investment in Corporate Debentures (Unquoted) held under Loans and Receivables category in instruments, which are rated by Fitch Ratings Lanka Ltd or ICRA Lanka Ltd.

	Group				Company			
	2019 /		2018 /		2019 /		2018 /	
Available for Sale -Debentures (Quoted)	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%
AA+	7,074	2.40	1,041	0.22	7,074	2.40	1,041	0.22
AA	48,077	16.34	54,685	11.64	48,077	16.34	54,685	11.64
AA-	105,304	35.79	103,047	21.94	105,304	35.79	103,047	21.94
A+	82,839	28.15	109,643	23.35	82,839	28.15	109,643	23.35
A	50,944	17.32	50,947	10.85	50,944	17.32	50,947	10.85
A-	-	-	150,270	32.00	-	-	150,270	32.00
	<b>294,237</b>	<b>100</b>	469,633	100	<b>294,237</b>	<b>100</b>	469,633	100

The Company has invested 100% (2018- 68%) of its investment in Corporate Debentures (Quoted) held under Available for Sale category in instruments, which are rated by Fitch Ratings Lanka Ltd or ICRA Lanka Ltd.

#### 4i. (b).5. Fixed Deposits by Credit Ratings

The following table shows the credit rating of Investment in Fixed Deposits

	Group				Company			
	2019 /		2018 /		2019 /		2018 /	
Loans and Receivables -Fixed Deposits	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%
AAA	-	-	263,619	0.83	-	-	263,619	0.85
AA+	16,733,347	51.45	10,847,656	34.12	16,733,347	51.45	10,675,976	34.40
AA-	2,748,335	7.51	9,196,181	28.93	2,443,661	7.51	9,112,993	29.36
A+	11,436,885	34.12	8,729,381	27.46	11,098,245	34.12	8,265,381	26.63
A	103	0.00	851,050	2.68	103	0.00	851,050	2.74
A-	1,130,921	3.48	1,254,904	3.95	1,130,921	3.48	1,221,404	3.94
BBB+	519,968	1.60	527,214	1.66	519,968	1.60	527,214	1.70
BBB	259,011	0.80	10,903	0.03	259,011	0.80	10,903	0.04
BBB-	334,256	1.03	109,905	0.35	334,256	1.03	109,905	0.35
BB+	3,576	0.01	-	-	3,576	0.01	-	-
	<b>33,166,401</b>	<b>100</b>	31,790,812	100	<b>32,523,087</b>	<b>100</b>	31,038,444	100

The Company has invested 93.09% (2018- 93.98%) of its investment in Fixed Deposits held under Loans and Receivables in instruments, which are rated by Fitch Ratings Lanka Ltd or ICRA Lanka Ltd.

## Notes to the Consolidated Financial Statements

### 4l. (c). Market Risk

Market risk is the risk that market value or future cash flows of a financial instrument will fluctuate due to changes in market factors which are directly/indirectly related to financial markets.

The sub-categories of market risk include;

- i. Interest rate risk: the risk that market value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. This includes reinvestment risk and inflation risk.
- ii. Currency risk: the risk that market value or future cash flows of a financial instrument will fluctuate due to changes in exchange rates.
- iii. Equity price risk: the risk that market value or future cash flows of a financial instrument will fluctuate due to changes in equity prices.
- iv. Commodity price risk: the risk that market value or future cash flows of a financial instrument will fluctuate due to changes in commodity prices.

In addition, due to its investments in real estate, the Company is also exposed (albeit on a marginal basis) to changes in real estate values.

More details on how we mitigate Interest rate risk is described under risk management report on pages 161 to 165.

### 4l. (d). Currency Risk

The Company has no significant exposure to currency risk.

More details on how we mitigate Interest rate risk is described under risk management report on pages 161 to 165.

### 4l. (e). Interest Rate Risk

Interest rate risk is the risk that market value or future cash flows of a financial instrument will fluctuate due to changes in the absolute level of interest rates, credit spreads or shape of the yield curve. This includes reinvestment risk and inflation risk, which eventually impacts the interest rates.

Since financial investments of the Company consist mainly of fixed income securities (such as government securities, term deposits, corporate debt, etc.), interest rate risk is one of the most prominent risks faced by the Company.

Given (a) unavailability of long-term financial instruments with adequate yields, (b) cyclical and volatile nature of domestic interest rates, and (c) frequent changes to taxation, to optimize the returns on its investment portfolio, the Company diligently carries a duration gap in its asset-liability management.

The Company's Investment Policy recognizes the cyclical nature of the domestic financial markets. As a part on its investment decision making process, the Company closely monitors the current and future expected shifts in monetary and fiscal policy, changes in inflation expectations, movements in domestic and global interest/exchange rates, balance of payment position, changes in taxation and other key macroeconomic indicators and in turn, fine tune the investment strategies/horizons accordingly.

In addition to internal expertise, to ensure prudence and probity, the Company seeks the views of independent macro research providers in crafting and reviewing its investment strategy.

More details on how we mitigate Interest rate risk is described under risk management report on pages 161 to 165.

**4l. (e). 1. Exposure to Interest Rate Risk**

The following table presents the financial assets and liabilities which are subject to interest rate risk.

**Group**

31 December	2019 /				2018 /			
	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Financial Assets</b>								
Held to Maturity	-	56,889,866	-	56,889,866	-	60,575,394	-	60,575,394
Loans & Receivables	-	46,413,045	-	46,413,045	-	38,205,440	-	38,205,440
Available For Sale	-	7,535,161	122,651	7,657,812	-	1,354,156	115,631	1,469,787
Fair Value through Profit & Loss	-	2,305,764	12,158	2,317,923	-	557,918	7,911	565,829
Loans to Life Policyholders	-	1,335,469	-	1,335,469	-	1,190,274	-	1,190,274
Cash and Cash Equivalent	-	-	528,149	528,149	-	-	379,390	379,390
<b>Total Assets</b>	-	114,479,306	662,958	115,142,264	-	101,883,182	502,931	102,386,113
<b>Financial Liabilities</b>								
Interest Bearing Borrowings	-	-	-	-	-	120,070	-	120,070
Bank Overdraft	-	-	427,639	427,639	-	-	157,949	157,949
<b>Total Liabilities</b>	-	-	427,639	427,639	-	120,070	157,949	278,019

**Company**

31 December	2019 /				2018 /			
	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Financial Assets</b>								
Held to Maturity	-	56,889,866	-	56,889,866	-	60,575,394	-	60,575,394
Loans & Receivables	-	45,769,731	-	45,769,731	-	37,446,065	-	37,446,065
Available For Sale	-	7,453,968	122,651	7,576,619	-	1,194,156	115,631	1,309,787
Fair Value through Profit & Loss	-	2,305,764	12,158	2,317,923	-	557,918	7,911	565,829
Loans to Life Policyholders	-	1,335,469	-	1,335,469	-	1,190,274	-	1,190,274
Cash and Cash Equivalent	-	-	510,436	510,436	-	-	376,471	376,471
<b>Total Assets</b>	-	113,754,799	645,245	114,400,045	-	100,963,807	500,013	101,463,820
<b>Financial Liabilities</b>								
Bank Overdraft	-	-	416,770	416,770	-	-	111,644	111,644
<b>Total Liabilities</b>	-	-	416,770	416,770	-	-	111,644	111,644

The Company has no significant of concentration of Interest rate risk during the reporting period.

## Notes to the Consolidated Financial Statements

### 4i. (f). Equity Price Risk

The equity price risk is relatively negligible due to Company's diminutive exposure to equity market. However, the Company maintains a closer watch on movements in stock prices and indices.

Following table shows diversification of the equity investments of the Company as of 31 December 2019

	Group				Company			
	2019 /		2018 /		2019 /		2018 /	
	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%
Banking, Finance and Insurance	<b>118,676</b>	<b>88.03</b>	114,666	92.82	<b>118,676</b>	<b>88.03</b>	114,666	92.82
Manufacturing, Plantations	<b>13,245</b>	<b>9.83</b>	8,515	6.89	<b>13,245</b>	<b>9.83</b>	8,515	6.89
Service	<b>2,888</b>	<b>2.14</b>	360	0.29	<b>2,888</b>	<b>2.14</b>	360	0.29
<b>Total</b>	<b>134,809</b>	<b>100</b>	123,541	100	<b>134,809</b>	<b>100.00</b>	123,541	100.00

More details on how we mitigate liquidity risk is described under risk management report on pages 161 to 165.

### 4i. (g). Operational Risks

This is the risk that the Group may not meet its objectives due to failed, inadequate or incomplete internal processes, people, systems, controls, or due to external events." In the context of financial risk management, this involves management of operational risks which could lead to financial losses.

The Group manages operational risks by initiating a rigorous control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, ethical business practices and standards, staff education, training and assessment processes, including the use of internal audit.

More details on how we mitigate liquidity risk is described under risk management report on pages 161 to 165.

### 4i. (h). Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet both expected and unexpected current and future cash flow and collateral needs, efficiently, without affecting either daily operations or financial condition of the firm.

In the context of providing financial protection to policyholders through Life Insurance, timely settlement of financial commitments such as customer benefits and claims is essential. In addition, preserving the confidence of policyholders and investors is vital.

Since a strain on liquidity would lead to fire sale of assets which would adversely affect the profitability and policyholder/investor confidence, zero tolerance is maintained for adverse deviations. The investment strategy of the Company ensures that sufficient liquid assets/credit lines are available to comfortably meet such unforeseen cash outflows, if any.

More details on how we mitigate liquidity risk is described under risk management report on pages 161 to 165.

**4i. (i). Maturity Profile**

The following table summarises the maturity profile of the financial assets and financial liabilities of the Group/ Company based on remaining undiscounted contractual obligations, including interest payable and receivable.

**Group**

Asset and Liabilities As at December 2019	Note	Total Rs.	Less Than 1 Year Rs.	1 year to 3 Years Rs.	3 year to 5 Years Rs.	5 year to 15 Years Rs.	More than 15 Years Rs.
<b>Assets</b>							
<b>Financial instruments</b>							
<b>Held-to-maturity financial assets</b>							
Debt securities	12(a)	56,889,866	5,331,846	11,433,807	11,894,585	26,348,209	1,881,419
<b>Loans and Receivables</b>	12(b)	<b>46,413,045</b>	<b>17,503,998</b>	<b>15,458,084</b>	<b>13,184,181</b>	<b>266,783</b>	-
<b>Available-for-sale financial assets</b>							
	12(c)						
Equity securities		122,651	122,651	-	-	-	-
Debt securities		7,535,161	220,912	1,053,672	4,899,046	1,361,531	-
<b>Financial assets at fair value through profit or loss</b>							
	12(d)						
Equity securities		12,158	12,158	-	-	-	-
Debt securities		2,305,764	-	903,230	678,917	723,617	-
Reinsurance Receivables	15	273,408	273,408	-	-	-	-
Loans to life policyholders	17	1,335,469	127,452	199,822	173,090	661,107	173,998
Premium receivables	18	275,881	275,881	-	-	-	-
Cash and Cash Equivalents	20	528,149	528,149	-	-	-	-
		<b>115,691,553</b>	<b>24,396,454</b>	<b>29,048,614</b>	<b>30,829,820</b>	<b>29,361,248</b>	<b>2,055,417</b>
<b>Liabilities</b>							
Reinsurance Payables	24	603,893	603,893	-	-	-	-
Trade and Other Payables	25	3,580,197	3,580,197	-	-	-	-
Bank Overdraft	20	427,639	427,639	-	-	-	-
		<b>4,611,729</b>	<b>4,611,729</b>	-	-	-	-

## Notes to the Consolidated Financial Statements

### Group

Asset and Liabilities As at December 2018		Total	Less Than 1 Year	1 year to 3 Years	3 year to 5 Years	5 year to 15 Years	More than 15 Years
	Note	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Assets</b>							
<b>Financial instruments</b>							
<b>Held-to-maturity financial assets</b>							
Debt securities	12(a)	60,575,394	4,928,463	11,962,402	14,689,377	23,377,930	5,617,222
<b>Loans and receivables</b>	12(b)	38,205,440	31,949,459	1,235,928	4,711,794	308,259	-
<b>Available-for-sale financial assets</b>							
	12(c)						
Equity securities		115,631	115,631	-	-	-	-
Debt securities		1,354,156	913,317	214,226	159,070	67,543	-
<b>Financial assets at fair value through profit or loss</b>							
	12(d)						
Equity securities		7,911	7,911	-	-	-	-
Debt securities		557,918	-	-	65,179	492,739	-
Reinsurance Receivables	15	269,175	269,175	-	-	-	-
Loans to life policyholders	17	1,190,274	112,609	164,288	153,020	579,257	181,100
Premium receivables	18	268,334	268,334	-	-	-	-
Cash and Cash Equivalents	20	379,390	379,390	-	-	-	-
		102,923,622	38,944,289	13,576,844	19,778,441	24,825,727	5,798,322
<b>Liabilities</b>							
Other Financial Liabilities	23	120,070	120,070	-	-	-	-
Reinsurance Payables	24	470,889	470,889	-	-	-	-
Trade and Other Payables	25	2,671,936	2,671,936	-	-	-	-
Bank Overdraft	20	157,949	157,949	-	-	-	-
		3,420,844	3,420,844	-	-	-	-



## Company

Asset and Liabilities As at December 2019	Note	Total Rs.	Less Than 1 Year Rs.	1 year to 3 Years Rs.	3 year to 5 Years Rs.	5 year to 15 Years Rs.	More than 15 Years Rs.
<b>Assets</b>							
<b>Financial Instruments</b>							
<b>Held-to-Maturity Financial Assets</b>							
Debt securities	12(a)	56,889,866	5,331,846	11,433,807	11,894,585	26,348,209	1,881,419
<b>Loans and Receivables</b>	12(b)	<b>45,769,731</b>	<b>16,860,684</b>	<b>15,458,084</b>	<b>13,184,181</b>	<b>266,783</b>	-
<b>Available-for-Sale Financial Assets</b>							
Equity securities	12(c)	122,651	122,651	-	-	-	-
Debt securities		7,453,968	139,719	1,053,672	4,899,046	1,361,531	-
<b>Financial Assets at Fair Value through Profit or Loss</b>							
Equity securities	12(d)	12,158	12,158	-	-	-	-
Debt securities		2,305,764	-	903,230	678,917	723,617	-
Reinsurance Receivables	15	273,408	273,408	-	-	-	-
Loans to life Policyholders	17	1,335,469	127,452	199,822	173,090	661,107	173,998
Premium Receivables	18	275,881	275,881	-	-	-	-
Cash and Cash Equivalents	20	510,436	510,436	-	-	-	-
		<b>114,949,333</b>	<b>23,654,234</b>	<b>29,048,615</b>	<b>30,829,820</b>	<b>29,361,248</b>	<b>2,055,417</b>
<b>Liabilities</b>							
Reinsurance Payables	24	603,893	603,893	-	-	-	-
Lease Liabilities	8	241,908	77,896	120,547	43,465	-	-
Trade and Other Payables	25	3,542,950	3,542,950	-	-	-	-
Bank Overdraft	20	416,770	416,770	-	-	-	-
		<b>4,805,521</b>	<b>4,641,509</b>	<b>120,547</b>	<b>43,465</b>	-	-

## Notes to the Consolidated Financial Statements

### Company

Asset and Liabilities As at December 2018		Total	Less Than 1 Year	1 year to 3 Years	3 year to 5 Years	5 year to 15 Years	More than 15 Years
	Note	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Assets</b>							
<b>Financial Instruments</b>							
<b>Held-to-Maturity Financial Assets</b>							
Debt securities	12(a)	60,575,394	4,928,463	11,962,402	14,689,377	23,377,930	5,617,222
<b>Loans and receivables</b>	12(b)	37,446,065	31,190,084	1,235,928	4,711,794	308,259	-
<b>Available-for-Sale Financial Assets</b>							
	12(c)						
Equity securities		115,631	115,631	-	-	-	-
Debt securities		1,194,156	753,317	214,226	159,070	67,543	-
<b>Financial Assets at Fair Value through Profit or Loss</b>							
	12(d)						
Equity securities		7,911	7,911	-	-	-	-
Debt securities		557,918	-	-	65,179	492,739	-
Reinsurance Receivables	15	269,175	269,175	-	-	-	-
Loans to life Policyholders	17	1,190,274	112,609	164,288	153,020	579,257	181,100
Premium Receivables	18	268,334	268,334	-	-	-	-
Cash and Cash Equivalents	20	376,471	376,471	-	-	-	-
		102,001,330	38,021,996	13,576,844	19,778,441	24,825,727	5,798,322
<b>Liabilities</b>							
Reinsurance Payables	24	470,889	470,889	-	-	-	-
Trade and Other Payables	25	2,482,376	2,482,376	-	-	-	-
Bank Overdraft	20	111,644	111,644	-	-	-	-
		3,064,909	3,064,909	-	-	-	-

The Company has no significant of concentration of liquidity risk during the reporting period.

### 42. Contingencies and commitments

#### 42. (a). Legal proceedings and regulations

There are no any contingencies due to legal proceeding and regulations.

#### 42. (b). Capital Commitments

Capital Commitments relating to the property, plant and equipment's have been disclosed separately in Note 7 (c).

### 43. Assets Pledged

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged Rs.'000	Included under
Fixed Deposits	Pledged to Seylan Bank PLC to obtain banking facilities.	520,050	Loans & Receivables
Fixed Deposits	Pledged to Nation Trust Bank PLC to obtain banking facilities.	100	Loans & Receivables
Fixed Deposits	Pledged to National Development Bank to obtain banking facilities.	1,249,000	Loans & Receivables

### 44. Related Party Disclosures

According to Sri Lanka Accounting Standard (LKAS) 24 related Party Disclosure, Key management personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors (including Executive and Non-Executive Directors) of the Company and their immediate family members have been classified as Key management personnel of the Company. In addition, Chief Executive Officer together with their immediate family members have also been classified as key management personnel of the Company.

Immediate family member is defined as spouse or dependent. A dependent is defined as anyone who depends on the respective KMP for his/her financial needs. As Ceylinco Insurance PLC (CIPLC) is the ultimate parent of the Company, and the Board of Directors of CIPLC have the authority and responsibility for planning, directing and controlling the activities of the Company, the Directors of CIPLC and their immediate family members have also been identified as Key management personnel of the Company.

	Note	Company	
		2019 / Rs.	2018 / Rs.
<b>44. I. Amounts received from related parties</b>			
Subsidiaries	44.I.a	<b>6,896,869</b>	9,960,930
Equity accounted investees	44.I.b	<b>640,378,438</b>	234,998,601
Other related companies	44.I.c	<b>54,157,056</b>	48,458,301
Key management personnel	44.I.d	<b>624,744</b>	2,912,268
<b>Total</b>		<b>702,057,107</b>	296,330,100
<b>44. II. Amounts paid to related parties</b>			
Subsidiaries	44.II.a	<b>(2,567,540)</b>	(3,691,515)
Equity accounted investees	44.II.b	<b>(982,415,146)</b>	(502,000,000)
Other related companies	44.II.c	<b>(694,900,084)</b>	(677,458,763)
Key management personnel	44.II.d	<b>(405,830,993)</b>	(403,622,892)
		<b>(2,085,713,769)</b>	(1,586,773,170)

## Notes to the Consolidated Financial Statements

	Note	Company	
		2019 /	2018 /
		Rs.	Rs.
<b>Transaction with related parties</b>			
<b>Amount received from related parties</b>			
<b>44. I. a. Subsidiaries</b>			
Ceylinco Health Care Services Ltd	44.IV.a	3,228,481	6,921,242
Serene Resorts Ltd	44.IV.a	3,668,388	2,992,347
Ceylinco Seraka Ltd	44.IV.a	-	47,341
		<b>6,896,869</b>	<b>9,960,930</b>
<b>44. I. b. Equity accounted investees</b>			
Citizen Development Business Finance PLC	44.IV.b	640,378,438	234,998,601
		<b>640,378,438</b>	<b>234,998,601</b>
<b>44. I. c. Other related companies</b>			
Ceylinco General Insurance Ltd.	44.IV.c	54,157,056	48,458,301
		<b>54,157,056</b>	<b>48,458,301</b>
<b>44. I. d. Key management personnel</b>			
Premium Received	44.III.d	624,744	2,912,268
		<b>624,744</b>	<b>2,912,268</b>
<b>Amounts paid to related parties</b>			
<b>44. II. a. Subsidiaries</b>			
Ceylinco Health Care Services Ltd	44.IV.a	(2,567,540)	(3,691,515)
		<b>(2,567,540)</b>	<b>(3,691,515)</b>
<b>44. II. b. Equity accounted investees</b>			
Citizen Development Business Finance PLC	44.IV.b	(982,415,146)	(502,000,000)
		<b>(982,415,146)</b>	<b>(502,000,000)</b>
<b>44. II. c. Other Related companies</b>			
Ceylinco General Insurance Ltd.	44.IV.c	(24,899,414)	(64,458,150)
Ceylinco Insurance PLC	44.IV.c	(670,000,670)	(613,000,613)
		<b>(694,900,084)</b>	<b>(677,458,763)</b>

	Note	Company	
		2019 /	2018 /
		Rs.	Rs.
<b>44. II. d. Key management personnel</b>			
Short-term employee benefits	44.IV.d	(338,254,830)	(325,626,168)
Post employment benefits	44.IV.d	(65,697,096)	(69,746,799)
Legal Fees paid	44.III.d	(1,879,067)	(1,622,509)
Claim Paid	44.III.d	-	(6,627,416)
		<b>(405,830,993)</b>	<b>(403,622,892)</b>
<b>44. III. Transaction with related parties</b>			
<b>44. III. a. Subsidiaries</b>	44.IV.a		
Premium Received/(paid)		27,826	55,721
Rent Received/ (paid)		6,115,482	4,912,347
Medical Fees for staff & Customers		(2,567,540)	(3,691,515)
Reimbursement of Expenses		753,561	4,945,521
Cash Consideration Received on Disposal on investment in Seraka Ltd		-	47,341
		<b>4,329,329</b>	<b>6,269,415</b>
<b>44. III. b. Equity accounted investees</b>	44.IV.b		
Insurance Premium Received/(paid)		27,902,787	8,479,852
Investment in Fixed Deposit		(500,000,000)	(500,000,000)
Maturity of Fixed Deposit		500,000,000	
Investment in debentures		(100,000,000)	
Claim (Received)/paid		(7,804,063)	(2,000,000)
Dividend Received/ (paid)		44,996,329	74,461,693
Rent Received/ (paid)		2,858,760	2,336,400
Rights Subscription		(374,611,083)	-
Interest Received/ (paid)		64,620,562	149,720,656
		<b>(342,036,708)</b>	<b>(267,001,399)</b>
<b>44. III. c. Other related companies</b>	44.IV.c		
Premium paid		(20,249,414)	(57,705,221)
Premium Received		30,662,899	28,303,411
Claim paid		(4,650,000)	(6,752,929)
Dividend paid		(670,000,670)	(613,000,613)
Rent Received		23,494,157	20,154,890
		<b>(640,743,027)</b>	<b>(629,000,462)</b>

## Notes to the Consolidated Financial Statements

	Note	Company	
		2019 /	2018 /
		Rs.	Rs.
<b>44. III. d. Key management personnel</b>			
Premium Received		624,744	2,912,268
Claim (Received)/paid		-	(6,627,416)
Legal Fees paid (Mr. S. B. Caldera,)		(1,879,067)	(1,622,509)
Short-term employee benefits		(338,254,830)	(325,626,168)
Post employment benefits		(65,697,096)	(69,746,799)
		<b>(405,206,249)</b>	<b>(400,710,624)</b>
<b>44. IV. Transaction with related parties - Subsidiaries</b>			
<b>44. IV. a. Ceylinco Health Care Services Ltd</b>			
Premium Received/(paid)		27,826	55,721
Rent Received/ (paid)		2,447,094	1,920,000
Medical Fees for staff & Customers		(2,567,540)	(3,691,515)
Reimbursement of Expenses		753,561	4,945,521
		<b>660,941</b>	<b>3,229,727</b>
<b>Serene Resorts Ltd</b>			
Rent Received/ (paid)		3,668,388	2,992,347
		<b>3,668,388</b>	<b>2,992,347</b>
<b>Seraka Ltd</b>			
Cash Consideration Received on Disposal on investment in Seraka Ltd		-	47,341
		-	47,341
<b>Total</b>		<b>4,329,329</b>	<b>6,269,415</b>
<b>44. IV. b. Transaction with related parties - Associates</b>			
<b>Citizen Development Business Finance PLC</b>			
Insurance Premium Received		27,902,787	8,479,852
Investment in Fixed Deposit		(500,000,000)	(500,000,000)
Maturity of Fixed Deposit		500,000,000	-
Investment in Debentures		(100,000,000)	-
Claim paid		(7,804,063)	(2,000,000)
Dividend Received/ (paid)		44,996,329	74,461,693
Rent Received/ (paid)		2,858,760	2,336,400
Rights Subscription		(374,611,083)	-
Interest Received/ (paid)		64,620,562	149,720,656
<b>Total</b>		<b>(342,036,708)</b>	<b>(267,001,399)</b>

	Note	Company	
		2019 /	2018 /
		Rs.	Rs.
<b>44. IV. c. Transaction with related parties - Other Related companies</b>			
<b>Ceylinco General Insurance Ltd.</b>			
Premium paid		(20,249,414)	(57,705,221)
Premium Received		30,662,899	28,303,411
Claim paid		(4,650,000)	(6,752,929)
Rent Received		23,494,157	20,154,890
		<b>29,257,643</b>	<b>(15,999,849)</b>
<b>Ceylinco Insurance PLC</b>			
Dividend paid		(670,000,670)	(613,000,613)
		<b>(670,000,670)</b>	<b>(613,000,613)</b>
<b>Total</b>		<b>(640,743,027)</b>	<b>(629,000,462)</b>
<b>44. IV. d. Compensation of Key management personnel</b>			
The summary of compensation of key management personnel for the year is, as follows:			
Short-term employee benefits		(338,254,830)	(325,626,168)
Post employment benefits		(65,697,096)	(69,746,799)
<b>Total</b>		<b>(403,951,926)</b>	<b>(395,372,967)</b>

The amounts disclosed in the above table are the amounts recognised as an expense during the reporting period related to key management personnel.

There are no outstanding balances at the end of reporting period with the reported related parties.

#### Investment in Associate

No restrictions are placed on the ability of the associate to transfer funds to the parent company in the form of cash dividends or for the repayment of loans when due.

No guarantees or collaterals were provided to the associate.

#### 45. Events after the reporting date

Events after the reporting period are those events, favourable and unfavourable, that occur between the Reporting date and the date when the Financial Statements are authorised for issue.

All material post Reporting Date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the Financial Statements.

#### Subsequent Changes in Income Tax Rates

As per the notice (PN/IT/2020-03) issued by Inland Revenue Department on 18th February 2020 "Implementation of proposed changes to the Inland Revenue Act, No. 24 of 2017"; the income tax rates of companies will be reduced from 28% to 24% with effect from 1st January 2020. However the proposed amendments are yet to formally approve in the parliament. Accordingly no adjustments are made in the financial statements as at the reporting date. However resulting financial impact of this amendment is amounting Rs 180 Mn to the Group Deferred tax liability

## Notes to the Consolidated Financial Statements

### 46. Employee and Industrial Relations

There were no material issues pertaining to Employees & Industrial relations during the year.

### 47. Standards Issued but not yet Adopted as at the Reporting date

The following SLFRSs have been issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have not been applied in preparing these Financial Statements. Those SLFRSs will have an effect on the accounting policies currently adopted by the Group and may have an impact on future Financial Statements which is summarised as below.

#### SLFRS 9 – Financial Instruments

In December 2014, the CA Sri Lanka issued the final version of SLFRS 9 Financial Instruments classification and measurement which reflects all phases of the financial instruments project and replaces LKAS 39 – Financial Instruments: Recognition and Measurement. The standard introduces new requirements for,

- Classification and measurement
- Impairment
- Hedge Accounting

SLFRS 9 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.

#### 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 2021.

An insurer may apply the temporary exemption from SLFRS 9 if, and only if:

- (a) it has not previously applied any version of SLFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as at Fair Value Through Profit or Loss and;
- (b) 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, Since Ceylinco Life Insurance Limited is predominantly connected with Insurance activities, the company may continue to apply LKAS 39 – Financial Instruments: Recognition and Measurement rather than SLFRS 9 for annual periods beginning before 1st January 2021.

#### 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.

SLFRS 9 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. Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis.

As at 31st December 2019, the Group had equity investments classified as Available For Sale with a fair value of Rs. 7,658 Million that are held for long-term strategic purposes. Under SLFRS 9, the Group will reclassify these investments as measured at FVTPL. Consequently, all fair value gains and losses on disposal will be reported in Profit or Loss.

#### **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.

The Group has not designated any financial liabilities at FVTPL and it has no current intention to do so.

#### **Impairment**

SLFRS 9 replaces the 'Incurred Loss' model in LKAS 39 with a forward-looking 'Expected Credit Loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVTOCI, except for investments in equity instruments, and to contract assets.

Under SLFRS 9, 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.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not.

An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component;

With the consultation of external consultants the Group is in the process of formulating the relevant models for impairment computation.

## Notes to the Consolidated Financial Statements

### 472. New Accounting Standards Issued But Not Effective as at the Reporting Date

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of financial statements of the Company are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

#### SLFRS 17 – Insurance Contracts

SLFRS 17 will replace SLFRS 4 on accounting for insurance contracts and will be effective from 1 January 2021.

##### Objective

SLFRS 17 Insurance contracts establishes the 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 a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

##### Scope

An entity shall apply SLFRS 17 Insurance contracts to:

- Insurance contract, including reinsurance contracts, it issues;
- Reinsurance contracts it holds; and
- Investment contracts with discretionary participation features is issues, provided the entity also issues insurance contracts.

Some contracts meet the definition of an insurance contract but have their primary purpose the provision of services for a fixed fee. Such issued contracts are in the scope of the Standard, unless an entity chooses to apply to them SLFRS 15 Revenue from Contracts with Customers and provided the following conditions are met:

- a) the entity does not reflect an assessment of the risk associated with an individual
- b) customer in setting the price of the contract with that customer;
- c) the contract compensates customers by providing a service, rather than by making cash payments to the customer; and
- d) the insurance risk transferred by the contract arises primarily from the customer's use of service rather than from uncertainty over the cost of those services.

##### 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.

SLFRS – 17 specify three measurement approaches;

1. Building Block Approach (BBA)
2. Premium Allocation Approach (PAA)
3. Variable Fee Approach (VFA)

**Building Block Approach (General Approach)****Measurement**

On initial recognition, an entity shall measure a group of contracts at the total of:

**a) the amount of fulfilment cash flows ("FCF"), which comprise:**

- I. estimates of future cash flows;
- II. an adjustment to reflect the time value of money ("TVM") and the financial risks associated with the future cash flows; and
- III. a risk adjustment for non-financial risk

**b) the contractual service margin ("CSM").**

An entity shall include all the cash flows within the boundary of each contract in the group. The entity may estimate the future cash flows at a higher level of aggregation and then allocate the resulting fulfilment cash flows to individual groups of contracts.

The estimates of future cash flows shall be current, explicit, unbiased, and reflect all the information available to the entity without undue cost and effort about the amount, timing and uncertainty of those future cash flows. They should reflect the perspective of the entity, provided that the estimates of any relevant market variables are consistent with observable market prices.

**Discount rates**

The discount rates applied to the estimate of cash flows shall:

- a) reflect the time value of money (TVM), the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;
- b) be consistent with observable market prices of those financial instruments whose cash flow characteristics are consistent with those of the insurance contracts; and
- c) exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts.

**Risk adjustment for non-financial risk**

The estimate of the present value of the future cash flows is adjusted to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of future cash flows that arises from non-financial risk.

**Contractual Service Margin**

The CSM represents the unearned profit of the group of insurance contracts that the entity will recognise as it provides services in the future. This is measured on initial recognition of a group of insurance contracts at an amount that, unless the group of contracts is onerous, results in no income or expenses arising from:

- a) the initial recognition of an amount for the FCF;
- b) the derecognition at that date of any asset or liability recognised for acquisition cash flows; and
- c) any cash flows arising from the contracts in the group at that date.

**Subsequent measurement**

On subsequent measurement, the carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of:

**a) the liability for remaining coverage comprising:**

- I. the FCF related to future services and;
- II. the CSM of the group at that date;

## Notes to the Consolidated Financial Statements

b) the liability for incurred claims, comprising the FCF related to past service allocated to the group at that date.

### Onerous contracts

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 becomes 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.

### Premium allocation approach

An entity may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the Premium Allocation Approach (PAA) on the condition that, at the inception of the group:

- a) the entity reasonably expects that this will be a reasonable approximation of the General Model, or
- b) the coverage period of each contract in the group is one year or less

Where, at the inception of the group, an entity expects significant variances in the FCF during the period before a claim is incurred, such contracts are not eligible to apply the PAA.

Using the PAA, the liability for remaining coverage shall be initially recognised as the premiums, if any, received at initial recognition, minus any insurance acquisition cash flows. Subsequently the carrying amount of the liability is the carrying amount at the start of the reporting period plus the premiums received in the period, minus insurance acquisition cash flows, plus amortisation of acquisition cash flows, minus the amount recognised as insurance revenue for coverage provided in that period, and minus any investment component paid or transferred to the liability for incurred claims.

### Modification and de-recognition

#### Modification of an insurance contract

If the terms of an insurance contract are modified, an entity shall derecognise the original contract and recognise the modified contract as a new contract if there is a substantive modification, based on meeting any of the specified criteria.

The modification is substantive if any of the following conditions are satisfied:

- a. if, had the modified terms been included at contract's inception, this would have led to:
  - I. exclusion from the Standard's scope;
  - II. unbundling of different embedded derivatives;
  - III. redefinition of the contract boundary; or
  - IV. the reallocation to a different group of contracts; or
- b. if the original contract met the definition of a direct par insurance contracts, but the modified contract no longer meets that definition, or vice versa; or
- c. the entity originally applied the PAA, but the contract's modifications made it no longer eligible for it .

#### De-recognition

An entity shall de-recognise an insurance contract when it is extinguished, or if any of the conditions of a substantive modification of an insurance contract are met.

**Presentation in the statement of financial position**

An entity shall present separately in the statement of financial position the carrying amount of groups of:

- a) insurance contracts issued that are assets;
- b) insurance contracts issued that are liabilities;
- c) reinsurance contracts held that are assets; and
- d) reinsurance contracts held that are liabilities.

**Recognition and presentation in the statement(s) of financial performance**

An entity shall disaggregate the amounts recognised in the statement(s) of financial performance into:

- a) an insurance service result, comprising insurance revenue and insurance service expenses; and
- b) insurance finance income or expenses.

Income or expenses from reinsurance contracts held shall be presented separately from the expenses or income from insurance contracts issued.

**Insurance service result**

An entity shall present in profit or loss revenue arising from the groups of insurance contracts issued, and insurance service expenses arising from a group of insurance contracts it issues, comprising incurred claims and other incurred insurance service expenses. Revenue and insurance service expenses shall exclude any investment components. An entity shall not present premiums in the profit or loss, if that information is inconsistent with revenue presented.

**Insurance finance income or expenses**

Insurance finance income or expenses comprises the change in the carrying amount of the group of insurance contracts arising from: [IFRS 17:87]

- a) the effect of the time value of money and changes in the time value of money; and
- b) the effect of changes in assumptions that relate to financial risk; but
- c) excluding any such changes for groups of insurance contracts with direct participating insurance contracts that would instead adjust the CSM.

An entity has an accounting policy choice between including all of insurance finance income or expense for the period in profit or loss, or disaggregating it between amount presented in profit or loss and amount presented in other comprehensive income ("OCI").

Under the general model, disaggregating means presenting in profit or loss an amount determined by a systematic allocation of the expected total finance income or expenses over the duration of the group of contracts. On derecognition of the groups amounts remaining in OCI are reclassified to profit or loss.

Under the VFA, for direct par insurance contracts, only where the entity holds the underlying items, disaggregating means presenting in profit or loss as insurance finance income or expenses an amount that eliminates the accounting mismatches with the finance income or expenses arising on the underlying items. On derecognition of the groups, the amounts previously recognised in OCI remain there.

## Notes to the Consolidated Financial Statements

### Disclosures

An entity shall disclose qualitative and quantitative information about:

- a. the amounts recognised in its financial statements that arise from insurance contracts;
- b. the significant judgements, and changes in those judgements, made when applying IFRS 17; and
- c. the nature and extent of the risks that arise from insurance contracts.

### Effective date

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021. Earlier application is permitted if both IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial instruments' have also been applied.

### Transition

An entity shall apply the Standard retrospectively unless impracticable, in which case entities have the option of using either the modified retrospective approach or the fair value approach.

Under the modified retrospective approach, an entity shall utilise reasonable and supportable information and maximise the use of information that would have been used to apply a full retrospective approach, but need only use information available without undue cost or effort. Under this approach the use of hindsight is permitted, if that is the only practical source of information for the restatement of prior periods.

Under the fair value approach, an entity determines the CSM at the transition date as the difference between the fair value of a group of insurance contracts at that date and the FCF measured at that date. Using this approach, on transition there is no need for annual groups.

At the date of initial application of the Standard, those entities already applying IFRS 9 may retrospectively re-designate and reclassify financial assets held in respect of activities connected with contracts within the scope of the Standard.

Entities can choose not to restate IFRS 9 comparatives with any difference between the previous carrying amount of those financial assets and the carrying amount at the date of initial application recognised in the opening equity at the date of initial application. Any restatements of prior periods must reflect all the requirements of IFRS 9.

### SLFRS 9 Financial Instruments

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Company meets the eligibility criteria of the temporary exemption from SLFRS 9 and intend to defer the application of SLFRS 9 until annual reporting periods beginning on or after 1 January 2021.

# Statement of Supplementary Financial Position - Policyholders

As at 31 December	2019 / Rs.'000	2018 / Rs.'000
<b>Assets</b>		
Property, Plant and Equipment	6,985,547	5,732,022
Right-of-use Asset	229,878	-
Investment Properties	420,000	360,000
Investment in Subsidiaries	15,000	15,000
Investment in Associates	42,990	42,990
<b>Financial Instruments</b>		
Held to Maturity Financial Assets	51,186,297	54,266,418
Loans and Receivables	31,099,843	27,139,945
Available-For-Sale Financial Assets	6,670,528	1,305,437
Financial Assets at Fair Value Through Profit or Loss	2,317,923	570,171
Reinsurance Receivables	273,408	269,175
Income Tax Receivables	-	360
Loans to Life policyholders	1,335,469	1,190,274
Premium Receivables	275,881	268,334
Other Assets	151,049	302,735
Cash and Cash Equivalents	509,145	169,390
<b>Total Assets</b>	<b>101,512,959</b>	<b>91,632,252</b>
<b>Equity and Liabilities</b>		
<b>Liabilities</b>		
Insurance Contract Liabilities - Life	96,204,089	88,049,202
Insurance Contract Liabilities - Unit Linked	328,869	335,691
Insurance Contract Liabilities-Family Takaful	18,869	19,548
Individual Investment Fund - ISF	235,187	164,456
Reinsurance Payables	603,893	470,889
Trade and Other Payables	3,705,280	2,480,822
Bank Overdraft	416,770	111,644
<b>Total Liabilities</b>	<b>101,512,956</b>	<b>91,632,251</b>
<b>Total Equity and Liabilities</b>	<b>101,512,956</b>	<b>91,632,252</b>

# Insurance Revenue Account

For the Year Ended 31st December,		2019 /	2018 /	%
	Glossary item	Rs. '000	Rs. '000	Change
Gross Written Premium	22	<b>18,718,553</b>	17,812,774	5.08
Net Written Premium (Net of Premiums ceded to reinsurers )	38	<b>18,168,431</b>	17,355,265	4.69
Investment and Other Income Attributable to Policyholders		<b>10,856,304</b>	10,102,085	7.47
Net Benefits Paid	39	<b>(10,604,066)</b>	(9,803,550)	8.17
Increase in Long Term Insurance Fund		<b>(7,189,811)</b>	(6,457,292)	11.34
Acquisition Cost	1	<b>(1,962,792)</b>	(1,926,454)	1.89
Operating and Administrative Expenses Attributable to Policyholders		<b>(4,414,501)</b>	(4,228,218)	4.41
Interest Expense		<b>(41,090)</b>	(17,268)	137.96
Tax expenses		<b>(912,475)</b>	(149,568)	510.07
<b>Surplus from Life Insurance Business</b>	33	<b>3,900,000</b>	4,875,000	(20.0)
Surplus From Life Insurance Business		<b>3,900,000</b>	4,875,000	(20.00)
Investment & Other Income not Attributable to Policyholders		<b>2,536,251</b>	1,292,149	96.28
Operating and Administrative Expenses not Attributable to Policyholders		<b>864,292</b>	843,732	2.44
Interest Expense		<b>(1,080)</b>	(3,060)	(64.70)
Tax expenses		<b>(627,794)</b>	(1,213,532)	(48.27)
<b>Profits From Operations After Interest Expense</b>		<b>6,671,669</b>	5,794,289	15.14



# Quarterly Analysis 2019

## Company Statement of Income

(values are to the nearest rupees thousand)

	1st quarter Jan- Mar.19	2nd quarter Apr- Jun.19	3 rd quarter Jul- Sep.19	4th quarter Oct- Dec.19	Total Jan- Dec.19
Gross written premiums	4,276,029	4,513,416	4,854,743	5,074,366	18,718,553
Premiums ceded to reinsurers	(131,937)	(108,564)	(115,301)	(194,320)	(550,122)
<b>Net written premiums</b>	<b>4,144,093</b>	<b>4,404,851</b>	<b>4,739,442</b>	<b>4,880,046</b>	<b>18,168,431</b>
<b>Net change in Reserve for unearned premium</b>					
<b>Net Earned premium</b>	<b>4,144,093</b>	<b>4,404,851</b>	<b>4,739,442</b>	<b>4,880,046</b>	<b>18,168,431</b>
Investment and Other Income	2,897,479	3,227,881	3,346,168	3,921,027	13,392,554
<b>Net Income</b>	<b>7,041,571</b>	<b>7,632,732</b>	<b>8,085,610</b>	<b>8,801,073</b>	<b>31,560,986</b>
Net benefits and claims	(2,389,880)	(2,610,273)	(3,073,050)	(2,530,863)	(10,604,066)
Gross Change in Contract Liabilities	(1,555,847)	(1,117,512)	(1,553,566)	(2,962,886)	(7,189,811)
Acquisition cost	(491,697)	(460,239)	(498,220)	(512,636)	(1,962,792)
					-
Other operating and administrative expenses	(1,055,695)	(1,183,094)	(951,665)	(359,756)	(3,550,209)
Finance cost	(5,956)	(13,101)	(16,110)	(7,003)	(42,170)
<b>Total benefits, claims and other expenses</b>	<b>(5,499,075)</b>	<b>(5,384,218)</b>	<b>(6,092,611)</b>	<b>(6,373,144)</b>	<b>(23,349,048)</b>
<b>Profit before tax</b>	<b>1,542,496</b>	<b>2,248,514</b>	<b>1,992,999</b>	<b>2,427,929</b>	<b>8,211,938</b>
Income tax expense	(487,402)	(430,987)	(369,730)	(252,150)	(1,540,269)
<b>Profit for the year</b>	<b>1,055,094</b>	<b>1,817,527</b>	<b>1,623,269</b>	<b>2,175,779</b>	<b>6,671,669</b>

# Quarterly Analysis 2018

## Company Statement of Income

(values are to the nearest rupees thousand)

	1st quarter Jan- Mar.18	2nd quarter Apr- Jun.18	3 rd quarter Jul- Sep.18	4th quarter Oct- Dec.18	Total Jan- Dec.18
Gross written premiums	3,560,155	3,858,389	4,068,339	6,325,891	17,812,774
Premiums ceded to reinsurers	(103,590)	(110,142)	(107,798)	(135,979)	(457,509)
<b>Net written premiums</b>	<b>3,456,565</b>	<b>3,748,247</b>	<b>3,960,541</b>	<b>6,189,912</b>	<b>17,355,265</b>
<b>Net change in Reserve for unearned premium</b>					
<b>Net Earned premium</b>	<b>3,456,565</b>	<b>3,748,247</b>	<b>3,960,541</b>	<b>6,189,912</b>	<b>17,355,265</b>
Investment and Other Income	2,306,201	2,438,343	2,826,170	3,823,520	11,394,234
<b>Net Income</b>	<b>5,762,766</b>	<b>6,186,590</b>	<b>6,786,711</b>	<b>10,013,432</b>	<b>28,749,499</b>
Net benefits and claims	(1,602,999)	(1,659,623)	(1,841,626)	(4,699,302)	(9,803,550)
Gross Change in Contract Liabilities	(2,052,947)	(2,428,845)	(2,838,937)	863,437	(6,457,292)
Acquisition cost	(452,941)	(398,812)	(415,798)	(658,903)	(1,926,454)
					-
Other operating and administrative expenses	(829,368)	(888,785)	(792,334)	(874,000)	(3,384,487)
Finance cost	(1,773)	(4,620)	(2,685)	(11,250)	(20,328)
<b>Total benefits, claims and other expenses</b>	<b>(4,940,029)</b>	<b>(5,380,684)</b>	<b>(5,891,380)</b>	<b>(5,380,017)</b>	<b>(21,592,110)</b>
<b>Profit before tax</b>	<b>822,738</b>	<b>805,905</b>	<b>895,331</b>	<b>4,633,415</b>	<b>7,157,389</b>
Income tax expense	(149,390)	(122,157)	(223,069)	(868,484)	(1,363,100)
<b>Profit for the year</b>	<b>673,347</b>	<b>683,749</b>	<b>672,262</b>	<b>3,764,931</b>	<b>5,794,289</b>

# Ten Year Summary

## Statement of Financial Position

Company	2019 /	2018 /	2017 /	2016 /	2015 /	2014 /	2013 /	2012 /	2011 /	2010 /
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
<b>Assets</b>										
Intangible Assets	349,627	37,358	56,950	2,759	645	2,198	4,609	15,105	42,396	82,695
Property, plant and equipment	9,401,315	7,567,806	7,371,782	7,068,634	5,343,752	4,760,395	4,596,053	3,906,294	3,396,144	3,090,739
Investments	116,918,311	103,744,945	92,264,065	84,220,630	67,139,575	57,209,653	50,751,773	44,198,752	40,410,190	29,836,507
Other assets	6,542,149	6,709,280	6,402,008	5,166,066	7,751,193	9,096,076	8,593,577	4,771,500	4,845,898	3,991,859
<b>Total Assets</b>	<b>133,211,402</b>	<b>118,059,390</b>	<b>106,094,805</b>	<b>96,458,089</b>	<b>80,235,165</b>	<b>71,068,322</b>	<b>63,946,012</b>	<b>52,891,651</b>	<b>48,694,628</b>	<b>37,001,800</b>
<b>Liabilities</b>										
Insurance provision - Life	96,204,089	88,049,202	81,723,759	77,925,144	68,011,535	60,021,879	52,765,411	45,110,789	38,203,473	31,868,141
Unit linked Fund and other funds	582,925	519,695	427,146	333,129	268,062	228,872	190,135	157,657	146,659	115,269
Equity and Other Liabilities	36,424,389	29,490,493	23,943,900	18,199,816	11,955,567	10,817,572	10,990,466	7,623,205	10,344,494	5,018,390
<b>Total Liabilities</b>	<b>133,211,402</b>	<b>118,059,390</b>	<b>106,094,805</b>	<b>96,458,089</b>	<b>80,235,164</b>	<b>71,068,323</b>	<b>63,946,012</b>	<b>52,891,651</b>	<b>48,694,628</b>	<b>37,001,800</b>
<b>Investor Information</b>										
Return on net assets	(%)	21.19	21.93	45.87	25.85	21.81				
Return on Total Assets	(%)	5.01	4.91	8.67	3.19	2.57				
Net assets per share	Rs.	629.84	528.51	412.94	238.24	188.93				
Earnings per share	Rs.	133.43	115.89	199.35	61.58	38.03				
Dividend per share	Rs.	13.40	11.90	9.00	7.50	6.25				
Dividend Cover	(Times)	9.96	9.74	21.04	8.21	6.08				
Dividend Payout Ratio	(%)	10.04	10.27	4.75	12.18	16.44				

Note: Company Financial information has been disclosed for the Life insurance business, including the operation of Ceylinco insurance PLC up to year 2015.

## Statement of Comprehensive Income

Company	2019 /	2018 /	2017 /	2016 /	2015 /	2014 /	2013 /	2012 /	2011 /	2010 /
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Gross written Premium	<b>18,718,553</b>	17,812,774	15,765,484	15,027,600	13,456,828	12,002,524	11,122,906	10,829,470	9,833,905	8,786,121
Net written premium	<b>18,168,431</b>	17,355,265	15,343,267	14,653,771	13,146,773	11,715,219	10,866,904	10,576,066	9,597,478	8,639,853
Investment income and other income	<b>13,392,554</b>	11,394,234	10,280,547	8,780,689	6,740,775	6,826,012	6,706,341	4,825,823	3,889,608	3,454,269
Net claims and benefit	<b>(10,604,066)</b>	(9,803,550)	(6,686,980)	(6,651,682)	(5,956,745)	(4,893,847)	(4,757,321)	(3,990,881)	(2,946,295)	(2,685,361)
Acquisition Cost	<b>(1,962,792)</b>	(1,926,454)	(1,782,479)	(1,693,985)	(1,610,178)	(1,389,842)	(1,353,905)	(1,427,626)	(1,237,818)	(1,171,497)
Increase in Long Term Insurance fund	<b>(7,189,811)</b>	(6,457,292)	(7,258,502)	(8,397,889)	(7,135,304)	(7,256,468)	(7,654,622)	(6,765,658)	(6,335,332)	(5,418,174)
Change in Contract Liabilities Due to Transfer of One-Off Surplus	-	-	3,456,184	-						
Operating & Administrative expenses	<b>(3,550,209)</b>	(3,384,487)	(3,532,496)	(2,937,262)	(2,994,099)	(2,673,594)	(2,517,219)	(2,213,918)	(2,163,561)	(2,217,267)
Finance Expenses	<b>(42,170)</b>	(20,328)	(12,005)	(9,915)	(10,214)	(29,394)	(9,817)	(7,974)	(7,890)	(10,828)
Profit Before Tax	<b>8,211,938</b>	7,157,388	9,807,535	3,743,727	2,181,009	2,298,086	1,280,361	995,832	796,190	590,995
Taxation	<b>(1,540,269)</b>	(1,363,100)	(340,109)	(667,686)	(120,963)	(935,099)	(39,973)	-	-	-
Profit After Tax	<b>6,671,669</b>	5,794,288	9,467,426	3,076,041	2,060,046	1,362,987	1,240,388	995,832	796,190	590,995
Employee Information										
Revenue per employee	Rs.Mn	<b>37.39</b>	33.31	28.79	25.75	21.22				
Net profit per employee	Rs.000	<b>9,729.78</b>	8,294	11,020	4,114	2,328				
Number of employees	Nos.	<b>844</b>	863	890	910	937				

# GRI Context Index

GRI Context Index for "In Accordance" - Core

GRI Standard	Disclosure	Page Number	Publication Pages
GRI 101: Foundation 2016 (does not include any disclosures)			
<b>General Disclosures</b>			
GRI 102: General Disclosures 2016			
<b>Organizational Profile</b>			
	102-1 Name of Organization	Inner Back Cover	✓
	102-2 Activities, brands, products and services	74 - 79 & Inner Back Cover	✓
	102-3 Location of headquarters	95, Inner Back Cover	✓
	102-4 Location of operations	9	✓ ✓ ✓
	102-5 Ownership and legal form	9 and Inner Back Cover	✓
	102-6 Markets served	104 - 106	✓
	102-7 Scale of the organization	20 - 21	✓
	102-8 Information on employees and other workers	93	✓ ✓ ✓
	102-9 Supply chain	88 - 89	✓
	102-10 Significant changes to the organisation and supply chain	6, 88, 166	✓
	102-11 Precautionary principle	8	✓
	102-12 External initiatives	7	✓
	102-13 Membership of associations	90 - 91	✓
<b>Strategy</b>			
	102-14 Statement from senior decision maker	12 - 15	✓
	102-15 Key impacts, risks, and opportunities	161 - 165	✓

GRI Standard	Disclosure	Page Number	Publication Pages
<b>Ethics and integrity</b>			
	102-16 Values, principles, norms and standards of behaviour	3, 159	✓
	102-17 Mechanisms for advice and concerns about ethics	101, 103, 147	✓
<b>Governance</b>			
	102-18 Governance Structure	32, 141 - 142, 149	✓
	102-19 Delegating authority	32, 141 - 142, 144, 149	✓
	102-20 Executive-level responsibility for economic, environmental, and social topics	32, 149	✓
	102-21 Consulting stakeholders on economic, environmental, and social topics	148 - 149, 156 - 157	✓
	102-22 Composition of the highest governance body and its committees	126 - 130, 142 - 143	✓
	102-23 Chair of the highest governance body	143	✓
	102-24 Nominating and selecting the highest governance body	144 - 145, 153, 174 - 175	✓
	102-25 Conflicts of interest	145, 151, 179 - 180	✓
	102-26 Role of highest governance body in setting purpose, values, and strategy	32, 140, 143 - 144, 149 - 150 and 152	✓
	102-27 Collective knowledge of highest governance body	32, 144 - 145, 149, 152	✓
	102-28 Evaluating the highest governance body's performance	145, 154 - 155	✓
	102-29 Identifying and managing economic, environmental, and social impacts	143 - 144 and 149	✓
	102-30 Effectiveness of risk management processes	144, 150, 161 - 163, 186 - 187	✓
	102-31 Review of economic, environmental, and social topics	32, 149	✓
	102-32 Highest governance body's role in sustainability reporting	149	✓

GRI Standard	Disclosure	Page Number	Publication Pages
	102-33 Communicating critical concerns	6, 148	✓
	102-34 Nature and total number of critical concerns	6, 148	✓
	102-35 Remuneration policies	148, 155 - 156, 170 - 173	✓
	102-36 Process for determining remuneration	148, 155 - 156, 170 - 173	✓
	102-38 Annual total compensation ratio	98	✓
	102-39 Percentage increase in annual total compensation ratio	98	✓
	102-40 List of stakeholder groups	36 - 44	✓
	102-41 Collective bargaining agreements	101	✓
	102-42 Identifying and selecting stakeholders	36 - 37	✓
	102-43 Approach to stakeholder engagement	38 - 44	✓
	102-44 Key topics and concerns raised	38 - 44	✓
	102-45 Entities included in the consolidated financial statements	10	✓
	102-46 Defining report content and topic boundary	6, 45 - 51	✓
	102-47 List of Material topics	46 - 51	✓
	102-48 Restatement of information	6	✓
	102-49 Changes in reporting	6	✓
	102-50 Reporting period	6	✓
	102-51 Date of most recent report	6	✓
	102-52 Reporting cycle	6	✓
	102-53 Contact point for questions regarding Report	8	✓
	102-54 Claims of reporting in accordance with GRI Standards	7	✓
	102-55 GRI context index	323 - 328	✓
	102-56 External assurance	8, 123 - 124	✓
GRI 103: Management Approach	103-1 Explanation of material topics and its Boundary	46 - 51	✓
	103-2 The Management Approach and its components	46 - 51	✓
	103-3 Evaluation of the Management Approach	46 - 51	✓

GRI Standard	Disclosure	Page Number	Publication Pages
GRI 201: Economic Performance	201-1 Direct economic value generated and distributed	22	✓
	201-3 Defined benefit plan obligations and other retirement plans	96	✓
GRI 202: Market Presence	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	97	✓
	202-2 Proportion of senior management hired from the local community	95	✓
GRI 203: Indirect Economic Impact	203-1 Infrastructure investments and services supported	82 - 87	✓
	203-2 Significant indirect economic impacts	73, 75	
	204-1 Proportion of spending on local supplier	89	✓
<b>Anti-Corruption</b>			
GRI 205: Anti-corruption	205-3 Confirmed incidents of corruption and actions	79	✓
<b>Anti-competitive Behavior</b>			
GRI 206: Anti-competitive Behavior	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	79	✓
<b>Materials</b>			
GRI 301: Materials 2016	301-2 Recycled input materials used	112	✓
	301-3 Reclaimed products and their packaging materials	106	✓
<b>Energy</b>			
GRI 302: Energy 2016	302-1 Energy consumption within the organization	112 - 113	✓
	302-4 Reduction of energy consumption	112	✓
<b>Water and Effluents</b>			
GRI 303: Water 2016	303-1 Water Withdrawal by source	112	✓
	303-3 Water recycled and reused	112	✓
<b>Emissions</b>			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	113	✓
	305-2 Energy Indirect (Scope 2) GHG emissions	113	✓
	305-3 Others Indirect (Scope 3) GHG emissions	113	✓



GRI Standard	Disclosure	Page Number	Publication Pages
<b>Effluents and waste</b>			
GRI 306: Effluents and waste 2016	306-2 Waste by type and disposal method	112	✓
<b>Environmental Compliance</b>			
GRI 307: Environmental Compliance 2016	Non-compliance with environmental laws and regulations	113	✓
<b>Employment</b>			
GRI 401: Employment	401-1 New employee hires and employee turnover	100, 102	✓
	401-2 Benefits provided to full-time employees that are not provided to temporary or part time employees	96 - 97	✓
	401-3 Parental leave	98	✓
GRI 402: Labour / Management Relations	402-1 Minimum notice periods regarding operational changes	103	✓
<b>Occupational Health &amp; Safety</b>			
GRI 403: Occupational Health and Safety	403-1 Workers representation in formal joint management-worker health and safety committees	101	✓
<b>Training and Education</b>			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	95	✓
	404-2 Programmes for upgrading employee skills and transition assistance programmes	95 - 96	✓
	404-3 Percentage of employees receiving regular performance and career development reviews	94	✓
<b>Diversity and Equal Opportunity</b>			
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	102	✓
<b>Non-discrimination</b>			
GRI 406: Non-discrimination	406-1 Incidents of discrimination and corrective actions taken	97, 101, 103	✓
<b>Child labor</b>			
GRI 408: Child Labor	408-1 Operations and suppliers at significant risk for incidents of child labour	89, 103	✓
<b>Forced or Compulsory Labor</b>			
GRI 409: Forced of Compulsory Labor	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	89, 103	✓

GRI Standard	Disclosure	Page Number	Publication Pages
<b>Communities</b>			
GRI 413: Local Communities	413-1 Operations with local community engagement, impact assessments and development programmes	82 - 87, 110	✓
	413-2 Operations with significant actual and potential negative impacts on local communities	107	✓
<b>Public Policy</b>			
GRI 417: Marketing and labelling	417-1 Requirements for product and service labelling	79	✓
	417-2 Incidents of non-compliance concerning product and service information and labelling	79	✓
	417-3 Incidents of non-compliance concerning marketing communications	79	✓
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	79	✓
<b>Socioeconomic compliance</b>			
GRI 419: Socioeconomic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	113	✓

# Glossary of Key Terms

## 1. Acquisition cost

All expenses which vary with and are primarily related to, the acquisition of new insurance contracts and renewal of existing insurance contracts (e.g. commissions)

## 2. 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.

## 3. Actuary

An expert concerned with the application of probability and statistical theory to problems of insurance, investment, financial management and demography.

## 4. Admissible Assets

Assets that are included in determining an insurer's statutory solvency, specified under the rules made by the IRCSL under the regulation of Insurance Industry Act No. 43 of 2000.

## 5. Annuity

A series of regular payments. Annuities include annuities certain, where payments are made at definite times and life annuities where payments depend on the survival of an annuitant. A life annuity is a contract that provides a regular payment, typically monthly, during the life time of the policyholder or a fixed period if less. If the payment starts at the outset of the contract, it is an immediate annuity. If it starts at some point in the future, it is a deferred annuity.

## 6. Beneficiary

The person or financial institution (for e.g. a trust fund) named by the policyholder in the policy as the recipient of the sum assured and other eligible benefits due in the event of the policyholder's death.

## 7. 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.

## 8. Broker

A broker is an intermediary between a prospective policyholder and a life insurance company.

## 9. Claims

The amount payable under a contract of life insurance arising from the occurrence of an insured event such as death, disability, injury, hospital or medical claims etc.

## 10. Claims incurred

The aggregate of all claims paid during the accounting period together with attributable claims handling expenses.

## 11. Claims payable

The amounts provided to cover the estimated ultimate cost of settling claims arising out of events which have been notified by the reporting date, being the amounts due to beneficiaries together with claims handling expenses, less amounts already paid in respect of those claims.

## 12. Commission

Remuneration to an intermediary for services such as selling and servicing an insurer's products. This is one component of acquisition cost.

## 13. Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

## 14. Credit life insurance

Term life insurance issued through a lender or lending agency to cover payment of a loan, instalment purchase or other obligation, in case of death of the policyholder.

## 15. Credit risk

The potential for loss due to the failure of a borrower, endorser, guarantor or counterparty to repay a loan or honour another predetermined financial obligation.

## 16. Dividend per share

Total dividend declared for the financial year, divided by the number of ordinary shares entitled to received that dividend.

## 17. Dividend cover

Profits after tax divided by dividend, which measures the number of times dividends are covered by distributable profits for the period.

## 18. Earnings per share

Net profits of the Company after tax, divided by the number of ordinary shares in issue.

**19. Endowment**

Life insurance payable to the policyholder if he or she is living on the maturity date stated in the policy or to a beneficiary if the insured dies before that date.

**20. Ex-gratia payment**

A payment made to an insured where there is no liability to pay under the terms of the policy.

**21. Financial Risk**

The risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

**22. Gross written premium (GWP)**

Premium to which the insurer is contractually entitled and receivable in the accounting period.

**23. Global Reporting Initiative (GRI)**

A leading organisation in the sustainability field. GRI promotes the use of sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development allied with the UN Global Compact.

**24. Insurance contract**

An insurance contract 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, the insured sum of money or its equivalent in kind, upon the occurrence of a specified event that is contrary to the interest of the insured.

**25. Insurance Provision – Long-term**

The fund to be maintained by an insurer in respect of its life insurance business in accordance with the Regulation of the Insurance Industry Act No. 43 of 2000.

**26. Insurance risk**

Uncertainty over the likelihood of an insured event occurring, the quantum of the claim, or, the time when claims payments will fall due.

**27. Insurance revenue account**

A statement which shows a financial summary of the insurance related revenue and expenditure transactions for the accounting period.

**28. Interim payments**

Periodic payments to the policyholders on a specific type of policy investment contract A contract, which contains significant financial risk and may contain insignificant insurance risk, but does not meet the definition of insurance.

**29. Lapsed policy**

A policy terminated at the end of the grace period because of non-payment of premiums.

**30. Liability Adequacy Test**

An annual assessment of the sufficiency of insurance and/or investment contract with liabilities, to cover future insurance obligations.

**31. Life Fund**

Fund maintained to meet the obligation towards Life Policyholders.

**32. Life Insurance Business**

Insurance (including reinsurance) business falling within the classes

of insurance specified as Long-term Insurance Business under the Regulation of Insurance Industry Act No. 43 of 2000.

**33. Life Fund Surplus**

The excess of the assets over the liabilities as determined by the actuary and after the distribution of dividends to policyholders.

**34. Market risk**

The potential for a negative impact on the statement of financial position and/or income statement resulting from adverse changes in the value of financial instruments as a result of changes in certain market variables. These variables include interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities, as well as credit spreads, credit migration and default.

**35. Maturity**

The time at which payment of the sum insured under a life insurance policy falls due at the end of its term.

**36. Mortality**

The ratio of deaths to the entire population or to a particular age group. It is globally expressed in numbers or rates and set out in mortality tables.

**37. Net assets per share**

Net assets attributable to shareholders' equity divided by the number of ordinary shares issued.

**38. Net written premium**

Gross written premium less reinsurance payable.

**39. Net claims incurred**

Claims incurred less reinsurance recoveries.

**40. Operational Risk**

The potential for loss resulting from inadequate or failed internal processes or systems, human interactions or external events, but excludes business risk.

**41. Participating Business**

Life Insurance business where the policyholders are contractually entitled to share in the surplus of the relevant life fund.

**42. Policy**

The printed document issued to the policyholder by a life insurance company stating the terms of the insurance contract.

**43. Policy loan**

Under an insurance policy, the amount that can be borrowed at a specific rate of interest from the issuing company by the policyholder, who used the value of the policy as collateral for the loan. In the event the policyholder dies with the debt partially or fully unpaid, the insurance company deducts the amount borrowed, plus any accumulated interest, from the amount payable.

**44. Premium**

The payment, or one of the periodic payments, a policyholder agrees to make for an insurance policy. Depending on the terms of the policy, the premium may be paid in one payment or a series of regular payments.

**45. Reinsurance commission**

Commission received or receivable in respect of premium paid or payable to a reinsurer.

**46. Reinsurance premium ceded**

The premium payable to the reinsurer.

**47. Retention**

That part of the risk assumed which the insurer/reinsurer does not reinsure/ retrocede, i.e. retained net for own account.

**48. Return on shareholders' equity**

Profits after tax divided by the shareholders' as at the reporting date.

**49. Return on total assets**

Profits after tax divided by total assets attributable to shareholders.

**50. Rider**

An amendment to an insurance policy that modifies the policy by expanding or restricting its benefits or excluding certain conditions from coverage.

**51. Risk Based Capital (RBC)**

An amount of capital based on an assessment of risks that a company should hold to protect policyholders against adverse developments.

**52. Surrender**

Termination of an insurance policy by the insured before the expiry of its term.

**53. Surrender value**

The sum payable by an insurance company upon the surrender of a life insurance policy before it has run its full course.

**54. Total Available Capital (TAC)**

Measures the actual available capital held by an insurer eligible to calculate capital adequacy.

**55. Underwriter**

Member of an insurance company that acts on behalf of his or her employer to negotiate, accept or reject the terms

of an insurance contract. They are responsible for ensuring the quality and reliability of risk-transfer solutions. Their job is to develop products that best reflect the characteristics of the risks and clients' needs.

**56. Underwriting**

The process of classifying applicants for insurance by identifying such characteristics as age, sex, health, occupation and hobbies. People with similar characteristics are grouped together and are charged a premium based on the group's level of risk. The process includes rejection of unacceptable risks.

# Notice of Annual General Meeting

Notice is hereby given that the Sixth (06) Annual General Meeting of the shareholders of Ceylinco Life Insurance Limited will be held at the Board Room of Ceylinco Life Insurance Limited, No. 106, Havelock Town, Colombo 05, on Friday, 27th March 2020 at 3.00 p.m. to conduct the following business:

1. To read the Notice convening the Meeting.
2. To receive, consider and adopt the Annual Report of the Board of Directors on the affairs of the Company and the Financial Statements for the year ended 31st December 2019 together with the Report of the Auditors thereon.
3. To re-elect Gen. Chandrika Sirilal Weerasooriya (Retired), who retires at the Annual General Meeting as a Director, in terms of Section 210 of the Companies Act No. 07 of 2007. Special Notice having been given pursuant to Sections 210 and 211 of the Companies Act No. 07 of 2007 of the intention to propose the following resolution as an ordinary resolution:
 

"Resolved that Gen. Chandrika Sirilal Weerasooriya (Retired) who will be 77 years in December 2020 be re-elected as a Director of the Company and it is specifically declared that the age limit specified in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Gen. Chandrika Sirilal Weerasooriya."
4. To re-elect Mr. D H J Gunawardena, who retires at the Annual General Meeting as a Director, in terms of Section 210 of the Companies Act No. 07 of 2007. Special Notice having been given pursuant to Sections 210 and 211 of the Companies Act No. 07 of 2007 of the intention to propose the following resolution as an ordinary resolution:

"Resolved that Mr. D H J Gunawardena who will be 71 years in December 2020 be re-elected as a Director of the Company and it is specifically declared that the age limit specified in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. D H J Gunawardena."

5. To re-elect the following Directors who in terms of the Company's Articles of Association retire by rotation as given below;
  - To re-elect Mr. R S W Senanayake who retires by rotation in terms of Article 18B of the Article of Association
  - To re-elect Mr. J A Setukavalar who retires by rotation in terms of Article 18B of the Article of Association
  - To re-elect Mr. W M P J K Wickramasinghe who retires by rotation in terms of Article 18B of the Article of Association
6. To re-appoint Messrs. Ernst & Young, Chartered Accountants as recommended by the Board of Directors as the Company's Auditors for the ensuing year and authorize the Directors to determine their remuneration.
7. To authorize the Directors to determine contributions to charities and other donations for the year ending 31st December 2020.
8. To consider that the interim dividend of Rs.13.40 per share constituting a total sum of Rs.670,000,670/- as the first and final dividend for the year 2019.

By Order of the Board of Ceylinco Life Insurance Limited,



**K. I. Weththasinghe**  
Company Secretary

04th March 2020

**Note:**

1. A shareholder entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote his/her behalf.
2. A proxy so appointed need not be a member of the Company.
3. A form of proxy accompanies this notice.

# Form of Proxy

I/We\*, ..... (Please indicate full name) bearing NIC No./Company registration No. ....  
of ..... being a member/\*members of Ceylinco Life Insurance Limited, do hereby appoint  
Mr./Ms. .... (Please indicate full name) bearing NIC No. .... of ..... or  
failing him/her;

Mr. R Renganathan	of Colombo or failing him
Mr. E T L Ranasinghe	of Colombo or failing him
Mr. P D M Cooray	of Colombo or failing him
Mr. P A Jayawardena	of Colombo or failing him
Mr. S R Abeynayake	of Colombo or failing him
Mr. D H J Gunawardena	of Colombo or failing him
Gen. C S Weerasooriya	of Colombo or failing him
Mr. R S W Senanayake	of Colombo or failing him
Mr. J A Setukavalar	of Colombo or failing him
Prof. W M M De Silva	of Colombo or failing him
Dr. B G S De Silva	of Colombo or failing him
Mr. W M P J K Wickramasinghe	of Colombo or failing him
Mr. H S B Caldera	of Colombo or failing him
Ms. A K Seneviratne	of Colombo or failing her
Mr. J Durairatnam	of Colombo

as my/\*our proxy to represent me/us \* and vote as indicated below on my/our\* behalf at the Sixth (06) Annual General Meeting of the Company to be held on 27th March 2020 at 3.00 p.m. and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting.

	For	Against
1. To receive, consider and adopt the Annual Report of the Board of Directors on the affairs of the Company and the Financial Statements for the year ended 31st December 2019 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To pass the ordinary resolution as set out in the Notice of the Meeting under item 03 for the re-election of Gen. Chandrika Sirilal Weerasooriya (Retired).	<input type="checkbox"/>	<input type="checkbox"/>
3. To pass the ordinary resolution as set out in the Notice of the Meeting under item 04 for the re-election of Mr. D H J Gunawardena.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect the following Directors who in terms of the Company's Articles of Association are retiring by rotation as given below;	<input type="checkbox"/>	<input type="checkbox"/>
● To re-elect Mr. R S W Senanayake who retires by rotation in terms of Article 18B of the Article of Association	<input type="checkbox"/>	<input type="checkbox"/>
● To re-elect Mr. J A Setukavalar who retires by rotation in terms of Article 18B of the Article of Association	<input type="checkbox"/>	<input type="checkbox"/>
● To re-elect Mr. W M P J K Wickramasinghe who retires by rotation in terms of Article 18B of the Article of Association	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint Messrs. Ernst & Young, Chartered Accountant as the Company's Auditors of the Company for the ensuing year and authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorize the Board of Directors to determine donations for the year ending 31st December 2020	<input type="checkbox"/>	<input type="checkbox"/>

Executed on this ..... day of ..... 2020

.....  
*Signature of Shareholder*

## Note:

Instructions as to completion are given below. Please delete the inappropriate words and mark 'X' in the appropriate cages to indicate your instructions as to voting.

**INSTRUCTIONS TO COMPLETE THE FORM OF PROXY**

1. Kindly perfect the Form of Proxy by filling in legibly your full name and address, your instructions as to voting, by signing in the space provided and filling in the date of signature.
2. Please indicate with a 'X' in the cages provided how your proxy is to vote on the Resolutions. If no indication is given the Proxy in his/her discretion may vote as he/she thinks fit.
3. The completed Form of Proxy should be deposited at the Registered Office of the Company at No.106, Havelock Town, Colombo 05, not less than 48 hours before the time appointed for holding the meeting.
4. If the form of proxy is signed by an attorney, the relative power of attorney should accompany the completed form of proxy for registration, if such power of attorney has not already been registered with the Company.



# Stakeholder Feedback Form

Your opinion matters, please share your views with us.

Which stakeholder group you belong to?

Employee	<input type="checkbox"/>	Supplier	<input type="checkbox"/>
Shareholder	<input type="checkbox"/>	Community	<input type="checkbox"/>
Investor Customer	<input type="checkbox"/>	NGO	<input type="checkbox"/>
Analyst	<input type="checkbox"/>	Other	<input type="checkbox"/>

Does the report address issues of greatest interest to you?

Comprehensively  Partially  Not at all

Please identify any additional matters that you think should be reported on?

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What was your overall impression of the report in terms of:

	Excellent	Good	Fair	Poor
1. Content and scope	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Design and Layout	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Do you have any additional comment on the report?

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To request information or submit a comment / query to the Company, please provide the following details and return this page to;

**The Company Secretary,**  
**Ceylinco Life Insurance Limited**  
 No. 106, Havelock Road,  
 Colombo 05,  
 Sri Lanka.

Name : \_\_\_\_\_

Permanent Mailing Address : \_\_\_\_\_

Contact Numbers

- Tel : \_\_\_\_\_

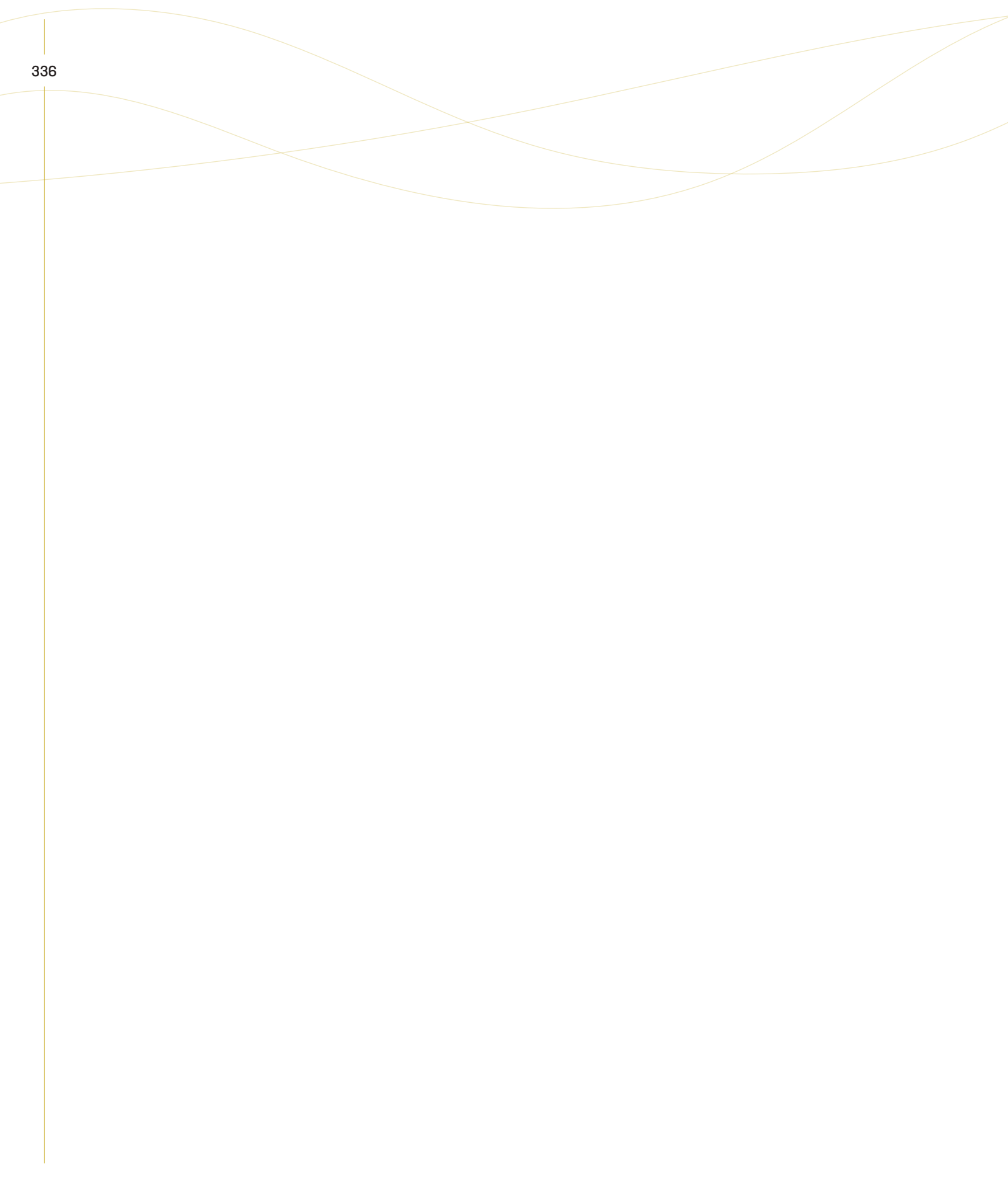
- Fax : \_\_\_\_\_

- E-mail : \_\_\_\_\_

Name of the Company (if applicable) : \_\_\_\_\_

Designation (if applicable) : \_\_\_\_\_

Company address (if applicable) : \_\_\_\_\_



# Corporate Information

## Registered Office

No. 106, Havelock Road, Colombo 05,  
Sri Lanka

## Company Registration Number

PB 5183

## Legal Form

A Public Company with limited liability incorporated on 22nd April 2014, Licensed as a Company authorized by the Insurance Regulatory Commission of Sri Lanka (formerly known as Insurance Board of Sri Lanka) to carry-on long term insurance business under the Regulation of Insurance Industry Act No. 43 of 2000.

## Main Place of Business :

No. 106, Havelock Road, Colombo 05,  
Sri Lanka

Telephone : +94 11 4261000

Call Centre : +94 11 2461461 (Hotline)

Fax : +94 11 2437613, +94 11 2555959

Email : [service@ceylife.lk](mailto:service@ceylife.lk)

Website : [www.ceylincolife.com](http://www.ceylincolife.com)

## Principal Activities

Underwriting all classes of life insurance

## Subsidiaries

Ceylinco Healthcare Services Limited  
Serene Resorts Limited

## Associate Company

Citizen Development Business Finance  
PLC

## Auditors

Ernst & Young

Chartered Accountants

No. 201, De Saram Place, Colombo 10

## Bankers

Bank of Ceylon  
Commercial Bank of Ceylon PLC  
DFCC Bank PLC  
Hatton National Bank PLC  
National Savings Bank  
Nations Trust Bank PLC  
National Development Bank PLC  
Pan Asia Banking Corporation PLC  
People's Bank  
Sampath Bank PLC  
Seylan Bank PLC  
Union Bank of Colombo PLC  
Standard Chartered Bank  
(Custodian Bank)  
Cargills Bank Ltd

## Consulting Actuaries

Willis Towers Watson India Private Ltd.,  
Unitech Business Park, 2nd floor,  
Tower - B, South City - 1, Sector 41  
Gurgaon -122002, India.

## Accounting Year End

31 December

## Board of Directors

R Renganathan  
Executive Chairman  
E T L Ranasinghe  
Managing Director/CEO  
P D M Cooray  
Head of HR and Training  
Executive Director  
P A Jayawardena  
Chief Financial Officer  
Executive Director  
S R Abeynayake  
Deputy Chief Financial Officer -  
Executive Director  
D H J Gunawardena  
Non - Executive Director

Gen. C S Weerasooriya (Retired) -  
Non-Executive Director

R S W Senanayake  
Non-Executive Director

J A Setukavalar  
Independent – Non-Executive Director

Prof. W M M de Silva  
Independent – Non-Executive Director

Dr. B G S de Silva  
Independent – Non-Executive Director

W M P J K Wickramasinghe  
Independent – Non-Executive Director

H S B Caldera  
Independent – Non-Executive Director

Ms. A K Seneviratne  
Independent – Non-Executive Director

J Durairatnam  
Independent – Non-Executive Director

## Company Secretary

K I Weththasinghe

## Compliance Officer

Ranga Abeynayake

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and produced by  
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