NATIONAL INSURANCE TRUST FUND BOARD

ANNUAL REPORT 2020

CONTENTS

ABOUT NATIONAL INSURANCE TRUST FUND

OUR VISION & MISSION

OUR VISION

Safety Net and Protection for all needy insurable sectors.

OUR MISSION

To contribute towards the social and economic development of Sri Lanka through:

- Affordable, efficient and progressive insurance schemes for all insurance needy segments in society.
- Providing solutions to local market to cover high risks arising from changing needs through pooling and other arrangements.
- Creating a reinsurance market in Sri Lanka to provide additional capacity to the local insurance market.

WHO WE ARE

The National Insurance Trust Fund was established by the National Insurance Trust Fund Act, No. 28 of 2006 (NITF Act). Its contribution towards the economy encompasses the provision of Reinsurance, Strike, Riot, Civil Commotion and Terrorism Insurance, Agrahara Medical Insurance, Health Insurance, other forms of General Insurance. As per the NITF Act, the Strike, Riot, Civil Commotion and Terrorism Fund was originally managed by the Ministry of Finance and Planning and thereafter was absorbed by NITF. All insurers who issued insurance covers against strike, riot, civil commotion and terrorism risks on behalf of NITF were required to remit premiums collected on same to the latter. As per a government Gazette Notification No. 1791/4 of 31st December 2012, all primary insurers are now required to cede 30% of their total reinsurance premium arising out of every general reinsurance contract to NITF.

At present, the National Insurance Trust Fund is the only Sri Lankan body which provides reinsurance cover to primary insurers. The Agrahara medical insurance scheme was implemented by the Ministry of Public Administration Circular No: 12/2005 and it came under the purview of NITF from 1st of January 2006. It provides benefits to Married Employees of Members, Spouse and Children (only if they are unmarried, unemployed and below 21 years old) and Unmarried Employees - Member, Parents (only if the parents are below 70 years old) Offering multiple benefits at lower premiums. A key competitive advantage is our turnaround time in relation to claim acceptance and payout which is one of the best in the country. The adoption of new technologies has enhanced our internal and external efficiencies while contributing substantially towards the bottom-line.

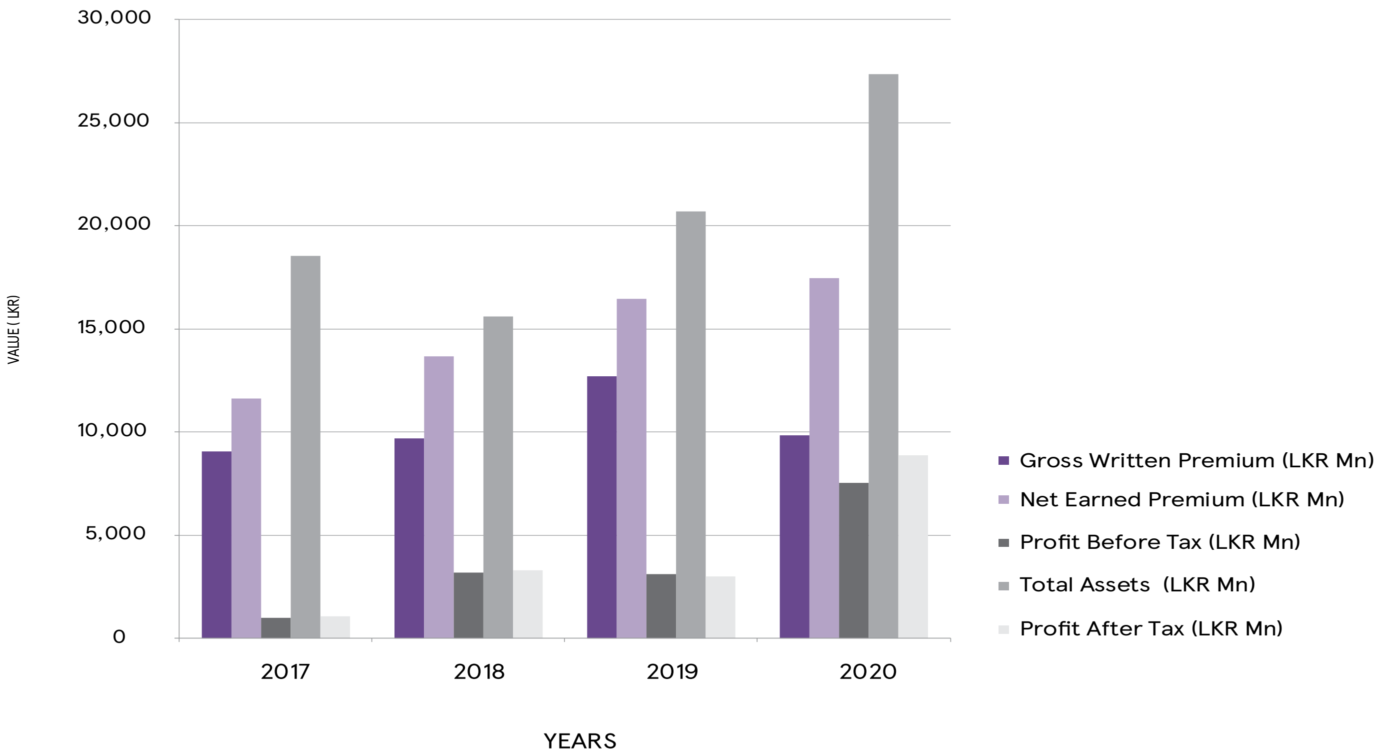
OUR CORPORATE VALUES

Our six core corporate values form a firm foundation and guideline for the way in which we approach our business

FINANCIAL HIGHLIGHTS -2020

Table: Financial Highlights

	2020 LKR	2019 LKR
Gross Written Premium	9,818,040,011	12,693,194,645
Net Earned Premium	17,475,027,816	16,448,026,766
Profit Before Tax (PBT)	8,865,926,371	3,008,486,066
Profit After Tax (PAT)	7,526,099,442	3,114,086,727
Total Assets	27,358,314,000	20,706,947,980
Contribution to the Consolidated Fund	782,000,000	3,267,970,000
Return on Assets (%)	27.77%	15.04%



GOALS AND OBJECTIVES

1. To make all Socially Oriented Insurance Schemes sustainable by achieving break-even position by 2022.

2. To develop the Commercial General Insurance business and make it a significant contributor to the profitability of the NITF.

3. To become the best customer service provider within the public sector leveraging the new customer service center and call center to be established at the new premises.

4. To become a regional player in the South Asia region in Reinsurance by in 2023

CHAIRMAN'S MESSAGE

> Despite operating in an insurance market that was experiencing a slowdown, the NITF recorded a moderate decline in Gross Written Premium which was LKR 9.8 billion in 2020 against LKR 12.7 billion in 2019. Making this achievement an even more impressive one, NITF has also recorded its highest ever After Tax Profit of LKR 7.5 billion for the financial year 2020 against LKR 3.1 billion in 2019.

Presentation of Annual Report 2020

On behalf of the National Insurance Trust Fund I am privileged to present the Annual Report of the National Insurance Trust Fund for the financial year ended 31st December 2020. Even though the COVID-19 pandemic disrupted the socioeconomic landscape dramatically, elevating uncertainty and risks at every level, both locally and globally the National Insurance Trust Fund proved its ability to adjust rapidly as we leveraged technology and adapted to live, earn and learn in a new norm, sharing the responsibility to stay safe as well as keep our communities safe and create a significant value addition to our stakeholders with significant growth.

Performance and Contribution of the National Insurance Trust Fund

Despite operating in an insurance market that was experiencing a slowdown, the NITF recorded a moderate decline in Gross Written Premium which was LKR 9.8 billion in 2020 against LKR 12.7 billion in 2019. Making this achievement an even more impressive one, NITF recorded its highest ever After Tax Profit of LKR 7.5 billion for the financial year 2020 against LKR 3.1 billion in 2019. NITF also obtained a Fitch rating of A+ (lka), which confirms its financial soundness of the year 2020.

Appreciation

I would like to convey my gratitude to the Honorable Prime Minister and Minister of Finance (2020) Mahinda Rajapaksa under whose purview this institution operates. I would also like to acknowledge the support received from the Secretary to the Treasury and all of the other Treasury officials with whom NITF interacts closely. My sincere appreciation extends to the Chairperson, Director General and officials of the Insurance Regulatory Commission of Sri Lanka (IRCSL), the regulators of the insurance industry. Finally, I would like thank my fellow Members of the Board, the Chief Executive Officer as well as the employees of NITF for their unwavering commitment and dedicated support throughout the year.

Mawahib Mowjood
Chairman
21.05.2021

CEO'S REVIEW

> Gross Benefits and Claims incurred in 2020 has declined by 19.69% up to Rs. 7.978 billion which was Rs. 9,934 billion in 2019. The reason for this is due to less claims payments of Reinsurance and Agrahara Medical Insurance Scheme as well as Natural Disasters claims payments in 2020

In 2020 saw an upheaval throughout the world as the COVID-19 pandemic crossed borders with ease, necessitating unprecedented border closures, business closures, job losses and heartrending tragedy throughout the world. Lifestyles changed dramatically as social distancing and working from home became the norm and all who could afford it embedded digital platforms into their lifestyles and National Insurance Trust Fund also adopted to this life styles in order to cater to their stakeholders. It is my great pleasure to announce that despite the prevailed unfavorable situation of the COVID-19 pandemic for insurance industry, National Insurance Trust Fund (NITF) has been able to record a satisfactory performance in 2020 in terms of net earned premium growth, profit growth and customer service.

The financial year 2020 was a relatively satisfactory year from both operational and financial perspectives, when compared to the year 2019 during which the country faced large scale floods. It is also important to emphasis that NITF obtained an A+ credit rating from Fitch Rating Lanka, endorsing the resilience of NITF by reflecting the financial stability, even after payment of huge amount of claims particularly due to floods in previous years and functioning under the pandemic of Covid-19 in 2020.

Financial Progress

NITF has managed its financial portfolio efficiently during the period of year 2020 to enhance its financial strength relative to 2019, while providing pleasing service to its customers. The Gross Written Premium in 2020 recorded as Rs. 9.818 billion compared to Rs. 12.693 billion in 2019, showing a moderate decline of 22.65% in 2020 compared to 2019. This was mainly due to trivial decline in Gross Written Premiums of Reinsurance and Strike, Riot, Civil Commotion and Terrorism Fund. Net Earned Premium in 2020 has increased to Rs. 17.475 billion from Rs. 16.448 billion in 2019, reporting a slight growth of 6.24%.

On the other hand, the Gross Benefits and Claims incurred in 2020 has declined by 19.69% up to Rs. 7.978 billion which was Rs. 9,934 billion in 2019. The reason for this is due to less claims payments of Reinsurance and Agrahara Medical Insurance Scheme as well as Natural Disasters claims payments in 2020. As a result, the Total Comprehensive Income has increased to Rs. 7.652 billion in 2020 from Rs. 3.631 billion in 2019. It is a 110.74% increase compared to previous year.

When considering the financial position, during the year 2019 and 2020, Total Equity and Total Assets have moderately increased from Rs. 7.192 billion to Rs. 14.062 billion and from Rs. 20.707 billion to Rs. 27.358 billion respectively. Furthermore, the Total Liabilities has also fallen down slightly to Rs. 13.295 billion in 2020 with a 32.12% reduction from Rs. 13.515 billion in 2019.

The Financial Assets recorded a substantial increase of 40.28 % from Rs. 15.445 billion in 2019 to Rs. 21.666 billion in 2020. The main reason for this increase is due to the growth in Government Securities such as Treasury Bills. Further, the worth of Property, Plant and Equipment has also been increased slightly to Rs. 42.225 billion in 2020 compare to the Rs. 40.497 billion in 2019, which is a 4.27% increase.

When considering the financial progress and grade of the Fitch Rating of A+, National Insurance Trust Fund displayed a sound financial position mainly due Total Comprehensive Income, Total Assets and A+ credit rating.

Operational Progress

In 2020, the partitioning and renovation of the new office premises of National Insurance Trust Fund (at No. 95, Sir Chittampalam A. Gardiner Mawatha, Colombo-02) has been carried out to make a better working environment for employees and customer friendly institution.

Appreciation

I would like to convey my gratitude and appreciation to our Senior Management for their perseverance sustained effort towards the achievements of 2020 and our employees for their continued dedication and loyalty to the insurance business of NITF. I also wish to thank the public and the customers of NITF who are the driving factors of ours, for their trust and sincere cooperation. Further, I would like to extend my sincere appreciations to the Chairman and the Board of Directors, Officers of Ministry of Finance and Officers of Insurance Regulatory Commission of Sri Lanka for their support during the year 2020 and look forward to serve the people contributing to the social security in a better manner, in future.

Manjula Hettiarachchi
Chief Executive Officer (Acting)
18.06.2021

MANAGEMENT DISCUSSION AND ANALYSIS

ENVIRONMENTAL REVIEW

The Sri Lankan environment as well as global environment substantially influence the operations of the National Insurance Trust Fund. 2020 was indeed a year for putting people first as National Insurance Trust Fund dealt with the pandemic, ensuring access to insurance services while ensuring the health and safety of employees, customers and other stakeholders of National Insurance Trust Fund. Global and Sri Lankan socio-economic developments carry a risk of failure and this is mostly mitigated by obtaining insurance covers taken from insurance companies in Sri Lanka as well as from NITF. Consequently, the insurance companies transfer their risks by reinsuring 30% with NITF and the rest of the portion with the foreign reinsurers. Hence the NITF needs to evaluate the economic and insurance industry developments in the country when it makes strategic decisions.

Sri Lankan Economy

Like many economies in the world, Sri Lanka's economy also felt the devastating impact of the pandemic. Sri Lanka's economy contracted by 3.6 percent in 2020, the worst growth performance on record, as is the case in many countries fighting the pandemic.

Government acted decisively with steps such as cash transfers and postponed tax payments. The Central Bank's introduction of a debt moratorium and other measures to encourage lending also helped reduce the adverse impact of COVID-19 on businesses and livelihoods. At the same time, increased expenditures and lower revenues amid the pandemic contributed to a deterioration of the fiscal situation. Public debt was estimated to have increased to 109.7 percent of GDP.

Sri Lankan Insurance Industry

Many developments took place within the industry during the first half of 2020, where insurers needed to re-engineer operating models to stay efficient in the post COVID-19 era while having an eye on competitive edge. A crisis such as COVID-19 affects all business sectors. It also put a spotlight on insurers who expect to be inundated with general inquiries and claims across multiple different lines, whether that be for health, life or non-life cover. Balancing the need for responding to this influx of activity in the contact centers with a quickly shifting remote workforce is an area that insurers have worked to address during 2020.

Looking at the Sri Lankan insurance industry, life insurers were impacted by the deteriorated economic activity and employment levels caused by the Coronavirus. The reduced consumer spending led to policyholder's being unable to pay premiums whereas for general insurers, the pandemic took a toll on the premiums of business lines such as travel, tourism and casualty.

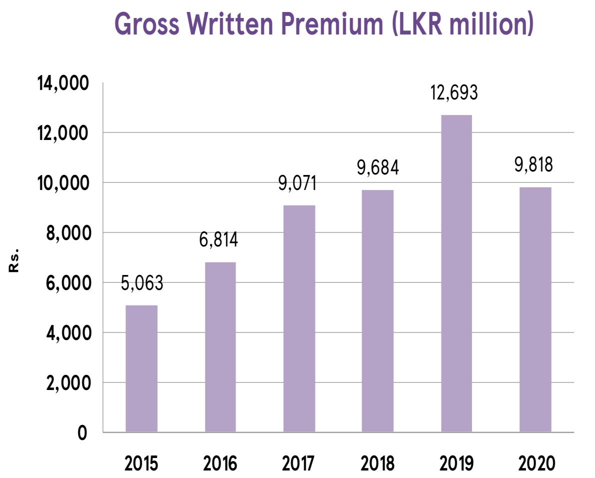
In 2020, the pandemic has made everyone aware of health risks and this has brought in a sense of security and more awareness about loss of income of self-employed and also others. Insurers spend significant amounts of resources to spread awareness and the pandemic has uplifted the level of awareness of risk that can be mitigated through life insurance. During the year 2020, Life and health insurance businesses have improved due to this increased awareness resulting from the outbreak of COVID-19.

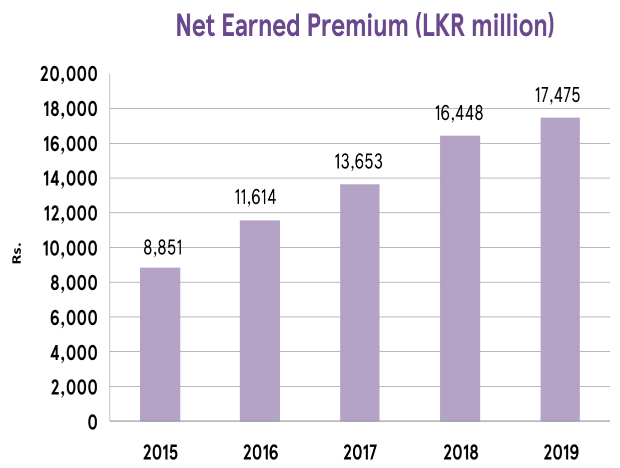
In 2020 as a matter of fact, Reinsurers may have dictated terms of underwriting such risks and thereby treating the insurer as an agent. Insurers need to grasp their own original thinking to underwrite risk and price it to add value to the policyholder. With respect to the aging population of Sri Lanka, general insurers may need to innovate universal medical products as a response to trends in a post COVID-19 era.

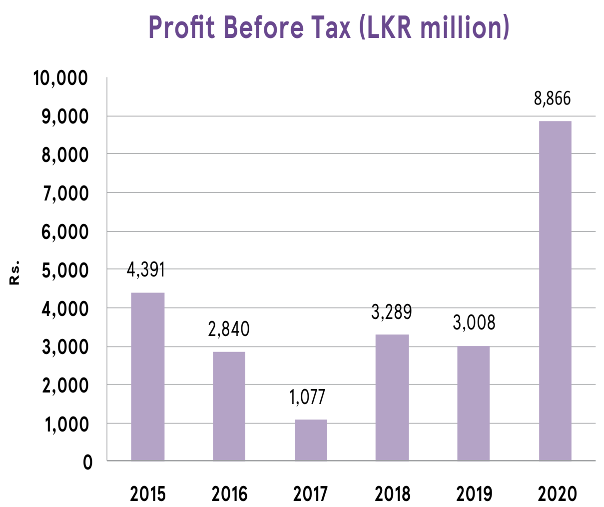
FINANCIAL REVIEW -2020

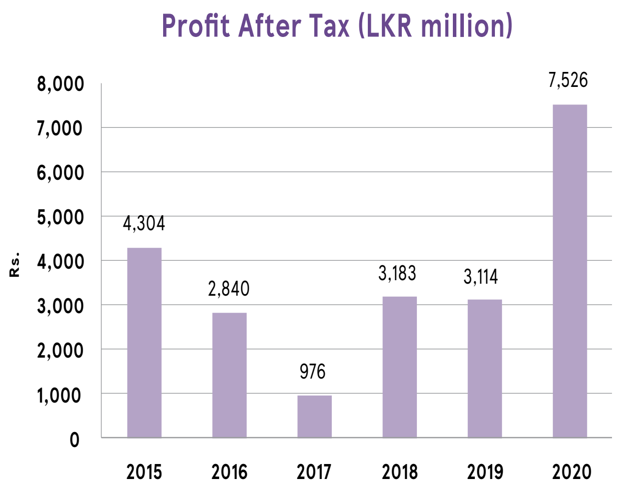
Financial highlights can be epitomized as follows.

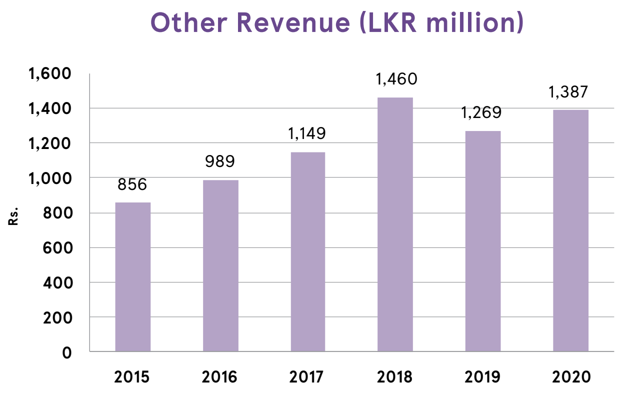
	2015 LKR million	2016 LKR million	2017 LKR million	2018 LKR million	2019 LKR million	2020 LKR million	Growth (2019-2020)
Gross Written Premium	5,063	6,814	9,071	9,684	12,693	9,818	-22,65%
Net Earned Premium	7,931	8,851	11,614	13,653	16,448	17,475	6.24%
Profit Before Tax	4,391	2,840	1,077	3,289	3,008	8,866	194.70%
Profit After Tax	4,304	2,840	976	3,183	3,114	7,526	141.68%
Total Assets	12,233	19,516	18,553	15,595	20,707	27,358	32.12%
Net Benefit and Claim	3,225	5,543	9,901	9,691	12,079	7,955	-34.15%
Investment & Other Income	850	984	1,143	1,343	1,265	1,385	9.51%
Other Revenue	856	989	1,149	1,460	1,269	1,387	9,28%
Total Equity	8,655	7,565	7,146	6,956	7,192	14,062	95.52%
Return on Assets	35.18%	14.55%	5.26%	2.41%	15.04%	27.51%	82.91%

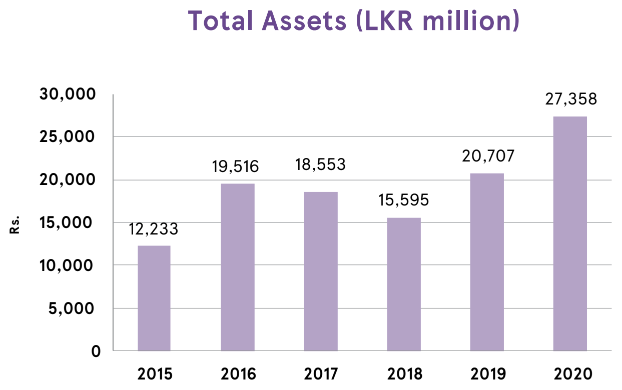












During the year 2020, National Insurance Trust Fund recorded a Gross Written Premium of LKR. 9.82 billion against LKR 12.69 billion in 2019. This is a decline of 22.65%. This is mainly due to moderate decrease in premium from Strike, Riot, Civil Commotion and Terrorism Fund and inward reinsurance. NITF recorded a Net Written Premium of LKR 15.81 billion which is a moderate increase of 12.74% from LKR 18.12 billion in 2019. Net Earned Premium recorded a slight growth of 6.24% in 2020 by increasing to LKR 17.47 billion in 2020 from LKR 16.45 billion in 2019.

Profit after Tax substantially increased to LKR 7.53 billion in 2020 from LKR. 3.11 billion in 2019. This is mainly due to a reduction in Net Benefits and Claims and reduction in Underwriting and Acquisition Cost. Other Revenue of LKR 1.39 billion during the period under review vis a vis LKR1.27 billion in 2019 was attributable to improved interest income that accrued as a result of increased liquidity.

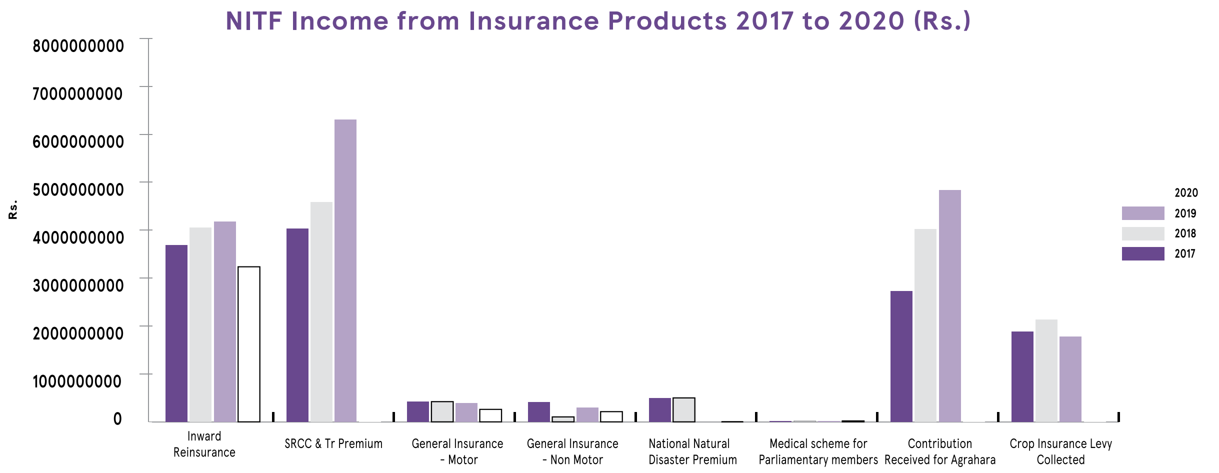
NITF's Total Assets substantially increased to LKR 27.36 billion, from LKR 20.71 billion in 2019 . This increase of 32% is attributable to substantial growth in Financial Assets and Premium Receivable. In the meantime, Total Equity also increased substantially LKR 14.06 billion in 2020 versus LKR 7.19 billion in 2019. This growth of 95% is mainly due to increase in Retained Earnings.

Review of Income

Income of the National Insurance Trust Fund can be dissected and illustrated as follows.

Table: NITF Income from Insurance Products

	2017	2018	2019	2020
Inward Reinsurance	3,683,389,120	4,056,395,150	4,173,714,909	3,235,474,242
SRCC & Tr Premium	4,036,282,848	4,581,640,544	6,307,350,365	6,088,496,099
General Insurance - Motor	417,885,956	422,117,039	390,150,125	260,600,235
General Insurance - Non Motor	413,720,543	103,722,015	301,979,246	213,469,435
National Natural Disaster Premium	500,000,000	500,000,000	1,500,000,000	0
Medical scheme for Parliamentary members	20,000,000	20,000,000	20,000,000	20,000,000
Contribution Received for Agrahara	2,726,522,599	4,017,420,904	4,838,723,551	5,469,298,738
Crop Insurance Levy Collected	1,878,361,459	2,138,167,676	1,780,383,987	1,626,851,259



DIVISIONAL REVIEW

Agrahara Medical Insurance Scheme

'Agrahara' is Sri Lanka's largest medical insurance scheme with a membership of over 845,000. The scheme extends to the families of members, which takes the coverage to nearly 2.3 million Sri Lankans. This is a contributory scheme where a nominal monthly contribution is deducted from salaries from all pensionable Government officers.

During the 2020 financial year Agrahara received a contribution of LKR 782 million from the Treasury and collected LKR 4.09 billion through member contributions. The total of Agrahara medical insurance scheme paid claims amounted to LKR 4.173 billion during the year.

Table: Classification of Revenue

	2020 LKR	2019 LKR	2018 LKR
Contribution from Members	4,090,359,038	3,617,114,527	2,959,518,379
Contribution from the Treasury	782,000,000	767,970,000	750,000,000
Pensioners Insurance Scheme	166,837,400	142,321,400	101,282,200
Semi Government Scheme	430,102,300	311,317,625	206,620,325
	5,469,298,738	4,838,723,552	4,017,420,904

The Agrahara Gold and Silver medical Insurance Schemes for Government Sector

In 2016, the Agrahara gold and silver medical Insurance schemes were introduced for the government sector. Beneficiaries who consent to an increased contribution of Rs. 300 and Rs. 600 would be eligible for benefits under the Silver and Gold schemes respectively.

Agrahara Gold and Silver medical Insurance Scheme for Semi Government Sector

In 2017, the Agrahara Gold and silver medical Insurance schemes were introduced for the semi Government sector

Agrahara Pension Scheme

The Agrahara Pension Scheme was introduced in May 2016 and was further expanded in 2017 supported by a strong demand for this product. The pension scheme is applicable exclusively for government employees pensioned after January 1, 2016.

Agrahara E- Cards

In January 2012, started to issue E-cards to all members to enhance the efficiency of services rendered to Agrahara beneficiaries. In 2017 NITF started issuing separate gold and silver E-cards to Agrahara gold and silver members. NITF has entered into agreements with a number of private hospitals on provision of benefits to Agrahara members.

Reinsurance

Reinsurance department was established in 2008 by the gazette notification no. 1528/20 dated 19th December 2007 to accept 20% liability of reinsurance sum insured from each general insurance companies in Sri Lanka. This was continued up to 2012. In 2013, it was increased to 30% and has continued up to date.

In 2020, NITF obtained back to back reinsurance cover (retrocession) from 01st August 2020 to 31st January 2022 to protect the NITF balance sheet in agreement with the Line Ministry and the limit of the reinsurance cover was LKR 7.5 Bn in excess of LKR 1 Bn. The Lead reinsurer of the reinsurance panel is Everest Reinsurance Company.

In addition to retrocession cover, NITF has obtained Reinsurance cover for the SRCC & T Fund to protect its liabilities up to LKR 10 Bn from 01st August 2020 to 31st January 2022.

In 2020, Gross written premium of the reinsurance department was LKR 3235 Mn and paid claim amount was LKR 1690 Mn. Gross written premium decreased by 22% considering 2019 and claim payment decreased by 32%.

Reinsurance	2020 LKR	2019 LKR	2018 LKR
Gross Written Premium -Inward Reinsurance	3,235,474,242	4,173,714,909	4,056,395,150
Gross Benefits and Claims Paid	(1,690,493,892)	(2,476,072,216)	(2,345,202,622)

DIVISIONAL REVIEW

Strike, Riot, Civil Commotion and Terrorism Fund

As per the Gazette Notification No. 1542/11 dated 25th March 2008, the SRCC & T Fund provides covers for Strike, Riot, Civil Commotion and Terrorism (SRCC & T) risks for those who obtain insurance covers for SRCC & T risks from the registered General Insurance companies in Sri Lanka.

In 2020, NITF obtained the reinsurance cover for SRCC Fund to protect the NITF's balance sheet in agreement with the Line Ministry and the limit of the reinsurance cover was LKR 10 Bn from 01st August 2020 to 31st January 2022. The Lead reinsurer of the reinsurance panel is MS/ Chaucer Syndicate 1084.

In 2020, the Gross written premium of SRCC department was LKR 6,088 Mn and Gross Benefits and Claims Paid amount was LKR 2.036 Mn.

SRCC and T Fund	2020 LKR	2019 LKR	2018 LKR
Gross Written Premium - SRCCT Fund	6,088,496,099	6,307,350,365	4,581,640,544
Gross Benefits and Claims Paid	(2,036,000)	(417,783,502)	(50,085,704)

General Insurance

General Insurance operations of National Insurance Trust Fund started in 2009 according to the provisions of a special gazette no.1615/20 dated on 20th August 2009. Accordingly, NITF provided insurance coverage to the property and personals in Government and semi government Institutions.

The Insurance Regulatory Commission of Sri Lanka has given approval to National Insurance Trust Fund to proceed as General Insurance business entity through their act 03/2011 Regulation of Insurance Industry in 2011.

Motor Insurance section

Motor insurance was introduced by the National Insurance Trust Fund for the vehicles owned by government institutions and semi government institutions since 2008 according to the government circular number PF 427 and thereafter PF 437. Motor insurance was extended to private customers from 2014.In 2017 NITF introduced new motor insurance product called “Agrahara Motor” for the public servants and now become a major insurance scheme in the Motor insurance section.

National Insurance Trust Fund has expanded its marketing activities through its branch Network Island wide. Gross written premium from motor insurance has continuously increased since 2015. The Gross written premium from motor insurance was LKR 260 million in 2020. The main reasons for drop were the opening of government insurance business to the private sector insurance companies by changing the public finance circular no.4/2015 in 2019 and the Covid pandemic situation in the country throughout the year 2020.

General Insurance - Motor	2020 LKR	2019 LKR	2018 LKR
Gross Written Premium - Motor	260,600,235	390,150,125	422,117,039
Gross Benefits and Claims Paid	(169,250,954)	(257,432,249)	(208,043,768)

Non Motor Insurance section

The Non Motor Insurance Section of National Insurance Trust Fund mainly issues policies to the government and semi government institutions under Marine, Fire, Engineering, Medical and Miscellaneous classes.

The Non Motor Insurance Section has introduced a new marine policy called “Deewara Diriya” to the fishing community in Sri Lanka in 2018.It provides insurance coverage for fishing boat and personal accident coverage for fisherman whilst engaged in fishing.

Non-motor Insurance section also reported considerable gross written premium after introducing new product and marketing activities through branch Network Island wide from 2018.

Gross written premium earned from non-motor insurance business was LKR 213 million in 2020 and Covid pandemic situation was major issue for the drop of GWP by 41% compared to 2019.

DIVISIONAL REVIEW

General Insurance - Non Motor	2020 LKR	2019 LKR	2018 LKR
Gross Written Premium - Non Motor Gross Benefits and Claims Paid	213,469,435	301,979,246	103,722,015
Medical & Other	(156,059,649)	(307,223,184)	(469,755,602)

Agricultural Loan Protection Insurance Scheme and Crop Insurance Scheme

Most farmers obtain credit from banks & finance institutions that engage in the provision of Agricultural credit. In the event of the crops being damaged due to drought, floods or elephant attacks the lending institutions are unable to recover a significant installment of their loans outstanding. Hence this insurance scheme has been developed to give protection for them.

Under the crop insurance scheme, NITF provide insurance covers to paddy crops affected by drought, floods and elephant attacks.

Crop insurance scheme is financed by 1% of Profit after tax of financial institutions of Sri Lanka including banks, financial companies and insurance companies.

GOVERNANCE AND INTERNAL CONTROL

ENTERPRISE GOVERNANCE

INTRODUCTION

Enterprise governance can be defined as "the set of responsibilities and practices exercised by the board and executive management with the goal of providing strategic direction, ensuring that objectives are achieved, ascertaining that risks are managed appropriately and verifying that the organization's resources are used responsibly" (Information Systems Audit and Control Foundation, 2001). Enterprise governance constitutes the entire accountability framework of the organization. There are two dimensions of enterprise governance - conformance and performance, that need to be in balance.

In general, the conformance dimension takes an historic view while the performance view is forward-looking. It makes it clear that good corporate governance is only part of the story - strategy is also important. Conformance is also called "corporate governance". It covers issues such as board structures and roles and executive remuneration. Recent high-profile cases of corporate failure such as Enron, HIH, Tyco, Vivendi, Royal Ahold and, most recently, Parmalat, have brought corporate governance to the top of the business and political agenda. This has led to a number of reviews at national and international level.

Conformance encompasses board structures and roles, and executive remuneration. Codes and/or standards can generally help in this area, with compliance subject to assurance and audit. Performance oversight, meanwhile, centers on strategy and value creation. A board needs to make strategic decisions while understanding its appetite for risk and the key drivers of performance.

Ever since the National Insurance Trust Fund was established in 2006 under the National Insurance Trust Fund Act No. 28 of 2006, its Corporate Governance practices have been carried out giving due consideration to the relevant areas of the Corporate Governance Code of Best Practices issued by Institute of Chartered Accountants of Sri Lanka and the Public Enterprises Guidelines for Good Governance and Corporate Governance practices.

THE BOARD OF NITF

According to the National Insurance Trust Fund Act No. 28 of 2006, the NITF is managed by a Board consisting of the following seven members appointed by the Minister in charge of the subject of Finance.

(a) An officer of the Ministry of the Minister to whom the subject of Finance is assigned:

(b) The Chief Accountant of the Ministry of the Minister to whom the subject of Finance is assigned:

(c) An officer of the Ministry of the Minister to whom the subject of Health is assigned:

(d) An officer from the Ministry of the Minister to whom the subject of Public Administration is assigned: and

(e) Three persons to be nominated by the Minister from among persons possessing qualifications or expertise in the fields of finance banking, insurance management or law.

The Minister is empowered to appoint one person of the Board as Chairman. In terms of the Act, all members of the Board shall hold office for a period of five years from the date of appointment. The names of the Board Members are given in the page of the profile of the Board Members page. The attendance details of Board meetings are given as follows.

ENTERPRISE GOVERNANCE

Name of the Boards	2020 Board Member's Attendance Details														Appointments Dates	Date of Resignation
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	03rd Sep	30th Sep	Oct	Nov	03rd Dec	30th Dec		
Mr. Mawahib Mawjood		√				√	√	√	√	√			√	√	05/02/2020	-
Mr. H. A. C. Kumarasinghe		√				√	√	√	√	√			√	√	14/12/2015	31/03/2021
Mr. M. K. P. Kumara		√				√	√	√	√	√			√	√	24/04/2020	-
Mr. D. P. G. Pradeep		√				√	√	√	√	√			√	√	10/05/2019	-
Mrs. Kanthi Gunawardhana		√				√	√	√	√	√					11/02/2020	16/11/2020
Mrs. D. L. U. Peiris													√	√	05/05/2016	-

SUPPLY OF INFORMATION

The Board Members are provided with monthly reports of performance and minutes of previous Board Meetings, Board Papers, which are circulated a week prior to the Board meeting.

FINANCIAL STATEMENTS

The Financial Statements of National Insurance Trust Fund have been presented adopting the Sri Lanka Accounting Standards and other applicable laws and regulations. The NITF provide a detailed and transparent analysis of performance in it.

THE ANNUAL REPORT

The institution's Annual Report 2020 was designed to illustrate an overall view of NITF's affairs during the year 2020 in order to make informed decisions.

PROCUREMENT

The procurements of the National Insurance Trust Fund have been done using NPA guidelines and Department of Public Finance guidelines. The procurements are carried out using committees such as CAPC (Cabinet Appointed Procurement Committee), MPC (Ministry Procurement Committee), and DPC (Departmental Procurement Committee) based on the value.

External Audit

The Auditor General was appointed as the External Auditor in terms of the Constitution of the Democratic Socialist Republic of Sri Lanka and is also required to audit the accounts of Public Corporations, businesses or other undertakings vested in the Government under any written law. The Auditor General performed the annual audit of the financial statements of the company for the year ended 31st December 2020 in terms of the Constitution of the Democratic Socialist Republic of Sri Lanka

MEMBERS OF THE BOARD OF NITF -2020

Mr. Mawahib Mowjood
(Chairman)

Mr. D. P. G. Pradeep
Board Member

Ms. D. L. U. Peiris
Board Member

Mr. Pradeep Kumara
Board Member

Mr. Chandana Kumarasinghe
Board Member

Ms. Kanthi Gunawardana
Board Member

Mr. Mawahib Mowjood (Chairman)

Mr. Mawahib Mowjood assumed duties on 19.02.2020 as the chairman of National Insurance Trust Fund. He has a MBA (Master of Business Administration), MFE - University of Colombo, LLM - University of East London. He is also a Associate of CIMA - UK and CMA SL and also has a B.com (Hon). PG. Dip in. International relations.

Mr. Pradeep Kumara (Board Member)

Mr. Pradeep Kumara was appointed as a board member in 2020. He has been attending the Board meetings since then. He was the Additional Director General of Department of Trade and Investment Policy of Ministry of Finance.

Mr. D. P. G. Pradeep (Board Member)

Mr. D. P. G. Pradeep was appointed as a board member in 10.05.2019. In 2020 he served as the Chief Accountant of the Ministry of Finance.

Ms. Kanthi Gunawardena (Board Member)

Ms. Kanthi Gunaswardena was appointed as a board member in 2020 and has been attending Board meetings since then. During the year she was serving as Additional Secretary (Administration), Ministry of Health and Indigenous Medicine.

Ms. D. L. U. Peiris (Board Member)

Ms. D. L. U. Peiris was appointed as a board member in November 2020 due the resignation of Ms. Kanthi Gunawardena and has been attending Board meetings since then. During the year she was serving as Additional Secretary (Administration), Ministry of Health and Indigenous Medicine.

Mr. Chandana Kumarasinghe (Board Member)

Mr. Chandana Kumarasinghe was appointed as a board member on 14.12.2015. In 2020, he was serving as a Director General of the Ministry of Public Administration and Management.

CORPORATE AND SENIOR MANAGEMENT TEAM

Ms.Geetha Wimalaweera
CEO - (Acting) 2020

Ms. Nimali Pathirana
Assistant General Manager Insurance

Mr. Lasantha U Kumara
Head of HR & Administration

Ms. Nimali Perera
Head of Branch Supervision

Ms. Dammika Weerakoon
Head of Finance

Mr. R. S. Gunasekara
Head of Research & Analysis

Ms. Upeksha Ekanayaka
Head of Underwriting

Mr. Kavindra Jayasinhe
Head of IT

Ms. Anura Samarakoon
Head of Claims

Ms. Deshani Nanayakkara
Head of Reinsurance & SRCC & T

Ms. Randima Manage
Head of General Claims

Ms. Nimesha Sahabandu
Head of NNDIS, Crop Insurance

Mr. T. G. Lakshman
Head of Motor Claims

Mr. Asanka Jayalath
Head of Administration

Ms. Gayathri Soya
Head of Revenue

Mr. Namal Kanchana
Head of Payments &Expenses

Ms. Udari Piyabhashini
Head of Legal

Ms. Gayani Siyambalagoda
Secretary to the Charmin

Mr. M. N. K. Pandigama
Head of Mathara Branch

Mr. Sisitha Chandrkumara
Head of Financial Reporting

Mr. Rajitha Gayan
Head of Investments

Mr. Indeera Wickramarachchi
Head of Anuradhapura Branch

ENTERPRISE RISK MANAGEMENT

INTRODUCTION

Enterprise Risk Management is a central part of the strategic management of any organization. Enterprise risk management (ERM) in business includes the methods and processes used by organizations to manage risks and seize opportunities related to the achievement of their objectives. ERM provides a framework for risk management, which typically involves identifying particular events. ERM is the process whereby organizations methodically address the risks attached to their activities. A successful risk management initiative should be proportionate to the level of risk in the organization, aligned with other corporate activities, comprehensive in its scope, embedded into routine activities and dynamic by being responsive to changing circumstances. The focus of risk management is the assessment of significant risks and the implementation of suitable risk responses. The objective is to achieve maximum sustainable value from all the activities of the organization. Risk management enhances the understanding of the potential upside and downside of the factors that can affect an organization.

It increases the probability of success and reduces both the probability of failure and the level of uncertainty associated with achieving the objectives of the organization. The important components of analyzing a risk is to determine the nature, source or type of impact of the risk. Evaluation of risks in this way may be enhanced by the use of a risk classification system. Risk classification systems are important because they enable an organization to identify accumulations of similar risks. A risk classification system will also enable an organization to identify which strategies, tactics and operations are most vulnerable. Risk classification systems are usually based on the division of risks into those related to financial control, operational efficiency, reputational exposure and commercial activities. However, there is no risk classification system that is universally applicable to all types of organizations.

A risk management policy should include the following sections:

- Risk management and internal control objectives (governance)
- Statement of the attitude of the organization to risk (risk strategy)
- Description of the risk aware culture or control environment
- Level and nature of risk that is acceptable (risk appetite)
- Risk management organization and arrangements (risk architecture)
- Details of procedures for risk recognition and ranking (risk assessment)
- List of documentation for analyzing and reporting risk (risk protocols)
- Risk mitigation requirements and control mechanisms (risk response)
- Allocation of risk management roles and responsibilities
- Risk management training topics and priorities
- Criteria for monitoring and benchmarking of risks
- Allocation of appropriate resources to risk management
- Risk activities and risk priorities for the coming year

Risk management is a central part of National Insurance Trust Fund's strategic management. NITF's risk management process methodically addresses the risks attached to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities. When adopting Enterprise Risk Management strategies, the following prominent risks have been identified evaluating the quantum of the impact / consequence and the likelihood / plausibility of occurrence.

R01 -STRATEGIC RISK

Strategic risk is the risk that failed business decisions may pose to a company. Strategic risk is often a major factor in determining a company's worth, particularly observable if the company experiences a sharp decline in a short period of time. Due to this and its influence on compliance risk. In order to ensure the accomplishment of strategic objectives, the management of the National Insurance Trust Fund has been vigilantly monitoring the political, technological, socio-cultural, economic developments in the general environment and competitor and customer dynamics in the task environment of Sri Lanka related to insurance sector which may impact the strategic intent of the National Insurance Trust Fund.

R02 -MARKET RISK

Market Risk refer to the risk of discontinuing or decreasing of various businesses activities. Market risk of NITF has been mitigated through diversifying into many strategic business units such as Reinsurance, Crop insurance, General insurance, Strike, Riot, Civil Commotion and Terrorism insurance, Motor insurance, Agrahara insurance, etc.

R03- CORPORATE IMAGE RISK

Corporate image risk occurs if the brand equity of the National Insurance Trust Fund depletes due to a particular event or behavior. NITF minimizes reputational risk by abiding all laws and regulations applicable to NITF. NITF also carries

ENTERPRISE RISK MANAGEMENT

out few marketing activities such as advertorial, participating exhibitions and providing customer satisfaction through service which in turn enhances the NITF corporate image. It also provides releasing financial information to public with the approval of the Board, requiring all employees to show compliance with laws and regulations.

R04 -LIQUIDITY RISK

Liquidity Risk or the inability to meet the contractual obligations such claims payments, reinsurance payments and fund transfers to the Treasury when requested from Ministry of Finance. This risk has been mitigated by investing in secure government securities and also through diversification of investments with different maturities such as Repos, Treasury Bills of different maturities, Treasury Bonds of different maturities and debentures.

R05 -OPERATIONAL RISK

Operational Risk is mitigated by the computerization of operations and internal audit. Internal Audit function of Strike, Riot, Civil Commotion and Terrorism Fund and other departments of NITF has being carried out by the Internal Audit Department in order to minimize the errors and discrepancies of premium collection and claims payments. Furthermore, the office operations have been computerized in order to minimize errors and discrepancies.

R06 -INTERNATIONAL RISK

International political and socio-economic dynamics have been monitored by the National Insurance Trust Fund which has a direct impact on the business of the National Insurance Trust Fund. This risk has been managed by specifically monitoring international business trends related to reinsurance of NITF.

R07 -NATURAL RISK

This refers to the risk arising due to natural calamities such as rain, floods, cyclones as well as pest attacks and insects' attacks which affects crop insurance, general insurance and motor insurance. This risk is mitigated by vigilantly monitoring weather forecasts and controlling the premium accordingly. This affects insurance schemes of NITF such as NNDIS, Crop Insurance.

R08 -CONCENTRATION RISK

Concentration risk is the overall spread of an institution's outstanding financial reserves over the number or variety of debtors or financiers to whom the institution has lent money or invested. Concentration risk is mitigated by investing primarily in risk-free government securities and by dealing only in government securities through several state banks.

R09 -REPUTATIONAL RISK

NITF recognizes the need to manage the market reputation surrounding its name for which it considers and takes seriously customer, stakeholder, and public opinion. With strong control and compliance mechanisms in place to ensure that policies and procedures are duly followed, all efforts are directed towards creating and reinforcing a positive work culture with sound corporate values.

R10 - FRAUD RISK

NITF has established an effective internal control system and accounting system. NITF has an effective internal audit function in place which continuously reviews all of the internal controls within the organization to ensure that the risk of fraudulent activity is prevented. Well-structured operational processes and procedure, together with clear communication channels ensure that early warning signals are clearly expressed.

R11 -FOREIGN EXCHANGE RISK

In order to eliminate the Foreign Exchange Transaction Risk, the Reinsurance Agreements have been contracted in the home currency values for the payment of the reinsurance premium.

R12-REINSURANCE RISK

In 2018, NITF obtained reinsurance covers at a reasonable cost to cover its reinsurance portfolio with reinsurers who have excellent financial ratings and high global ranking. In 2020, Reinsurance covers were obtained for Strike, Riot, Civil Commotion and Terrorism Fund and Retrocession Program.

R13 -INFORMATION TECHNOLOGY RISK

IT risk derives from data of NITF and current information. NITF counters this by the implementation of the IT risk mitigation plan. Information security, redundancy and availability is achieved by both infrastructure and database approaches. To provide our clients accurate and current IT services NITF implemented services such as antivirus and backup solutions together with small scale disaster recovery plan.

R14 -CLAIMS SETTLEMENT RISK

Risk of potential disputes arising due to fraudulent, legal and technical factors is controlled through taking initiatives to impose stringent regulations in approving claims and segregation of duties in processing claims.

SUSTAINABILITY REPORTING

Sustainability reporting satisfies the need for a more holistic approach to corporate reporting on performance, beyond the purely financial disclosure. Improved reporting can also enhance internal management, as you expand the basis on which business decisions are made. Sustainability is firmly on the corporate agenda - although as with many business challenges, committing to a course of action often proves difficult.

Some believe, like Peter Drucker, that the purpose of a firm is to serve society. But there is common ground, which is to focus on the value that sustainability can add to a business and society - its contribution to the 'triple bottom line' of profit, planet and people Sustainability has a pragmatic and profound impact on the strategy and operations of firms today. It isn't just about being ethically responsible; it is about smart business. Eliminating waste and inefficiencies makes simple economic sense and produces real bottom line impact. Sustainability initiatives often combine tangible, short-term gains with longer term benefits to generate new sources of revenue and enhance intangible assets such as brand and reputation.

Sustainability, when embedded throughout an organization, its strategy and operations, can drive value across a number of dimensions:

- Revenue generation - from new products, services and markets.
- Cost control - resource efficiency, lower energy consumption and waste minimization.

Sustainability and the value it creates must be quantified and linked to business performance if the case for sustainability is to be made and the benefits are to be realized. National Insurance Trust Fund strives to enhance its business performance through achieving the new performance dimensions of triple bottom line which is economic prosperity, environmental and social quality and strives to be a "Well Responsible Corporate Citizen" and National Insurance Trust Fund's sustainability strategies are aligned to the core business where:

- The NITF has adopted a strategic approach to sustainability.
- Business and the sustainability strategies are inter dependent where all business decisions stem from the sustainable development and growth of the organization.
- The NITF strives to ensure that sustainability is featured in all strategic business decisions and also integrated to all aspects of NITF's operations

NITF has by way of a levy increased its contribution substantially to the consolidated fund of the Government by contributing LKR 2,750 million, 3,267.97 million and LKR 0.782 million to the consolidated fund in 2018, 2019 and 2020 respectively and thereby continuing the past tradition as shown in the table below.

Year	Amount
2020	782,000,000
2019	3,267,970,000
2018	2,750,000,000
2017	1,500,000,000
2016	3,200,000,000
2015	3,000,000,000
2014	4,000,000,000
2013	3,200,000,000

During the year under review, NITF signed many memorandums of understanding with well renowned hospitals to enhance the quality of health care service to all Government sector employees under Agrahara health insurance scheme.

The customer confidence is enhance by the ratings obtained from Fitch rating (A+) which assures the financial stability of NITF.

REPORT OF THE DIRECTORS

The NITF is managed by a Board consisting of the following seven members appointed by the Minister in charge of the subject of Finance.

(a) An officer of the Ministry of the Minister to whom the subject of Finance is assigned:

(b) The Chief Accountant of the Ministry of the Minister to whom the subject of Finance is assigned:

(c) An officer of the Ministry of the Minister to whom the subject of Health is assigned:

(d) An officer from the Ministry of the Minister to whom the subject of Public Administration is assigned: and

(e) Three persons to be nominated by the Minister from among persons possessing qualifications or expertise in the fields of finance banking, insurance management or law.

The Minister is empowered to appoint one person of the Board as Chairman. In terms of the Act, all members of the Board shall hold office for a period of five years from the date of appointment. During the year 2020, 8 Board Meetings have been held and Members of the Board have maintained excellent records of attendance at the meetings. The attendance of the members of the Board at the Board Meetings is detailed as follows;

Name of the Boards	2020 Board Member's Attendance Details														Appointments Dates	Date of Resignation
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	03rd Sep	30th Sep	Oct	Nov	03rd Dec	30th Dec		
Mr. Mawahib Mawjood		√				√	√	√	√	√			√	√	05/02/2020	-
Mr. H. A. C. Kumarasinghe		√				√	√	√	√	√			√	√	14/12/2015	31/03/2021
Mr. M. K. P. Kumara		√				√	√	√	√	√			√	√	24/04/2020	-
Mr. D. P. G. Pradeep		√				√	√	√	√	√			√	√	10/05/2019	-
Mrs. Kanthi Gunawardhana		√				√	√	√	√	√					11/02/2020	16/11/2020
Mrs. D. L. U. Peiris													√	√	05/05/2016	-

The Board is accountable to the stakeholders of the institution to ensure that the business is conducted in an appropriate manner based on approved business plan and financial and physical targets of the institution.

Principal Activities and Business Reviews

Principal activities of NITF in 2020 were the implementation of Medical Insurance Scheme for Public Officers (Agrahara), Compulsory Reinsurance Scheme, Parliamentary Members Insurance scheme, Motor Vehicle Insurance Scheme, General Insurance Schemes, Agricultural Loan Protection Insurance Scheme and Management of Strike, Riot, Civil Commotion & Terrorism Fund (SRCC&TF).

Financial Results

In 2020, NITF recorded a Gross Written Premium of LKR 9.818 Million. The GWP registered a marginal decrease relative to 2019 GWP of LKR 12,693 Million mainly due to decrease in premium received from reinsurance and Strike, Riot, Civil Commotion and Terrorism Fund in 2020. During 2020, NITF earned a Profit after Tax of LKR 7,526 Million.

Employees

The staff strength of NITF as at 31.12.2020 was 365

Auditors

The financial statement for 2020 of the NITF was audited by the Auditor General in terms of Financial Act No. 38 of 1971.

Corporate Governance

Corporate Governance practices have been carried out giving due consideration to the relevant areas of the Corporate Governance Code of Best Practices issued by Institute of Chartered Accountants of Sri Lanka and the Public Enterprises Guidelines for Good Governance and Corporate Governance practices.

Mawahib Mowjood
Chairman

L. U. Pinto
Secretary to the Board

17th November 2021
Colombo

FINANCIAL REPORTS

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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය / எனது இல. / My No. } INS/A/05/NITF/AR/2020	ඔබේ අංකය / உமது இல. / Your No. }	දිනය / திகதி / Date } September 2022

Chairman

National Insurance Trust Fund

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

1. Financial statements

1.1 Disclaimer of Opinion

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

I do not express an opinion on the accompanying financial statements of the Fund. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
+94 11 2 88 70 28 - 34 +94 11 2 88 72 23 ag@auditorgeneral.gov.lk www.naosl.gov.lk

AUDITOR GENERAL'S REPORT

1.2 Basis for Disclaimer of Opinion

1.2.1 Internal Control over the preparation of financial statements

(a.) Weak Control Environment had been observed due to following reasons.

- There were three (03) vacant positions from four (04) key management positions. The Chief Executive Officer and the Assistant General Manager – Finance positions had been filled on acting basis in addition to their permanent responsibilities. The Assistant General Manager – Operation position is vacant since the carder approved date of 01 November 2016. Further five (05) positions had been vacant out of seven (07) management positions and three (03) Management positions had been filled on acting basis in additions to their permanent responsibilities. Therefore, the possibility of development of internal controls, effective monitoring of implementation of internal control system and developments to strengthen the internal controls is minimized.

- It is observed that the actuarial function, risk management function, investment function and research and development function had not been effectively carrying out due to unavailability of responsible divisions and officials with required skills specified in the recruitment procedure to carrying out those functions. Therefore, timely identification of risks and implementing strategies to mitigation of those risks, the provision of accurate information to make actuarial estimations could not be effective.

- An Internal Audit and the Audit Committee had not been functioned for the year 2020. Therefore, the review and evaluate internal control systems on regular basis, review financial statements to ensure compliance with Accounting Standards had not been carried out.

- A fraud done by an employee in the Agrahara Insurance Scheme had been discovered accidently in October 2022. This fraud had been committed from the year 2018 and the discovered financial loss as per the internal audit report is Rs. 5,136,000. This was happened due to lack of design and implementation of the sound internal control system with proper supervision and monitoring. Further, this evident that the non-existence of the sound system of control environment for the fund.

(b.) Integrated system for handling Agrahara Claims from acceptance of the claim applications to settlement of the claims and to identify the claim liabilities had not been available for the fund.

(c.) The transactions of the Strike, Riot, Civil Commotion and Terrorism Fund (SRCC & Tr Fund) had been recorded in the excel files using source documents and at the end of the year all transactions recorded in the excel files had been updated to a manual ledger and submitted to the audit. Even though, the facility had been provided in the SAGE Accounting System in the year 2019, that facility had not been used for the financial reporting process of the Strike, Riot, Civil Commotion and Terrorism Fund.

(d.) Claims had been recognized as one item of income and expenditure in the financial statements for Agrahara Normal, Silver and Gold Premiums. Since there was no proper and updated database, it is difficult to obtain evidence for contributions made to the fund and claims incurred from each Agrahara Insurance Schemes and to obtain a detailed record of the monthly contributions made by each institution and by each policy holder to the Fund.

AUDITOR GENERAL'S REPORT

(e.) No proper system in place for claim handling transactions and keeping records in the reinsurance section while it is maintained in manually.

1.2.2 Non-Compliance with Sri Lanka Accounting Standards

(a.) A re-insurance premium of Rs. 148,380,847 received from Agriculture and Agrarian Insurance Board (AAIB) for agriculture insurance scheme had been recognized for the gross written premium in the year 2019. Further, this revenue had been returned to the Agriculture and Agrarian Insurance Board in the year 2020 since the basis of the NITF has no any legal authority to accept this payment. This error correction had not been adjusted in the financial statements in the period under review by restating the comparative amounts for the year 2019 presented in which the error occurred in accordance with the paragraph 42 of the LKAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

(b.) LKAS 12 – Income Tax

The fund had not recognized the deferred tax liability amounting to Rs.934,018,739 as at 31 December 2020. Further, no accounting policy had been disclosed for the deferred tax.

1.2.4 Accounting Deficiencies

(a.) According to the accounting policy of the fund for Proportional Treaty Re-insurance Agreements, the insurance premium shall be recognized when the periodic advice received from cedants with the leader confirmation. However, contrary to the accounting policy the re-insurance premium relevant prior to 2020 of Rs.628,756,431 had been recognized for the year under review. Further re-insurance premium of Rs.718,436,154 relevant for the period had been recognized for the year 2021, due to the leader confirmation and periodic advice had been received in delay. Therefore, the reinsurance revenue for the year had been understated by Rs.89,679,723.

(b.) According to the accounting policy for Non-Proportional Treaty Re-Insurance Agreement the insurance premium has been recognized based on the contractual premium already established at the start of the treaty Gross Written Premium (GWP) for the year. However, contrary to the accounting policy re-insurance premium relevant prior to 2020 of Rs. 78,341,182 had been recognized for the year under review. Further re-insurance of Rs. 639,615 relevant for the year had been identified in the year 2021. This was occurred due to required adjustments had not been made by reviewing the agreements with available additional information and developments at the end of the accounting period. Therefore, the revenue for the year under review had been overstated by Rs.77,701,567.

(c.) According to the accounting policy for Facultative Re-insurance Agreement the insurance premium had been recognized after receiving the leader confirmation. Therefore, the re-insurance premiums of Rs.211,129,506 relevant for the prior periods had been recognized for the year under review. Further, re-insurance premium of Rs. 50,279,153 relevant for the period had been recognized in the year 2021. Therefore, the revenue for the year had been overstated by Rs.160,850,353.

(d.) Premium receivable from Inward Reinsurance as per the financial statement and the Control General Ledger account is Rs. 1,267,806,451. However, as per the age analysis the balance is Rs. 1,258,772,697. Therefore, a difference of Rs. 9,033,754 had been observed.

AUDITOR GENERAL'S REPORT

(e.) A difference of Rs. 3,537,190 had been observed between staff distress loan balance in the financial statements and the detailed schedule submitted for the audit.

(f.) The carrying value of treasury bonds has been overstated by Rs. 139 Mn as of 31 December 2020. The differences have been occurred due to the error in market price used by the fund for fair value calculation.

(g.) The carrying value of Treasury Bills had been overstated by Rs. 1.08 Mn as of 31 December 2020. The differences have been occurred due to the error in coupon rate used by the fund for fair value calculation.

(h.) The expenses amounting to Rs 1,598,006 for the year 2019 had been accounted in the year 2020. Therefore, the expenses for the year had been overstated and the profit for the year had been understated by the same amount.

(i.) The re-insurance liabilities arised from the reinsurance agreements due to adjustment premium of National Natural Disaster Insurance Scheme (NNDIS) for the years 2017/2018 amounting to Rs. 123,387,679 and Adjustment premium of Retrocession Re-insurance for the year 2018/2019 amounting to Rs. 466,292,684 had not been recognized in the financial statements.

1.2.5 Inappropriate Valuation or Estimation

(a.) Since the fund had not carried out proper evaluation for the long outstanding provisions for non-flood claims existed as at the balance sheet date the accuracy of the provision cannot be ascertain. The provision for non-flood claims of Rs.427,550,703 had been outstanding for more than two to five years and provisions amounting to Rs.156,589,534 were outstanding for more than five years.

(b.) According to the gazette No. 1791/4 of 21 December 2012, the mandatory cession is 30 per cent for general (non-life) reinsurance. However, the fund had allocated 100 per cent loss as a provision. Therefore, the reinsurance provision had been overstated by Rs. 7,210,000 for the year under review.

(c.) Reinsurance payable amounting to Rs. 801,513 is still in the financial statements even though the insurer has informed that there was no liability as of 05 October 2016.

(d.) No evidence such as board approval, actuary valuation or any other documents had been provided to prove the reasonability of estimated provision for Agrahara claims provision amounting to Rs 510,530,810 for the year ended 2020.

(e.) No assessment had been made for the Motor Claims payable balance amounting to Rs. 10,323,235 for the year 2020 which had been continued from the year 2019 without any assessment for the year under review.

1.2.6 Documentary Evidences not made available for Audit

(a.) Even though the total loan receivable from the staff is Rs. 54,274,121 as at 31 December 2020, a proper loan register was not maintained by the fund. Since the loan details were recorded in an excel detailed history of the loans cannot be abstracted and the validity of the information is questionable.

AUDITOR GENERAL'S REPORT

(b.) The fund has a debit balance amounting to Rs. 22,465,243 as at 31 December 2020 in the Income Tax Payable account. Evidence was not made available for this debit balance.

(c.) A re-insurance premium of Rs. 148,380,847 received from Agriculture and Agrarian Insurance Board (AAIB) for agriculture insurance scheme in the year 2019 had been recognized as reinsurance revenue for the year 2019 without proper evaluation. Further the above re-insurance premium had been refunded in the year under review, since the basis of no any legal authority to accept this payment for the fund. However, the sufficient information in relation to receipt of this revenue and refund had not been provided to the audit. According to the management the file maintained in relation to this transaction had been lost.

As described above I was unable to confirm or verify by alternative means, material items included in the statement of financial position, statement of comprehensive income, statement of changes in equity and cash flow statement.

As a result of these matters, I was unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded amounts and the elements making up the statement of financial position, statement of comprehensive income, statement of changes in equity and cash flows.

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

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

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

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

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

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

My responsibility is to conduct an audit of the Fund's financial statements in accordance with Sri Lanka Auditing Standards and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section, I was not able to obtain sufficient appropriate audit evidences to provide a basis for an audit opinion on these financial statements.

AUDITOR GENERAL'S REPORT

2. Report on Other Legal and Regulatory Requirements

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

2.1.1 I have not obtained all the information and explanation that considered necessary for the purpose of audit and I was unable to determine whether proper accounting records have been kept by the Fund as per the requirement of section 12 (a) of the National Audit Act, No. 19 of 2018.

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

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

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

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

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

	Reference to law/ direction	Description
(a.)	Sections 7, 31(2) and 49 (b) of Regulation of Insurance Industry Act No.43 of 2000	Sixty-one (61) quarterly returns containing information as rules made in that behalf should be submitted to the Insurance Regulatory Commission. However, 16 quarterly returns had been submitted with delay of 38 to 285 days after considering the extensions granted by the Insurance Regulatory Commission due to COVID 19 pandemic.
(b.)	Section 13(e) of the National Insurance Trust Fund Act No 28 of 2006	According to the provisions of the act a general account in respect of the Fund and separate Individual accounts in respect of each member needed to be maintained. However separate accounts for individual members had not been maintained by the fund.
(c.)	Paragraph 23 of the National Insurance trust Fund Act, No.28 of 2006	According to the provisions of the act, the fund had not taken necessary actions to inspect records of the insurance companies to verify whether such insurance companies have invoiced and remitted amount accrued to the fund accurately.

AUDITOR GENERAL'S REPORT

(d.)	F.R. 261(1)	The sequential order of the payment vouchers had not been properly maintained.
(e.)	F.R. 386(7)	Eventhough the cancelled cheques must be affixed to the counterfoil and retained in the cheque book. The fund has attached cheque counterfoils with the payment voucher. As a result, in the case of any misplacement of the voucher all the details related to cancelled cheques may get lost.
(f.)	F.R. 395(b)	Bank Reconciliation Statements should be certified by the Paying Officer concerned, and made available to Audit for inspection. However, the Bank Reconciliation Statements prepared for eleven (11) bank accounts had been certified without name, designation and date.
(g.)	F.R.396	The procedure stipulated in the Financial Regulations had not been followed for the cheque remains un-cashed for more than six months from the date of issue. The sixty-one (61) lapsed cheques amounting to Rs. 3,501,599 in two (02) Bank Accounts had been observed as at 31 January 2021.
(h.)	Section 04 of Public Enterprises Circular No. PED 2/2015 dated 25 May 2015	According to the provisions of the circular the cost of purchasing mobile phones should be personally born by the officers. However, the fund has purchased mobile phones for employees by incurring Rs. 2,432,371 for the years 2016 to 2020.

2.2.3 to state that the Fund has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018 except for;

(a) The reinsurance premium receivable amounting to Rs.142,595,979 was outstanding for over one (01) year which represent 11.3% from the total Reinsurance Premium Receivable and an amount of Rs. 148,466,031 was outstanding over two (02) years which represent 11.8% from total receivable amount. The amount of Rs. 151,033,057 was outstanding over three (03) years which represent 12% from the total outstanding balance. It was observed that adequate actions had not been taken to recover long outstanding reinsurance receivables.

(b.) According to the paragraph 3(1) of the Extraordinary Gazette No. 1542/11 dated 25 March 2008, the premium collected from the issuance of policies for strike, riot, civil commotion and terrorism shall be credited to the account maintained in a State Bank. However, the premium charged on non-motor policies had been credited to the fund after allowing 20% commission to the insurance companies without proper legal provisions to do so. The amount allowed from non-motor policies as commission for the year under review is Rs. 1,228,933,582.

AUDITOR GENERAL'S REPORT

(c.) According to the paragraph 3(1) of the Extraordinary Gazette No. 1542/11 dated 25 March 2008, the premium collected from the issuance of policies for strike, riot, civil commotion and terrorism shall also be credited to the account maintained in a State Bank. However, the fund has recovered only 12% of the total premium collected by the insurance companies for strike, riot, civil commotion and terrorism cover from motor policies without proper legal provision to do so. Therefore, the reduction of premium to the fund for the year under review is Rs.10,155,796,304.

(d.) According to the National Insurance Trust Fund (amended) Act No 28 of 2007 and Extraordinary Gazette Notification No 1791/4 dated 21 December 2012, the fund has the mandatory cession of 30% of general (non-life) reinsurance in Sri Lanka. However, it was observed that, the fund had paid a commission to reinsurers who reinsure the mandatory portion. The fund had paid Rs. 6,720,273,899 as reinsurance commissions for 13 general insurance companies for the years 2017 to 2020 for the aforesaid mandatory portion without proper legal provisions to do so.

(e.) Investment Activities

(i.) Even though the investment manager's role has been defined in the paragraph 13 of the Investment Policy this position had been vacant since 30 August 2020.

(ii.) Even though as per the paragraph 17 of the Investment Policy the Investment Committee should meet at periodically and the responsibilities of the Investment Committee had been defined. However, the Investment Committee had not been met for the year under review.

(iii.) There is no provision in the Investment Policy to review the Investment Policy on regular basis. Further, the Investment Policy had not been reviewed by the board after its implementation and incorporate required improvements to the policy on timely basis.

(iv.) According to the investment policy, selection of investments is based on evaluation of economic conditions, interest rates behaviour, future trends, and the operational cash flow requirement of the fund. However, there was no cash flow forecasts had been prepared to identify the excess cash flows and timing of those cash flows to take investment decisions in prudent manner.

(v.) The financial assets of the fund (Investments) amounting to Rs. 21,666,072,511, has represented 79% of the total assets of the fund. However, the delegation of financial authority for investment decisions had not been defined in the Investment Policy based on the value of the investments and the sources of investments. All investments were approved only by the Investment Committee irrespective of the value and the sources of the investments.

(f.) Actuarial Function

(i.) The recommendations made by the actuary in relation to data capturing, splitting major class of business, provide claim counts and claim handling expenses had not been discussed at the board level or the appropriate level of management to make required improvements to increase the data confidence level of the fund.

(ii.) An Actuarial Division was not established by the fund to collect, retain and provide required actuarial information.

AUDITOR GENERAL'S REPORT

2.2.4 To state that the resources of the Fund had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018 except for;

(a.) A delay of eleven (11) months had been observed for obtaining re-insurance agreement to cover whole account excess of loss re-insurance contract (Risk Catastrophe) during this period and the fund had proceed with 30% compulsory cession without any reinsurance cover. If there is any claim occurred during this period it will directly affect to the operations of the fund. The reason for this delay is delay in procurement procedure for reinsurance retro cession.

2.5 Other Matters

(a.) A documented policy for handling reinsurance claim process and to identify payable obligation had not been available for the fund. Hence, the fund identified and record reinsurance obligation from the primary intimation document.

(b.) The fund does not have an Approved Overtime Policy nor follow the provisions in the E-Code for processing overtime payments.

W.P.C. Wickramaratne
Auditor General

STATEMENT OF COMPREHENSIVE INCOME

For the Period ended 31st December 2020

	Notes	2020 Rs.	2019 Rs.
Gross written premiums	1	9,818,040,011	12,693,194,645
Contribution Received for Agrahara	1	5,469,298,738	4,838,723,551
Crop Insurance Levy Collected		1,626,851,259	1,780,383,987
Reinsurance Premiums ceded		(1,101,890,156)	(1,191,875,662)
Ceded to SRCC & Tr Fund		-	-
Net written premiums		15,812,299,851	18,120,426,521
Net change in Reserve for unearned premium		867,768,751	(997,664,716)
Reinsurers share of change in UPR		794,959,214	(674,735,040)
Net earned premium		17,475,027,816	16,448,026,766
Revenue from other operations			
Fees and commission income	2	1,935,395	4,438,361
Investment & Other Income	3	1,385,087,715	1,264,778,325
Other revenue		1,387,023,110	1,269,216,686
Gross benefits and claims Incured	4	(7,978,035,907)	(9,934,309,446)
Claims ceded to reinsurers	4	-	498,500,000
Gross change in contract liabilities	4	97,522,388	(2,522,543,002)
Change in contract liabilities ceded to reinsurers	4	-	(43,234,155)
Gross change in IBNR	4	(74,002,744)	(77,731,211)
Net benefits and claims		(7,954,516,263)	(12,079,317,814)
Underwriting and acquisition cost (including reinsurance)	5	(1,614,860,946)	(2,055,691,850)
Other operating and administrative expenses	6.1	(409,175,576)	(552,685,117)
Finance cost & other Related Cost	6.2	(17,571,769)	(21,062,606)
Total benefits, claims and other expenses		(9,996,124,555)	(14,708,757,386)
Profit/(Loss) before tax		8,865,926,371	3,008,486,066
Income Tax for the Year		(1,339,826,929)	105,600,661
Profit/(Loss)for the year		7,526,099,442	3,114,086,727
Other Comprehensive Income			
Net change in available for sale financial assets		134,541,150	517,879,752
Actual Gain/(Loss) on retirement benefit obligation		(7,943,165)	(574,033)
Other comprehensive income for the year, net of tax			
Total Comprehensive Income		7,652,697,427	3,631,392,446

STATEMENT OF FINANCIAL POSITION

As At 31st December 2020

	Notes	2020 Rs.	2019 Rs.
Assets			
Intangible assets	7	**5,998,484**	8,147,706
Property, plant and equipment	8	**42,225,902**	40,497,303
Right of use lease Assets	9	**94,511,709**	130,651,150
Financial Assets	10	**21,666,072,511**	15,444,667,263
Reinsurance Receivable	11	**1,102,142,174**	1,599,620,442
Premium receivables	12	**2,849,482,173**	2,010,815,480
Soft Loans	13	**2,726,557**	3,754,982
Other non financial assets	14	**112,092,419**	109,855,613
Deferred Commission	15	**713,547,137**	758,831,301
Cash at bank and in hand	16	**769,514,934**	600,106,740
Total Assets		**27,358,314,000**	20,706,947,980
Equity and Liabilities			
Retained earnings		**13,887,197,157**	7,143,097,715
Other component of equity		**177,448,911**	50,850,926
Revaluation Reserve		**(2,102,126)**	(2,102,126)
Total Equity		**14,062,543,942**	7,191,846,515
Liabilities			
Insurance contract liabilities	19	**9,825,591,002**	11,803,879,609
Retirement benefit obligation	20	**50,120,616**	34,192,463
Lease Creditor	21	**113,263,614**	141,801,845
Other liabilities	17	**3,306,794,823**	1,535,227,547
Bank overdraft	16	**-**	-
Total Liabilities		**13,295,770,055**	13,515,101,463
Total Equity and Liabilities		**27,358,314,000**	20,706,947,980

I certify that the Financial Statement of the Fund comply with the requirements of the Sri Lanka Accounting Standards

Dammika Weerakoon
Chief Financial Officer (Acting)
Assistant General Manager - Finance

L.A.G.N. Liyanarachchi
Chief Executive Officer

The Accounting policies and Notes on pages 42 to 75 form an integral parts of these Financial Statements. The Board of Directors are responsible for the Preparation and Presentation of Financial Statements. These Financial Statements were approved by the Board of Directors and signed on their behalf.

Mawahib Mowjood
Chairman

Director

28-Sep-22
Colombo

STATEMENT OF CHANGES IN EQUITY

As At 31st December 2020

	Retained earnings	Available for Sale Financial Assets	Revaluation Reserve	Total
Balance as at 31 December 2016	7,831,705,609	(266,847,481)		7,564,858,128
Profit for the year	976,233,935			976,233,935
Net change in available for sale financial assets	-	208,755,171		208,755,171
Cash Transferred to the Consolidated Fund	(1,500,000,000)			(1,500,000,000)
Year End Closing Difference	(44,253,311)			(44,253,311)
Income Tax Payable 2016/2017	(97,669,225)			(97,669,225)
Amortised discounts on Bonds	26,235,147			26,235,147
Refund crop AAIB	42,871,673			42,871,673
Incentive 2016	(3,140,650)			(3,140,650)
RI Premium General	(2,921,713)			(2,921,713)
Opening - AR Control RI	(38,856,406)			(38,856,406)
Opening - AR Control Non Motor	83,109,718			83,109,718
Cheque Return	(324,575)			(324,575)
ETF 3%	305,147			305,147
Motor bike Advance & Motor Receivable	(57,582,588)			(57,582,588)
ESC	(2,068,743)			(2,068,743)
Other Previous Year Adjustment	(493,887)			(493,887)
Acturial (gain)/loss on gratuity valuation	-	(8,699,331)		(8,699,331)
	7,213,150,131	(66,791,641)	-	7,146,358,490
Profit for the year	3,183,238,866			3,183,238,866
	-			
Net change in available for sale financial assets		(390,587,646)		(390,587,646)
Cash Transferred to the Consolidated Fund	(2,750,000,000)			(2,750,000,000)
Revaluation of Assets			(2,102,126)	(2,102,126)
Revaluation on Disposed Motor Vehicle	6,276,415			6,276,415
Amortised discounts on Bonds	25,070,657			25,070,657
NNDIS Reinstatement & Adjustment Fee	(291,472,452)			(291,472,452)
RETRO RI Receivable Exchange loss	(3,888,779)			(3,888,779)
Settle Invoice & CN Cancelation	41,810,528			41,810,528
Missed Invoice in Openning Balance RI	10,980,047			10,980,047
NNDIS Cancel Cheque	12,682,341			12,682,341
Cheque Cancelation	2,080,928			2,080,928
Bond Coupon Interest	(8,856,250)			(8,856,250)
Salaries correction	(1,037,300)			(1,037,300)
Leave Encashment	(2,764,983)			(2,764,983)
Duplicate CN Cancelation RI	(7,458,551)			(7,458,551)
Euro USD Exchange Gain Reverse	(5,082,679)			(5,082,679)
Other Previous Year Adjustment	(83,955)			(83,955)
Acturial (gain)/loss on gratuity valuation		(9,075,505)		(9,075,505)
Balance as at 31 st December 2018	7,424,644,965	(466,454,792)	(2,102,126)	6,956,088,048
Profit for the year	3,114,086,727			3,114,086,727
Other Previous Year Adjustment	(139,165,533)			(139,165,533)
Cash Transferred to the Consolidated Fund	(3,267,970,000)			(3,267,970,000)
Amortised discounts on Bonds	11,501,557			11,501,557
Net change in available for sale financial assets		517,879,752		517,879,752
Acturial (gain)/loss on gratuity valuation		(574,033)		(574,033)
Balance as at 31 st December 2019	7,143,097,716	50,850,927	(2,102,126)	7,191,846,517
Profit for the Period	7,526,099,442			7,526,099,442
Acturial (gain)/loss on gratuity valuation		(7,943,165)		(7,943,165)
Net change in available for sale financial assets		134,541,150		134,541,150
Cash Transferred to the Consolidated Fund	(782,000,000)			(782,000,000)
	-			-
Balance as at 31st December 2020	13,887,197,157	177,448,912	(2,102,126)	14,062,543,942

Accounting policies and notes on pages 42 to 75 form an integral part of the Financial Statements.
Figures in bracket indicate deductions.

STATEMENT OF CASH FLOWS

For the Period ended 31st December 2020

		2020 Rs.	2019 Rs.
Cash Flows from Operating Activities			
Profit Before Tax		**8,865,926,371**	3,008,486,066
Adjustments for :			
Interest Income		**(1,334,565,453)**	(1,215,544,996)
Depreciation		**10,704,723**	14,354,664
Amortisation		**2,149,221**	1,092,955
Lease Expenses		**17,571,769**	21,062,606
Net Fair Value Changes		**126,597,985**	517,305,719
Prior Year Adjustments		-	(139,165,533)
Loss/ (Profit)on Disposal of Fixed Assets		-	756,279
		7,688,384,616	2,208,347,759
Change in Operating Assets	A	**(262,001,625)**	(872,948,944)
Change in Operating Liabilities	B	**(1,559,158,338)**	4,985,210,310
Cash Flow from Operating Activities		**5,867,224,653**	6,320,609,124
Net Cash Generated from Operating Activities		**5,867,224,653**	6,320,609,124
Cash Flows from Investing Activities			
Net Disposal/(Acquisition) of Financial Investments		**(6,221,405,247)**	(4,770,049,767)
Interest Received		**1,334,565,453**	1,215,544,996
Amortised discounts on Bonds		-	11,501,557
Recovery of Soft Loans		**1,028,424**	1,970,028
Disposal of Property Plant and Equipment		**1,222,888**	
Acquisition of Intangible Assets		-	(6,433,851)
Acquisition of Property, Plant and Equipment		**(12,433,322)**	(27,468,606)
Net Cash Used from Investing Activities		**(4,898,244,692)**	(3,573,712,754)
Cash Flows from Financing Activities			
Lease Expenses		**(17,571,769)**	(21,062,606)
Cash Transferred to the Consolidated Fund		**(782,000,000)**	(3,267,970,000)
Net Cash Used in Financing Activities		**(799,571,769)**	(3,289,032,606)
Net Increase / (Decrease) in Cash and Cash Equivalents	C	**169,408,194**	(542,136,236)
Net Cash and Cash Equivalents at the beginning of the Year		**600,106,740**	1,142,242,978
Cash and Cash Equivalents at the end of the Year		**769,514,934**	600,106,740
Notes to the Cash Flow Statement			
A. Change in Operating Assets			
(Increase)/ Decrease in Deferred Commission		**45,284,164**	(138,079,613)
(Increase)/ Decrease in reinsurance premium receivable		**497,478,268**	(130,851,686)
(Increase)/ Decrease in Premium Receivable		**(838,666,693)**	(461,990,747)
(Increase)/ Decrease in Other Non Financial Assets		**(2,236,806)**	(11,375,748)
(Increase)/ Decrease in Right of use lease Assets		**36,139,441**	(130,651,150)
		(262,001,625)	(872,948,944)
B. Change in Operating Liabilities			
Increase / (Decrease) in Insurance Contract Liabilities		**(1,978,288,607)**	4,272,673,969
Increase / (Decrease) in Retirement Benefit obligation		**15,928,153**	5,682,422
Increase / (Decrease) in Other liabilities		**431,740,347**	565,052,074
Increase / (Decrease) in Lease Creditor		**(28,538,231)**	141,801,845
		(1,559,158,338)	4,985,210,310
C. Increase / (Decrease) in Cash and Cash Equivalents			
Net Cash and Cash Equivalents at the end of the Year		**769,514,934**	600,106,740
Less: Net Cash and Cash Equivalents at the beginning of the Year		**600,106,740**	1,142,242,978
Net Increase / (Decrease) in Cash and Cash Equivalents		**169,408,194**	(542,136,238)

Notes to the Financial Statements

Year ended 31st December 2020

1. CORPORATE INFORMATION

1.1 Reporting Entity

National Insurance Trust Fund Board ("The Board") is incorporated by the "National Insurance Trust Fund Act, No. 28 of 2006" with the amendment Act no. 28 of 2007 and domiciled in Sri Lanka. The registered office of the Board is situated at No. 95, Sir Chittampalam A Gardiner Mawatha, Colombo 02 and the principal place of business is located at this address.

1.2 Parent Entity and Ultimate Parent Entity

The Board's parent and ultimate parent entity is the Government of Sri Lanka.

1.3 Principal Activities and Nature of Operations

The principal activities of the Board are carrying out non-life (General) insurance businesses and re-insurance businesses.

Further the Board maintains SRCC & T Fund, Crop Levy of 1% of the profit after tax from banks, finance companies and insurance companies operating in Sri Lanka are collected by The Board and Agricultural Insurance schemes are provided from the Crop Levy. There were no significant changes in the nature of the principal activities of the Board during the year under review.

1.4 Responsibility for Financial Statements

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

1.5 Number of Employees

The staff strength of The Board as at 31st December 2020 was 365 (2019 – 306).

1.6 Approval of financial statements by the Board of Directors

The financial statements of The Board for the year ended 31st December 2020 were approved and authorized to issue on 26th September 2022 in accordance with the resolution of the Board of Directors on 26th September 2022.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

The financial statements have been prepared, unless otherwise stated, in accordance with Sri Lanka Accounting Standards, promulgated by the Institute of Chartered Accountants of Sri Lanka (CA- Sri Lanka) and comply with the requirements of the Regulation of Insurance Industry Act No. 43 of 2000.

The Financial Statements include the following components:

- A Statement of Financial Position providing the information on the financial position of the Board as at the quarter-end, (page 02).
- A Statement of Comprehensive Income providing the information on the financial performance of the Board for the year under review. (page 01)
- A Statement of Changes in Equity depicting all changes in equity. (page 03)
- A Statement of Cash Flows providing the information to the users , on the ability of the Board to generate cash and cash equivalents and utilization of those cash flows (page 04) and Notes to the financial statements comprising accounting policies and other explanatory information (page 05 to 44).

2.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except for following material items in the financial statements.

Item	Basis of Measurement	Note No.
Loans and receivables financial assets	At fair value	10.1
Available For Sale financial assets	At fair value	10.2
Defined benefit obligations	Actuarially valued and recognized at present value of the defined benefit obligations	20
Policyholders' liabilities	Actuarial determined values based on actuarial guidelines issued by IRCSL	19.1
Incurred But Not Reported / Incurred But Not Enough Reported	Actuarial determined values based on actuarial Methodologies	19.3

Notes to the Financial Statements (Contd...)

Year ended 31st December 2020

2.3 Presentation of Financial Statements

The board presents its statement of financial position broadly in order that reflects their relative liquidity. No adjustments have been made for inflationary factors affecting the Financial Statements.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.4 Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees (LKR) which is the functional currency of the Board. All financial information presented in Sri Lankan Rupees has been rounded to the nearest Rupee, except when otherwise indicated.

2.5 Materiality and Aggregation

Each material class of similar items is presented separately. Items of dissimilar nature or function are presented separately unless they are immaterial.

2.6 Reporting Period

The reporting period is from January to December 2020.

Where appropriate, the accounting policies have been explained in the succeeding notes.

2.7 Significant Accounting Judgments, Estimates and Assumptions

The preparation of financial statements in conformity with Sri Lanka Accounting Standards / SLFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Accounting judgments, 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.

The key significant accounting judgments, estimates and assumptions involving uncertainty are discussed below, whereas the respective carrying amounts of such assets and liabilities are as given in related notes.:

2.7.1 Going concern

The Management has made an assessment of The Board's ability to continue as a going concern and is satisfied that the Board has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Board's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2.7.2 Fair value of financial instruments

Determination of fair values of financial assets and financial liabilities recorded on the statement of financial position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical techniques. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish their fair values.

2.7.3 Assessment of Impairment

The Board assesses whether there are any indicators of impairment for an asset or a cash-generating unit at each reporting date or more frequently, if events or changes in circumstances necessitate to do so. This requires the estimation of the 'value in use' of such individual asset or cash- generating unit. Estimating value in use requires the Management to make an estimate of the estimated future cash flows from the asset or the cash-generating unit and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires The Board to make estimation about expected future cash flows and discount rates; hence, they are subject to uncertainty.

2.7.4 Provision for Liabilities and Contingencies

The Board receives legal claims against it in the normal course of business. Management has made judgements as to the likelihood of any claim succeeding in making provisions. The time of concluding the legal claim is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in respective legal jurisdictions.

During the year under review, the Board decided to provide 15% of total legal claims for litigation provision.

Notes to the Financial Statements (Contd...)

Year ended 31st December 2020

2.8 Summary of significant accounting policies

2.8.1 Foreign currency translation

The Board's financial statements are presented in Sri Lankan Rupees which is also the Board functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the statement of profit or loss.

2.8.2 Impairment of non-financial assets

The Board assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, The Board estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset.

2.8.3 Impairment of financial assets

The Board assesses at each reporting date whether a financial asset or group of financial assets is impaired. The Board assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets not carried at fair value through profit or loss are 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 have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

- Impairment of financial assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the impairment 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 been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the loss is recorded in the statement of comprehensive income.

The Board first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. The impairment assessment is performed at each reporting date.

If, in a subsequent period, the amount of the impairment loss decreases and that decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

- Impairment of available for-sale financial investments.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its costs (net of any principal repayment and amortization) and its current fair value, less any impairment loss

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Year ended 31st December 2020

previously recognized in of other comprehensive income, is transferred from equity to the statement of comprehensive income. Reversals in respect of equity instruments classified as available-for-sale are not recognized in the statement of comprehensive income.

Reversals of impairment losses on debt instruments classified at available-for-sale are reversed through the statement of comprehensive income, if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognized in the statement of comprehensive income.

• Impairment of financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

2.8.4 Provisions and contingencies

General Provisions are recognised when the Board 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. Where the Board 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. Expense relating to any provision is presented in the statement of profit or loss, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounting using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

In the opinion of the Board, litigations which are currently against the entity, in the normal course of business will not have significant impact on the reported financial results or future operation of the Board.

2.8.5 Statement of cash flows

The statement of cash flows has been prepared using the indirect method of preparing cash flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7 - Cash Flow Statements. Interest received are classified as investing cash flows. Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash in hand and balances with banks. For cash flow statement purposes, cash and cash equivalents are presented, net of bank overdrafts.

2.8.6 New standards and interpretation not yet adopted

The following SLFRSs have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these financial statements. Those SLFRSs will have an effect on the accounting policies currently adopted by the Board and may have an impact on the future financial statements.

- Sri Lanka Financial Reporting Standard (SLFRS) 15 - Revenue from Contracts with Customers SLFRS 15 establishes a five step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. It replaces existing revenue recognition guidance, including LKAS 18 - Revenue, LKAS 11- Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

  Either a full retrospective application or a modified retrospective application is required for 1st January 2018. Contracts within the scope of SLFRS 4 - Insurance Contracts are scope out, according to scope (paragraph 5 (b)) of SLFRS 15. The Board is evaluating the impact of other revenue contracts currently.

- SLFRS 9 - Financial Instruments SLFRS 9 - Financial Instruments, will replace LKAS 39 - Financial Instruments: Recognition and Measurement, for annual periods on or after 1st January 2018 with early adoption permitted. In 2017, the Board set up a team to implement SLFRS 9 within the Board .

  The Board performed the diagnostic phase (preliminary impact assessment exercise) and implementation phase (solution development) on

Notes to the Financial Statements (Contd...)

Year ended 31st December 2020

SLFRS 9. The Board has undertaken a significant analysis of how SLFRS 9 should be implemented and has taken tentative accounting policy decisions.

Classification Measurement from a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business Model Assessment the Board determines its business model at the level that best reflects how it manages financial assets to achieve its objectives. The Board 's business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial asset held within that business model are evaluated and reported to the entity's key management personnel
- Risks that affect the performance of the business model (and the financial asset held within that business model) and, in particular, the way those risks are managed
- The expected frequency, value and timing of sales are also important aspect of the Board 's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios in to account. If cash flows after initial recognition are realized in a way that is different from the Board 's original expectation, the Board does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets.

Contractual Cash flow Characteristic Test as the second test of the classification process, The Board assesses contractual terms of the financial asset to identify whether they meet Solely the Payment of Principle and Interest (SPPI) criteria.

'Principle' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principle or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make SPPI assessment, the Board applies judgment and considers relevant factors such as currency in which the financial asset is denominated and the period for which the interest rate is set.

In contrast to contractual exposures that introduce a more than demonisms exposure to risk or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, do not give rise to contractual cash flows that are solely the payment of principle and interest on the amount outstanding. In such cases the financial asset is required to be measured at FVPL.

3 OPERATING SEGMENTS

Operating segment is a component of an entity:

a) That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity).

b) Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and

c) For which discrete financial information is available.

For management purposes, The Board has organized the main business into four business segments based on products and services and has four reportable segments.

The segmental information reported below is used by the chief operating decision maker for the allocation of resources and assessment of performance.

- General - Motor insurance
- General – Non Motor insurance
- Agrahara
- NNDIS
- Re Insurance
- SRCC & T
- Crop

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Year ended 31st December 2020

18 SEGMENT INFORMATION

Gross Written Premium to Underwriting results of the above categories of product are given bellow.

	2020							
	Motor	Non Motor	NNDIS	Reinsurance	SRCC	Health Agrahara /Mp	Crop Insurance Scheme	Total
	Rs	Rs	Rs	Rs	Rs			Rs
PREMIUMS								
Gross written premiums	260,600,235	213,469,435	-	3,235,474,242	6,088,496,099	20,000,000		9,818,040,011
Contribution Received for Agrahara						5,469,298,738		5,469,298,738
Crop Insurance Levy Collected							1,626,851,259	1,626,851,259
Reinsurance Premiums ceded				(985,500,000)	(116,390,156)			(1,101,890,156)
Ceded to SRCC & Tr Fund	(6,683,271)	(9,585,888)			16,269,158			-
Net written premiums	253,916,964	203,883,547	-	2,249,974,242	5,988,375,101	5,489,298,738	1,626,851,259	15,812,299,851
Gross change in UPR	62,708,125	19,407,473	369,863,014	328,384,234	87,405,906	-		867,768,751
Reinsurers share of change in UPR				710,852,459	84,106,755			794,959,214
Net change in Reserve for unearned Premium	62,708,125	19,407,473	369,863,014	1,039,236,693	171,512,661	-	-	1,662,727,965
NET PREMIUMS EARNED (A)	316,625,089	223,291,020	369,863,014	3,289,210,934	6,159,887,762	5,489,298,738	1,626,851,259	17,475,027,816
Fee income (B)	1,669,869	265,526						1,935,395
TOTAL UNDERWRITING INCOME (A + B)	318,294,958	223,556,546	369,863,014	3,289,210,934	6,159,887,762	5,489,298,738	1,626,851,259	17,476,963,211
Acquisition costs	(114,503)	(2,006,500)		(703,022,439)	(982,741,457)			(1,687,884,899)
Profit Commission Expenses					118,308,118			118,308,118
Change in deferred acquisition costs		(1,508,879)		(29,521,684)	(14,253,601)			(45,284,164)
Net acquisition costs (C)	(114,503)	(3,515,380)	-	(732,544,123)	(878,686,940)	-	-	(1,614,860,946)
Gross claims Incurred	(226,899,864)	(206,946,636)	548,040,965	(1,604,293,185)	(2,036,000)	(4,989,938,897)	(1,398,439,902)	(7,880,513,519)
Reinsurance recoveries	-							
Changing of IBNR	(8,618,552)	12,034,400	121,880,420	98,821,419	16,417,739	21,775,178	(336,313,348)	(74,002,744)
Net claims paid	(235,518,416)	(194,912,236)	669,921,385	(1,505,471,766)	14,381,739	(4,968,163,719)	(1,734,753,250)	(7,954,516,263)
Reinsurers share of change in outstanding claims	-	-						
NET CLAIMS INCURRED (D)	(235,518,416)	(194,912,236)	669,921,385	(1,505,471,766)	14,381,739	(4,968,163,719)	(1,734,753,250)	(7,954,516,263)
UNDERWRITING RESULT(A+B+C+D)	82,662,038	25,128,930	1,039,784,399	1,051,195,045	5,295,582,561	521,135,020	(107,901,991)	7,907,586,001
Administrative expenses (E)	(57,835,269)	(16,065,353)	(32,130,705)	(32,130,705)	(105,440,294)	(176,718,878)	(6,426,141)	(426,747,346)
TOTAL EXPENSES (C+D+E)	(293,468,189)	(214,492,969)	637,790,680	(2,270,146,595)	(969,745,496)	(5,144,882,597)	(1,741,179,391)	(9,996,124,555)
	24,826,769	9,063,577	1,007,653,694	1,019,064,340	5,190,142,267	344,416,141	(114,328,133)	7,480,838,656
Investment & Other Income for the year	3,609,098	328,160	10,233	211,344,417	1,125,424,167	15,796,882	28,574,758	1,385,087,715
Profit before tax	28,435,867	9,391,738	1,007,663,927	1,230,408,756	6,315,566,434	360,213,024	(85,753,375)	8,865,926,371
Income tax expense					(1,339,826,929)			(1,339,826,929)
Profit after tax	28,435,867	9,391,738	1,007,663,927	1,230,408,756	4,975,739,505	360,213,024	(85,753,375)	7,526,099,442

Notes to the Financial Statements (Contd...)

Year ended 31st December 2020

4 REVENUE

5 GROSS WRITTEN PREMIUM

Accounting policy - Product classification of insurance and investment contracts SLFRS 4 - Insurance Contracts, requires contracts written by insurer to be classified as either 'Insurance contracts' or 'Investment contracts' depending in the level of insurance risk transferred.

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

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

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

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

Accounting policy - Recognition of gross written premium Gross Written Premium (GWP) represents the premium charged by The Board to underwrite risks. GWP is accounted on an accrual basis.

Non-life insurance GWP comprises the total premiums received/receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognized on the date on which the policy commences. However GWP of Agrahara and crop insurance levy are considered on cash basis. Rebates that form part of the premium rate, such as no claim rebates, are deducted from the GWP.

Reinsurance gross premiums include premium income in relation to inwards facultative business, Inwards propotional treaty and inwards non-propotional treaty reinsurance.

Inwards facultative reinsurance premiums are recognized in the financial year in respect of the facultative risks assumed during the particular financial period after receiving the leader confirmation. Inward proportional treaty reinsurance premiums are recognized on the basis of periodic advices received from cedants with the leader confirmation.

Premium income on non-proportional treaties, which covers losses occurring during a specified treaty period, are recognized base on the contractual premium already established at the start of the treaty period under the terms and conditions of each contract.

GWP for the year by major classes of business are as follows;

	2020 Rs.	2019 Rs.
Gross Written Premium		
The premium income for the year by major classes of business is as follows.		
Inward Reinsurance	**3,235,474,242**	4,173,714,909
SRCC & Tr Premium	**6,088,496,099**	6,307,350,365
General Insurance - Motor	**260,600,235**	390,150,125
General Insurance - Non Motor	**213,469,435**	301,979,246
National Natural Disaster Scheme (NNDIS)	**-**	1,500,000,000
Medical scheme for Parliamentory members	**20,000,000**	20,000,000
	9,818,040,011	12,693,194,645
Contribution collected for Agrahara medical Insurance Scheme		
Contribution from Members	**4,090,359,038**	3,617,114,527
Contribution from the Treasury	**782,000,000**	767,970,000
Pensioners Insurance Scheme	**166,837,400**	142,321,400
Semi Government Scheme	**430,102,300**	311,317,625
	5,469,298,738	4,838,723,551

Notes to the Financial Statements (Contd...)

Year ended 31st December 2020

6 CHANGE IN RESERVE FOR UNEARNED PREMIUM

Accounting policy - Change in reserve for unearned premium Unearned premium reserve represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premiums are calculated on 365th basis for General Insurance including motor & Non-Motor and Agrahara Health Scheme, 1/24th basis for SRCC and 35% on the gross premiums basis for Reinsurance in line with generally accepted insurance and reinsurance industry practices. Change in reserve for unearned insurance premium represents the net portion of the GWP transferred to the unearned premium reserve during the year to cover the unexpired period of the policies.

7 PREMIUM CEDED TO REINSURERS

Accounting policy - Recognition of premium ceded to reinsurers Non-life gross reinsurance premium written comprises the total premium payable for the whole cover provided by contracts entered into the period and is recognised on the date on which the policy commences. Premium includes any adjustments arising in the accounting period in respect of reinsurance contracts commencing in prior accounting periods.

8 CHANGE IN RESERVE FOR UNEARNED REINSURANCE PREMIUM

Accounting policy - Change in reserve for unearned reinsurance premium Unearned reinsurance premium is the proportion of premium written in a year that relates to periods of risk after the reporting date. unearned reinsurance premium is deferred over the term of the underlying direct insurance policies. Change in reserve for unearned reinsurance premium represents the net portion of the reinsurance premium transferred to the unearned reinsurance premium reserve during the year to cover the unexpired period of the policies.

9 NET CLAIMS

Accounting policy - Recognition of gross claims Gross claims for non-life insurance include all claims occurring during the year, whether reported or not, related external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims.

Claims expenses and liabilities for outstanding claims are recognised in respect of direct insurance business. The liability covers claims reported but not yet paid, Incurred But Not Reported (IBNR) claims and the anticipated direct and indirect costs of settling those claims. The provision in respect of IBNR is actuarially valued on a quarterly basis to ensure a more realistic estimation of the future liability based on past experience and trends.

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

Accounting policy - Recognition of reinsurance claims Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

10 UNDERWRITING AND NET ACQUISITION COSTS

Accounting policy - Recognition of underwriting and deferred acquisition costs Acquisition expenses, representing commissions, which vary with and are directly related to the production of business, are deferred and amortised over the period in which the related written premiums are earned.

Reinsurance commission is also treated in the same manner within deferred acquisition costs.

11 OTHER OPERATING AND ADMINISTRATIVE EXPENSES

Accounting policy - Recognition of other operating and administrative expenses Other operating and administrative expenses are recognised on accrual basis. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment are charged to the statement of profit or loss.

Staff expenses

Accounting policy - Short-term employee benefits Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans, if The Board 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 Financial Statements (Contd...)

Year ended 31st December 2020

Accounting policy - Defined benefit plans A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Board recognises the changes in the defined benefit obligations under staff expenses in the statement of profit or loss.

(a) current service cost

(b) interest cost

For more details, please refer Note 34 on defined benefit obligations.

Accounting policy - Defined contribution plans A defined contribution plan is a post- employment plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to the Employees' Provident Fund (EPF) under the Employees' Provident Fund Act No. 15 of 1958 as amended and Employees' Trust Fund under the Employees' Trust Fund Act No. 46 of 1980, covering all employees are recognised as an employee benefit expense in the statement of profit or loss when they are due. The Board contributes 12% and 3% of gross emoluments of employees' as employees' provident fund and trust fund contributions respectively.

12 FEE INCOME

Accounting policy - Recognition of fees Policyholders are charged for policy administration services and other contract fees. These fees are recognised as revenue upon receipt or become due.

13 NET FAIR VALUE GAINS

Recognition of fair value gains and losses Net fair value gains recorded in the statement of profit or loss on investments include gains and losses on financial assets. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

14 OTHER INCOME

Other income includes disposal gains/(losses) on salvages, property, plant and equipment and miscellaneous income. Profit or loss on sale of property, plant and equipment is recognized in the period in which the sale occurs and is classified under other income.

15 PROFIT BEFORE TAX

The profit before tax for the year is stated after charging following expenses;

16 INCOME TAX EXPENSE

Recognition of income tax expense Income tax expense comprises current income tax. Current income taxes are recognized in the statement of profit or loss except to the extent that it relates to items recognized directly in equity, when it is recognized in equity.

INCOME TAX REVERSAL/(EXPENSE)

The major components of income tax expense for the years ended 31st December are as follows:

Tax Recognized in Profit & Loss

	2020 Rs.	2019 Rs.
Current Income Tax	-	-
Income Tax on current year's profit	**1,339,826,929**	(105,600,662)
(Over)/Under Provision of Current Taxes in Respect of Prior Years	-	-
Total Income Tax (Reversal)/Expense	**1,339,826,929**	(105,600,662)

17 INTANGIBLE ASSETS

The Board 's intangible assets include the value of acquired computer software.

Basis of recognition an intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to The Board and the cost of the asset can be measured reliably.

Software acquired by the Board is initially measured at cost and subsequently stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditure Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses.

Notes to the Financial Statements (Contd...)

Year ended 31st December 2020

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

Amortisation Intangible assets are amortised on a straight line basis over the period of four years. Amortisation is recorded in the statement of profit or loss.

Intangible assets with finite lives are amortised over the useful economic life. 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 they are treated as changes in accounting estimates.

Amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows;

De-recognition of intangible asset an intangible asset is de-recognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from the derecognition of such intangible assets is included in the statement of profit or loss when the item is de-recognised.

Accounting policy - Impairment of intangible asset an impairment review is performed whenever there is an indication of impairment. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss. Future servicing rights are also considered in establishing an onerous contract provision for each reporting period.

17.1 Fully amortised intangible assets in use was Rs. 7,067,073 fully amortised intangible assets which are still in use or idle intangible assets as at the reporting date (2019 – 6,542,073).

17.2 Title restriction on intangible assets No restrictions exist on the title of the intangible assets and no items pledged as securities for liabilities.

17.3 No Acquisition of intangible assets during the year 2020 (2019 – 6,433,851).

17.4 Assessment of impairment of intangible assets The Board of Directors has assessed the potential impairment indicators of intangible assets as at 31st December 2020. Based on the assessment, no impairment indicators were identified and therefore no impairment provision is required to be made in the financial statements as at the reporting date with respect of intangible assets.

18 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible items that are held for servicing or for administrative purposes and are expected to be used for more than one year. Property, plant and equipment includes office equipment, furniture and fittings, Miscellaneous assets and motor vehicles.

Basis of recognition Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to The Board and cost of the asset can be measured reliably.

Measurement an item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to or replace a part of it the cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring at the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of computer equipment.

The Board applies the cost model to plant and equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

Repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred. Cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to The Board and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

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Year ended 31st December 2020

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. Depreciation charge begins when an assets is available for use. The estimated useful lives are as follows;

Plant & Machinery Over	10 years
Furniture & Fitting Over	13.33 years
Office Equipments Over	13.33 Years
Motor Vehicles Over	10 years

Name Board Over the lease period of the building

De-recognition of property, plant and equipment

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

When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is de-recognised. At each such capitalisation, the remaining carrying amount of the previous cost of inspection is derecognised.

18.1 Fully depreciated property, plant and equipment in use Property, plant and equipment also includes fully depreciated assets which are in the use of normal business activities. Initial cost of fully depreciated property, plant and equipment which are still in use as at the reporting date, is as follows:

18.2 Title restriction on property, plant and equipment There are no restrictions that existed on the title of property, plant and equipment of the Board as at the reporting date.

18.3 Acquisition of property, plant and equipment during the year During the financial year, the Board acquired property, plant and equipment amounting to Rs. 12,433,322 (2019 - Rs. 27,468,606). were made during the year to purchase property plant and equipment.

18.4 Property, plant and equipment pledged as security for liabilities There were no items of property, plant and equipment pledged as securities for liabilities as at 31 st December 2020 (2019 - Nil).

18.5 Temporarily idle property, plant and equipment There were no temporarily idle property, plant and equipment as at 31st December 2020 (2019 - Nil).

18.6 Assessment of impairment of Property, plant and equipment The Board of Directors has assessed the potential impairment indicators of property, plant and equipment as at 31st December 2020. Based on the assessment, no impairment indicators were identified and therefore no impairment provision is required to be made in the financial statements as at the reporting date in respect of property plant and equipment.

18.7 Amount of contractual commitments for the acquisition of property, plant and equipment There are no contractual commitments for the acquisition of property, plant and equipment as at the reporting date

18.8 Subsequent Measurement of PPE

Revaluation is performed by professionally qualified valuers using the open market value. Assets are revalued periodically and revaluation have been done in 2018. Revaluations are performed once in every 05 years by internally appointed committee or external valuers where necessary. The revaluation surplus is recognized on the net carrying value of the asset and is transferred to a revaluation reserve after restating the asset at the revalued amount. The revaluation reserve is transferred to retained earnings at the point of derecognition.

19 FINANCIAL INVESTMENTS

Accounting policy - Classification of financial investments The Board initially recognises loans and receivables 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 Board 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.

Depending on the intention and ability to hold the invested assets, The Board classifies its non-derivative financial assets into following categories:

- Fair Value Through Profit or Loss (FVTPL); • Loans and receivables (L&R); • Available-For-Sale (AFS) financial assets; and • Held to Maturity (HTM), as appropriate

However, the Board did not have any investment classified as held to maturity investments and investment classified as Fair Value through Profit or Loss investments as at the reporting date (2019-Nil).

Accounting policy - De-recognition of financial investments The Board de-recognises financial assets when the contractual rights to the cash flows from the asset expire or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are

Notes to the Financial Statements (Contd...)

Year ended 31st December 2020

transferred. Any interest in a transferred financial asset that is created or retained by the Board is recognised as a separate asset or liability.

Accounting policy - Offsetting of financial instruments Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when and only when the Board has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Category	Financial Asset
Fair Value through Profit or Loss	None
Available for Sale	Treasury Bonds Treasury Bills
Loans and Receivables	REPO, Overnight REPO
Held to Maturity	Foreign Currency Development Bonds Treasury Bonds

The following table consists of the fair values of financial investments together with their carrying values.

Fair value through profit or loss investments and available-for-sale investments have been valued at fair value. Loans and receivable investments have been valued at amortised cost.

Analysis of financial investments based on characteristics Following notes provide disclosures of the financial investments based on characteristics of the each class of instrument.

19.1 Fair value through profit or loss Accounting policy - Recognition of fair value through profit or loss investments Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Investments typically bought with the intention to sell in the near future are classified as held for trading. Attributable transaction costs are recognised in the statement of profit or loss as incurred. These investments are initially recorded at fair value. Subsequent to initial recognition, they are remeasured at fair value.

Changes in fair value are recorded under 'Fair value gains and losses' in the statement of profit or loss. The Board evaluates its financial assets at fair value through profit or loss (held for trading) by considering whether the intent to sell them in the near term is still appropriate.

19.2 Loans and receivables Recognition of loans and receivables investments Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium if any, on acquisition and fee or costs that are an integral part of the EIR. EIR amortisation is included in the statement of profit or loss arising from impairment are recognised as an expense in the statement of profit or loss.

Gains and losses are recognised in the statement of profit or loss when the investments are de-recognised or impaired, as well as through the amortisation process. Loans and receivables comprise investments in repurchase agreements.

19.2.1 Repurchase agreements The Board has invested in reverse repurchase agreements (REPO) with People's Bank, Bank of Ceylon and NSB Fund Management (Pvt) Ltd which are fully secured against the assigned government securities with ISIN numbers. REPO rates for the outstanding balances were in the range of 5.3% - 8.45%, depending on different maturities.

19.3 Available-for-sale

Accounting policy - Recognition of available-for-sale investments Available-for-sale financial investments may include Treasury Bills and Bonds.

After the initial measurement, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised in other comprehensive under available-for-sale reserve. Interest earned whilst holding available-for sale investments is reported as 'Interest income' using the EIR. When the asset is de-recognised, cumulative gain or loss in the statement of profit or loss and other comprehensive income is transferred to the statement of profit or loss. If the asset is determined to be impaired, the cumulative loss is recognised in the statement of profit or loss and removed from the available-for-sale reserve.

The Board evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, The Board is unable to trade these financial assets due to inactive markets, The Board may elect to reclassify these financial assets, if management has the ability and intention to hold the assets for the foreseeable

Notes to the Financial Statements (Contd...)

Year ended 31st December 2020

future or until maturity. 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. The reclassification to held to maturity investments is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

For a financial asset reclassified out of the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to the statement of profit or loss over the remaining life of the investment using EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

19.3.1 Impairment of available-for-sale financial investments At the reporting date, there were no available-for-sale financial investments that were overdue and impaired.

20 REINSURANCE RECEIVABLES

Accounting policy - Reinsurance receivables The Board cedes insurance risk in the normal course of business for all of its businesses. Reinsurance receivables represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Ceded reinsurance arrangements do not relieve The Board from its obligations to policyholders.

Reinsurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable.

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

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 Board 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 Board will receive from the reinsurer. The impairment loss is recorded in the statement of profit or loss.

21 INSURANCE RECEIVABLES

Insurance receivables Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Subsequent to the initial recognition, insurance receivables are measured at amortised cost. 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 statement of profit or loss.

Insurance receivables are de-recognised, when the de-recognition criteria for financial assets have been met.

According to the Premium Payment warranty (PPW) directive issued by the Insurance Regulatory

Commission of Sri Lanka (IRCSL), all General Insurance policies are issued subject to PPW and cancellable upon the expiry of 60 days if not settled. However, premium receivables from the government institutions and for compulsory insurance schemes such as RI and SRCC will not be cancelled/provided after expiry of 60 days as the recovery is certain from these parties.

Since the Board has adopted PPW for other private parties other than the government institutions and for compulsory insurance schemes such as RI and SRCC, no long outstanding balances are left in premium receivable. Thus, there is no need for an additional impairment loss provision other than the amounts for General Insurance Motor and Non Motor Insurance as follows:

50% will be provided - > 60 Days < 90 Days

100% will be provided - > 90 Days

REINSURANCE

Age	2020	2019
Up to 30 days	41,598,382	72,195,682
31 to 60 days	19,169,527	172,692,828
61 to 365 days	755,909,721	409,991,631
Over 365 days	451,128,820	302,332,943
	1,267,806,450	957,213,084

Notes to the Financial Statements (Contd...)

Year ended 31st December 2020

MOTOR

Age	2020	2019
Up to 30 days	3,304,755	9,700,788
31 to 60 days	2,181,646	9,064,058
61 to 365 days	4,652,398	16,321,752
Over 365 days	467,366	1,121,030
	10,606,165	36,207,628

NON MOTOR

Age	2020	2019
Up to 30 days	45,532,523	49,136,967
31 to 60 days	535,425	2,227,274
61 to 365 days	11,830,708	7,278,411
Over 365 days	12,514,249	3,563,364
	70,412,904	62,206,015

22 DEFERRED EXPENSES

Acquisition expenses Costs of acquiring new businesses, including commission, underwriting, marketing and policy issuance expenses, which vary with and directly related to production of new businesses are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred. Subsequent to initial recognition, Deferred Acquisition Costs (DAC) are amortized over the period on the basis unearned premium is amortized.

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 amortization period and are treated as a change in an accounting estimate.

DAC is de-recognized when the related contracts are either expired or cancelled.

An impairment review of DAC is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognized in the statement of profit or loss. DAC is also considered in the liability adequacy test for each reporting period.

Reinsurance commissions Commissions receivable on outwards reinsurance contracts are deferred and amortised on a straight-line basis over the term of the expected premiums payable.

23 OTHER ASSETS

Recognition of other assets Other assets which consist of non-financial assets are recognised at cost less any impairment losses.

Staff loans

This contains distress loans loans and festival advances given to the staff members of the board. There is no any loans or advances given to the directors of the board.

Soft loans

These loans were granted to the institutes/hotels affected by terrorist attacks by Bank of Ceylon for which funds given from SRCC & T fund.

Tax recoverables Tax recoverables of The Board consist of With Holding Tax (WHT) receivable and Economic Service Charge (ESC) receivables.

ESC receivables As per the provisions of the Economic Service Charge Act No. 13 of 2006, ESC is payable on the liable turnover at specified rates. ESC is deductible from the income tax liability. Any unclaimed receivable ESC amount can be carried forward and set-off against the income tax payable as per the relevant provisions in the Act.

Recognition of inventories Inventories include all consumable items which are stated at lower of cost and net realizable value.

24 CASH AND BANK BALANCES

Cash and bank balances Cash and bank balances in the statement of financial position comprise cash at bank and cash in hand which are subject to an insignificant risk of changes in value.

Cash and Cash equivalents

Bank overdrafts, which form an integral part of cash management and savings accounts are included as a component of cash and cash equivalents for the purposes of the statement of cash flows. In the statement of financial position, bank overdrafts are included under liabilities. The board has no any bank overdraft facilities obtained from the banks. However, a book overdraft balance is shown in balance sheet.

Notes to the Financial Statements (Contd...)

Year ended 31st December 2020

25 RETAINED EARNINGS

26 AVAILABLE-FOR-SALE RESERVES

Available-for-sale Available for-sale-reserves comprise the cumulative net change in the fair value of available-for-sale financial assets and is carried forward until the respective assets are de-recognised or impaired.

27 Revalution reserves

Other reserves comprise of the actuarial gains/(losses) arising from valuation of gratuity liability as required by LKAS 19 - Employee Benefits.

28 INSURANCE CONTRACT LIABILITIES

Accounting policy - Provision for net unearned premium Provision for unearned premiums represent premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income. At each reporting date, The Board reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised in the statement of profit or loss by setting up a provision for liability adequacy.

As required by SLFRS 4 - Insurance Contracts, The Board performs a Liability Adequacy Test (LAT) in respect of non-life contract liabilities with the assistance of an external actuary.

Accounting policy - Provision for gross outstanding claims Non-life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries.

The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are de-recognised when the contract expires, is discharged or is cancelled.

Accounting policy - Provision for gross incurred but not reported claims Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation.

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of Claims Incurred But not Reported (IBNR) at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder method, Bornheutter-Ferguson method and Frequency/Severity method.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgments, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium.

Claims development tables and sensitivity analysis relating to the insurance contract liabilities are included in the risk management note.

Notes to the Financial Statements (Contd...)

Year ended 31st December 2020

28.1 Insurance contract liabilities

28.2 Provision for net unearned premium

28.3 Provision for gross outstanding claims

28.4 Provision for gross IBNR claims

28.5 Reconciliation between insurance provision and technical reserves

28.6 Liability adequacy test A Liability Adequacy Test (LAT) was performed by NMG Financial Services Consulting Pte Limited, a firm of professional actuaries as at 31st December 2019 as required by SLFRS 4 - Insurance Contracts in order to assess the adequacy of the carrying amount of the provision for unearned premiums. The valuation is based on internationally accepted actuarial methods and is performed on a quarterly basis. According to the report issued by NMG Financial Services Consulting Pte Limited, the liability carried forward by the Board was adequate. Hence, no provision was made for premium deficiency for the year ended 31st December 2020 (2019 - Nil).

28.7 Valuation of IBNR and IBNER The incurred but not reported claims reserve has been actuarially computed by NMG Financial Services Consulting Pte Limited as at 31st December 2019.

28.8 Changes in assumptions There were no material estimation changes from the previous valuation done for the balance as at 31st December 2020.

29 EMPLOYEE DEFINED BENEFIT OBLIGATIONS

A defined benefit plan is a post - employment benefit other than a defined contribution plan. The liability recognized in the financial statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date. The value of defined benefit obligation is calculated by a qualified actuary as at the reporting date, using the projected Unit Credit (PUC) method as recommended by LKAS -19, Employee benefits. The actuarial valuation involves making assumptions about the discount rate, salary increment rate and balance service period of employees. Due to the long term nature of the plans, such estimates are subject to significant uncertainty.

The re- measurement of the net defined benefit liability which comprises actuarial gains and losses are charged or credited to the statement of comprehensive income in the period in which they arise.

However, according to the payment of Gratuity Act No.12 of 1983, the liability for the gratuity payment to an employee arises only on the completion of 5 years of continued service with the Fund.

Actuarial information	**2020**	**2019**
a) Discount Rate	9.09%	10.77%
b) Salary increase	9.00%	9.80%
d) Mortality rates	Permanent Assurances, males, combined - A1967-70	
e) Disability rates	No disability rates we assumed	
c) Withdrawal rate		
Age band		
0 – 20	0.0%	0.0%
20 – 25	0.0%	0.0%
25 – 30	2.9%	1.6%
30 – 35	1.8%	1.8%
35 – 40	1.9%	1.4%
40 – 45	0.0%	0.0%
Actuarial information	**2020**	**2019**
45 – 50	0.0%	0.0%
50 – 55	0.0%	0.0%
55 – 100	0.0%	0.0%

Employee Information		
a) Average age	35.3	34.3
b) Average service period(years)	7.6	6.5
c) Expected future lifetime (years)	15.58	15.99
d) Number of Employees	234	239

Notes to the Financial Statements (Contd...)

Year ended 31st December 2020

Under the revised LKAS 19 framework, Sensitivity Analysis for each significant actuarial assumption as at the end of the reporting period is disclosed in order to show the impact of changes in the relevant assumptions on the defined benefit obligation.

Sensitivity Analysis has been performed on the following factors:

1. Salary Inflation: The salary inflation assumption is stressed by +/- 100 basis points.
2. Discount Rate: The discount rate assumption is stressed by +/- 100 basis points.
3. Withdrawal Rate: The withdrawal assumptions have been stressed by increasing the base withdrawal rate assumptions by 100% (doubling) at all ages and decreasing the base withdrawal rate assumptions by 50% (halving) at all ages.
4. Mortality: The mortality assumptions have been stressed by increasing and decreasing the base mortality assumptions by 10% at all ages.

The analysis has been prepared by changing one target assumption while holding all other assumptions constant. We note the limitation of this method where there may be some assumptions which are interdependent but it will be difficult to analyse and interpret such interdependencies on a consistent basis.

The methods and assumptions used in preparing the Sensitivity Analysis did not change as compared to the valuation.

The impact on the defined benefit obligation as at 31 December 2020 are presented below for the respective companies in the Investment sector.

Table 6-1 : Sensitivity Analysis on Salary Inflation

Scenario	Assumption	DBO as at 31-Dec-20 (LKR)	Difference %
Base Scenario	9.00%	50,120,616	
Increase 100 b.p.	10.00%	57,575,287	14.87%
Decrease 100 b.p.	8.00%	43,748,522	-12.71%

Table 6-2 : Sensitivity Analysis on Discount Rate

Scenario	Assumption	DBO as at 31-Dec-20 (LKR)	Difference %
Base Scenario	9.00%	50,120,616	
Increase 100 b.p.	10.09%	43,636,667	-12.94%
Decrease 100 b.p.	8.09%	57,872,011	15.4%

Table 6-3 : Sensitivity Analysis on Withdrawal Rate

Scenario	DBO as at 31-Dec-20 (LKR)	Difference %
Base Scenario	50,120,616	
100% Increase in all ages	49,578,521	-1.08%
50% decrease in all ages	50,429,425	0.62%

Table 6-4 : Sensitivity Analysis on Mortality Rate

Scenario	DBO as at 31-Dec-20 (LKR)	Difference %
Base Scenario	50,120,616	
10% Increase in all ages	50,142,483	0.04%
10% decrease in all ages	50,098,570	-0.04%

30 OTHER FINANCIAL LIABILITIES

Recognition of financial liabilities The Board initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument. Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities consist of amount due to related parties, other creditors including accruals and outstanding commission payable.

Derecogntion of other financial liabilities A financial liability is de-recognised 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 a de-recognition of the original liability and the recognition of a new liability, and the difference in

Notes to the Financial Statements (Contd...)

Year ended 31st December 2020

the respective carrying amounts is recognised in the statement of profit or loss.

31 OTHER LIABILITIES

Accounting policy - Other liabilities Other liabilities include government levies payable other than income tax payable and these liabilities are not financial liabilities as per LKAS 39 - Financial Instruments: Recognition and Measurement. These liabilities are recorded at amounts expected to be payable as at the reporting date.

32 REINSURANCE PAYABLES

Accounting policy - Recognition and measurement of reinsurance payables Reinsurance liabilities represent balances due to insurance companies. Reinsurance assets or liabilities are de-recognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

33 INCOME TAX PAYABLE

Accounting policy - Income tax payable Current income tax liabilities for the current period are measured at the amount expected to be paid to the taxation authorities. Tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Board operates and generates taxable income.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in the statement of profit or loss. The management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

34 BANK OVERDRAFTS

Bank overdrafts, which form an integral part of cash management and savings accounts are included as a component of cash and cash equivalents for the purposes of the statement of cash flows. In the statement of financial position, bank overdrafts are included under liabilities. The board has no any bank overdraft facilities obtained from the banks. However, a book overdraft balance is shown in balance sheet.

35 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Accounting policy - Events occurring after the reporting period Events occurring 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.

All pending litigation for claims has been evaluated and adequate provisions have been made in the financial statements where necessary.

36 LEASES – SLFRS 16

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. The right of use the 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 lease liability is initially measured at the present value of the lease payments that are not paid at the commencement of date, discounted using the interest rate implicit of the lease or, if that rate cannot be readily determined, the incremental borrowing rate.

The Fund as Lessee has applied SLFRS 16 -Leases with effect from 01st January 2019 using modified retrospective approach and therefore, comparative information has not been restated.

37. CONTINGENT LIABILITIES

A contingent liability is,

a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the entity; or

b) Present obligation that arises from past events but is not recognized because:

   i) It is not probable that an out flow of resources embodying economic benefits will be required to settle the obligation or

   ii) The amount of the obligation cannot be measured with sufficient reliability.

The contingent liabilities of the board as at 31st December 2020, relates to the following;

A provision for outward reinsurance payment from the reinsurance agreements resulted due to adjusted premium of National Natural Disaster Insurance scheme (NNDIS) for the years 2017/2018 amounting to Rs. 123,387,679/-, adjusted premium of retrocession reinsurance for the year 2018/2019 amounting to Rs. 466,292,684/- and balance reinstatement premium payable of Rs. 142,816,645 had not been recognized in the financial statement due to its uncertainty involving in its authorization and procedural difficulties in terms of the timing and exact value in the settlement of the said balances

Notes to the Financial Statements (Contd...)

Year ended 31st December 2020

1 Gross Written Premium

1.1 The premium income for the year by major classes of business is as follows.

	2020 Rs.	2019 Rs.
Inward Reinsurance	**3,235,474,242**	4,173,714,909
SRCC & Tr Premium	**6,088,496,099**	6,307,350,365
General Insurance - Motor	**260,600,235**	390,150,125
General Insurance - Non Motor	**213,469,435**	301,979,246
National Natural Disaster Scheme (NNDIS)	**-**	1,500,000,000
Medical scheme for Parliamentory members	**20,000,000**	20,000,000
	9,818,040,011	12,693,194,645

1.2 Contribution collected for Agrahara medical Insurance Scheme

	2020 Rs.	2019 Rs.
Contribution from Members	**4,090,359,038**	3,617,114,527
Contribution from the Treasury	**782,000,000**	767,970,000
Pensioners Insurance Scheme	**166,837,400**	142,321,400
Semi Government Scheme	**430,102,300**	311,317,625
	5,469,298,738	4,838,723,551

	2020 Rs.	2019 Rs.
2. FEES AND COMMISSION INCOME		
Policyholder administration fees	**1,935,395**	4,438,361
Total fees and commission income	**1,935,395**	4,438,361

	2020 Rs.	2019 Rs.
3. INVESTMENT & OTHER INCOME		
3.1 Loans and receivables interest income		
Interest income from Repurchase Agreements	**389,025,674**	368,704,680
Interest income from Debentures		
	389,025,674	368,704,680
3.2 Available for sales interest income		
Interest income from Treasury Bills	**308,025,889**	224,718,954
Interest income from Treasury Bonds	**604,225,897**	585,152,006
	912,251,786	809,870,961

Notes to the Financial Statements (Contd...)

Year ended 31st December 2020

		2020 Rs.	2019 Rs.
3.	**INVESTMENT & OTHER INCOME (Contd..)**		
3.3	**Held to maturity interest income**		
	Interest income from SLBD	**33,287,993**	36,969,356
		33,287,993	36,969,356
	Total Investment Income	**1,334,565,453**	1,215,544,996
3.4	**Other Income**		
	Interest on Savings Account	**8,882,278**	7,826,740
	Interest on Soft Loans	**20,576**	49,172
	Interest on Staff Distress Loans	**1,785,186**	1,690,019
	Disposal of Fixed Assets	**-**	(756,279)
	Exchange Gain / loss	**33,162,446**	17,057,402
	Other	**6,671,775**	23,366,275
	Total Other Income	**50,522,262**	49,233,328
	Total Income	**1,385,087,715**	1,264,778,325

		2020 Rs.	2019 Rs.
4	**NET BENEFITS AND CLAIMS**		
(a)	**Gross benefits and claims paid**		
	Reinsurance	**(1,690,493,892)**	(2,476,072,216)
	SRCC & Tr	**(2,036,000)**	(417,783,502)
	General Insurance - Motor	**(169,250,954)**	(257,432,249)
	General Insurance - Medical & Other	**(156,059,649)**	(307,223,184)
	Crop Insurance	**(1,692,380,813)**	(608,307,885)
	National Natural Disaster Scheme (NNDIS)	**(94,403,615)**	(610,466,501)
	Agrahara medical Insurance Scheme	**(4,173,410,985)**	(5,257,023,909)
		(7,978,035,907)	(9,934,309,446)
(a.1)	**Agrahara medical Insurance Scheme**		
	Paid Claims		
	Pension	**(159,173,816)**	(144,451,177)
	Semi Government	**(319,522,769)**	(393,835,342)
	Agrahara Parliament	**(8,948,637)**	(17,183,409)
	Agrahara Normal	**(800,856,874)**	(1,421,747,649)
	Agrahara Silver	**(143,045,092)**	(241,547,334)
	Agrahara Gold	**(2,741,863,797)**	(3,038,258,998)
		(4,173,410,985)	(5,257,023,909)

Notes to the Financial Statements (Contd...)

Year ended 31st December 2020

		2020 Rs.	2019 Rs
4	**NET BENEFITS AND CLAIMS (Contd..)**		
(b)	**Claims ceded to reinsurers**		
	Reinsurance Retro	-	498,500,000
	National Natural Disaster Scheme (NNDIS)		
		-	498,500,000
(c)	**Gross change in contract liabilities**		
	Reinsurance	**86,200,706**	(1,445,435,956)
	SRCC & Tr	-	(289,929,932)
	General Insurance - Motor	**(57,648,910)**	(37,710,610)
	General Insurance - Medical & Other	**(50,886,987)**	28,513,890
	Crop Insurance	**293,940,911**	(376,550,113)
	National Natural Disaster Scheme (NNDIS)	**642,444,580**	(307,102,476)
	Agrahara medical Insurance Scheme	**(816,527,912)**	(94,327,805)
		97,522,388	2,522,543,002
(d)	**Change in contract liabilities ceded to reinsurers**		
	Reinsurance	-	(43,234,155)
	National Natural Disaster Scheme (NNDIS)	-	
		-	(43,234,155)
(e)	**Gross change in IBNR**		
	Reinsurance	**98,821,419**	(93,472,428)
	SRCC & Tr	**16,417,739**	14,787,908
	General Insurance - Motor	**(8,618,552)**	(15,537,220)
	General Insurance - Medical & Other	**12,034,400**	36,466,717
	Crop Insurance	**(336,313,348)**	3,138,094
	National Natural Disaster Scheme (NNDIS)	**121,880,420**	25,018,135
	Agrahara medical Insurance Scheme	**21,775,178**	(48,132,416)
		(74,002,744)	(77,731,211)
	Net benefits and claims	**(7,954,516,263)**	(12,079,317,814)

Notes to the Financial Statements (Contd...)

Year ended 31st December 2020

	2020 Rs.	2019 Rs
5 UNDERWRITING AND ACQUISITION COST		
Acquisition Cost - Insurance Companies	**(1,685,763,896)**	(1,805,395,884)
Profit Commission Expenses	**118,308,118**	(381,209,260)
Broker Commission Fee	**(2,121,003)**	(7,166,319)
Change unearned commission reserve - SRCC	**(14,253,601)**	141,100,251
Change unearned commission reserve - General	**(1,508,879)**	1,452,674
Change unearned commission reserve - Reinsurance	**(29,521,684)**	(4,473,312)
	(1,614,860,946)	(2,055,691,850)

	2020 Rs.	2019 Rs
6.1 OTHER OPERATING AND ADMINISTRATIVE EXPENSES		
Auditors Remuneration	**686,800**	4,518,478
Employee Benefit Expenses	**225,797,476**	240,189,765
Administration and establishment Expenses	**132,492,191**	240,220,820
Advertisement & Promotion Expenses	**786,124**	11,003,377
Depreciation of Property Plant and Equipment	**10,704,723**	14,354,664
Depreciation of Right of Use Assets	**36,139,441**	35459981.24
Amortisation of Intangible Assets	**2,149,221**	1,092,955
Legal Fees	**419,600**	3,977,897
Sponsership	**-**	1,867,180
Total other operating and administrative expenses	**409,175,576**	552,685,117
6.1.1 Employee Benefit Expenses		
Wages and salaries including bonus & incentives	**160,092,813**	165,633,480
Contributions to defined contributions plans	**-**	-
Employees' Provident Fund	**18,412,121**	19,788,894
Employees' Trust Fund	**4,580,361**	4,702,648
Other personal cost	**34,497,637**	44,734,198
Retirement benefit cost	**8,214,544**	5,330,544
Total employee benefits expense	**225,797,476.22**	240,189,764.50

Notes to the Financial Statements (Contd...)

Year ended 31st December 2020

	2020 Rs.	2019 Rs
6.1 OTHER OPERATING AND ADMINISTRATIVE EXPENSES (Contd..)		
6.1.2 Administration and establishment Expenses		
Professional fees	**2,619,072**	11,464,284
Electricity	**4,679,008**	6,583,288
Telephone	**3,431,633**	4,965,417
Printing & Stationary	**6,444,326**	18,101,085
Postage	**1,691,532**	4,673,732
Office Rent	**2,737,262**	17,805,229
Nation building tax expense	**35,967,319**	60,344,055
Inspection & Assessing	**8,100,593**	12,275,156
Annual Fee & Cess To IBSL	**19,552,385**	29,078,335
Travelling	**1,939,434**	10,799,263
Soft ware Maintenance	**1,586,722**	2,672,316
Internet & E -Mail Chargers	**5,829,552**	3,764,717
Fuel	**1,743,370**	1,696,873
Office Repaires and Maintenance	**21,017,837**	19,541,168
Other administration & establishment expenses	**15,152,146**	36,560,953
	-	-
Total administration and establishment expenses	**132,492,191**	240,325,870

	2020 Rs.	2019 Rs
6.2 FINANCE COST & OTHER RELATED COST		
Lease Expenses	**17,571,769**	21,062,606
Total Finance Cost & Other Related Cost	**17,571,769**	21,062,606

Notes to the Financial Statements (Contd...)

Year ended 31st December 2020

		2020 Rs.	2019 Rs
7	**INTANGIBLE ASSETS**		
	Cost		
	As at 1st January 2020	**16,168,125**	9,734,274
	Additions	**-**	6,433,851
	As at 31st December 2020	**16,168,125**	16,168,125
	Accumulated amortisation and impairment		
	As at 1st January 2020	**8,020,420**	6,927,465
	Amortisation	**2,149,221**	1,092,955
	As at 31st December 2020	**10,169,641**	8,020,420
	Carrying amount		
	As at 31st December 2020	**5,998,484**	8,147,706

The initial cost of fully ammortized Intangible Assets which are still in use as at reporting date, is as follows

	2020 Rs.	2019 Rs
Software	**7,067,073**	6,542,073

Notes to the Financial Statements (Contd...)

Year ended 31st December 2020

8. PROPERTY, PLANT & EQUIPMENT

Company	Motor Vehicles Rs.	Office Equipment Rs.	Furniture & Fittings Rs.	Name Board Rs.	Machinery	Total
Cost/Valuation						
As at 1st January 2020	11,725,000	21,873,559	22,408,097	965,940	7,370,373	64,342,969
Additions		11,741,133	371,738		320,451	12,433,322
Revalued Cost						-
Disposals						-
Revaluation Acc- Cost						-
Disposals						-
As at 31th December 2020	11,725,000	33,614,692	22,779,835	965,940	7,690,824	76,776,291
Accumulated Depreciation						
As at 1st January 2020	6,156,253	12,503,217	4,644,805	111,455	429,938	23,845,668
Depreciation	2,150,000	2,896,005	4,669,396	222,909	766,412	10,704,722
Disposals						-
Revaluation Acc. Depreciation						-
Previous Month adjustment						-
As at 31th December 2020	8,306,253	15,399,221	9,314,202	334,364	1,196,350	34,550,390
Carrying amount						
At 31 December 2019	5,568,747	9,370,342	17,763,292	854,485	6,940,435	40,497,302
As at 31th December 2020	3,418,747	18,215,471	13,465,633	631,576	6,494,474	42,225,902

Fully depreciated Property, Plant & Equipments in Use

The initial cost of fully depreciated PPE which are still in use as at reporting date, is as follows

	2020 Rs.	2019 Rs.
Motor Vehicles	**425,000**	425,000
Office Equipment	**11,985,500**	776,900
Furniture & Fittings	**776,900**	-
	13,187,400	1,201,900

The carrying amount of the freehold properties, if they were carried at cost less accumulated depreciation would have been as follows:

Cost and accumulated depreciation of the revalued assets

Notes to the Financial Statements (Contd...)

Year ended 31st December 2020

8. PROPERTY, PLANT & EQUIPMENT (Contd..)

	2020			2019		
Item	Cost	Accumulated Depreciation	Carrying Amount	Cost	Accumulated Depreciation	Carrying Amount
Motor Vehicle	30,008,003	29,857,570	150,432	30,008,003	29,837,287	170,715
Office Equipment	67,358,898	31,052,151	36,306,747	55,617,765	28,138,751	27,479,015
Furniture & Fittings	27,128,485	4,893,978	22,234,506	26,756,747	7,507,175	19,249,572
Name Board	965,940	334,364	631,576	965,940	111,455	854,485
Machinery	7,370,373	1,196,350	6,174,023	7,370,373	429,938	6,940,435
Total	132,831,699	67,334,415	65,497,284	1 20,718,828	66,024,607	54,694,222

	Motor Vehicles Rs.	Lease Hold Asset Building SRCC	NITF Rs.	Total Rs.
9 RIGHT OF USE LEASE ASSETS				
Cost/Valuation Motor Vehicles	13,798,021	151,237,301	1,358,917	166,394,239
As at 1st January 2020				
Additions				
As at 31st December 2020	13,798,021	151,237,301	1,358,917	166,394,239
Accumulated Depreciation Motor Vehicles				
As at 1st January 2020	4,699,852	30,760,129	283,108	35,743,089
Depreciation on Lease Vehicle	4,699,848	30,760,129	679,464	36,139,441
As at 31st December 2020	9,399,700	61,520,258	962,572	71,882,530
Carrying amount	4,398,321	89,717,043	396,345	94,511,709

		Notes	2020 Rs.	2019 Rs
10	**FINANCIAL ASSETS**			
	Loans And Receivables	10.1	**5,646,778,131**	5,290,443,608
	Available For Sale Financial Assets	10.2	**15,244,888,356**	9,482,235,142
	Held to Maturity Financial Assets	10.3	**774,406,024**	671,988,513
	Total financial instruments		**21,666,072,511**	15,444,667,263
10.1	**Loans And Receivables**			
	Government Securities - Repo Investment		**5,646,778,131**	5,290,443,608
	Debentures - Unquoted		-	-
	Debentures - Unquoted		-	-
	Refundable Deposits		-	-
	Promissory notes		-	-
	Total loans and receivables at amortised cost		**5,646,778,131**	5,290,443,608
10.2	**Available For Sale Financial Assets**			
	Government Securities - Treasury Bonds		**5,681,721,630**	6,120,032,797
	Government Securities - Treasury Bills		**9,563,166,725**	3,362,202,345
			15,244,888,356	9,482,235,142
10.3	**Held to Maturity Financial Assets**			
	Sri Lanka Development Bonds		**774,406,024**	671,988,513
			774,406,024	671,988,513

Notes to the Financial Statements (Contd...)

Year ended 31st December 2020

		Notes	2020 Rs.	2019 Rs
11	**REINSURANCE RECEIVABLES**			
11.1	**Reinsurance Receivable**			
	Reinsurance Receivable Retro		1,082,148,701	1,579,626,969
	Reinsurance Receivable NNIDS		19,993,473	19,993,473
			1,102,142,174	1,599,620,442
12	**PREMIUM RECEIVABLES**			
12.1	**Premium Receivable from :**			
	Parliamentary Members insurance		15,000,000	15,000,000
	National Natural Disaster Scheme (NNDIS)		-	-
	Pension Agrahara		19,111,800	807,000
	Semi Agrahara		24,620,800	
	Primary Insurance SRCC		1,469,955,271	957,146,064
	Inward Reinsurance		1,267,806,451	957,213,084
	General Insurance Motor	12.1.1	6,541,063	20,776,977
	General Insurance Non motor	12.1.1	46,446,787	59,872,355
			2,849,482,173	2,010,815,480
12.1.1	**Premium Receivable Impairment**			
	General Insurance Motor		10,606,165	36,207,628
	Impairment Provision - Motor		(4,065,102)	(15,430,651)
			6,541,063	20,776,977
	General Insurance Non motor		70,468,558	71,484,166
	Impairment Provision - Non Motor		(24,021,771)	(11,611,812)
			46,446,787	59,872,355
			52,987,850	80,649,332
13	**SOFT LOANS**		2,726,557	3,754,982
14	**OTHER NON-FINANCIAL ASSETS**			
	Advances & Prepayments		3,161,603	2,341,900
	Refundable Deposits		44,137,724	44,352,724
	Staff Distress Loans		54,274,121	44,033,410
	other receivable		6,462,631	1,115,142
	Economic Service Charge		-	9,555,528
	Cheque Return Receivable		594,229	4,994,799
	General Insurance Motor		973,009	973,009
	Agrahara Department - NITF		2,489,102	2,489,102
	Receivable from Treasury		-	
			112,092,419	109,855,613

Notes to the Financial Statements (Contd...)

Year ended 31st December 2020

		2020 Rs.	2019 Rs
15	**DEFERRED COMMISSION**		
	As at 1st January 2020	**758,831,301**	620,751,687
	Provision made /(released) during the year	**(45,284,164)**	138,079,613
	As at 31st December 2020	**713,547,137**	758,831,301
16	**CASH AND CASH EQUIVALENTS**		
	Petty Cash	**329,532**	329,532
	Cash at bank	**769,185,402**	599,777,207
	Cash in hand and at bank	**769,514,934**	600,106,740
	Bank overdraft	**-**	-
	Total cash and cash equivalents	**769,514,934**	600,106,740
17	**OTHER LIABILITIES**		
	Other financial liabilities	**1,986,839,830**	1,634,321,341
	Other non financial liabilities	**1,319,954,993**	(99,093,794)
		3,306,794,823	1,535,227,547
17.1	**Other financial liabilities**		
	Claim cheques/SLIPS returned payable	**13,015,761**	8,919,593
	Unprescnted Cheque Payable	**68,214,058**	56,571,281
	Motor premium Collected	**0**	530,070
	Commission payable - Reinsurance	**42,434,299**	42,434,299
	Reinsurance Premium payable	**1,658,509,743**	1,041,475,746
	Annual fee and Cess payable	**2,249,574**	2,243,592
	Refund Payable	**5,376,420**	6,766,420
	Accrued expenses	**14,910,084**	20,122,442
	Profit Commission Payable	**142,787,719**	438,298,892
	Other payables	**39,342,172**	16,959,007
		1,986,839,830	1,634,321,341
17.2	**Other non financial liabilities**		
	Government Levies	**99,512,241**	6,506,867
	Income Tax Payable	**1,220,442,752**	(105,600,661)
		1,319,954,993	(99,093,794)

Notes to the Financial Statements (Contd...)

Year ended 31st December 2020

18 SEGMENT INFORMATION

Gross Written Premium to Underwriting results of the above categories of product are given bellow.

	2020							
	Motor	Non Motor	NNDIS	Reinsurance	SRCC	Health Agrahara /Mp	Crop Insurance Scheme	Total
	Rs	Rs	Rs	Rs	Rs			Rs
PREMIUMS								
Gross written premiums	260,600,235	213,469,435	-	3,235,474,242	6,088,496,099	20,000,000		9,818,040,011
Contribution Received for Agrahara						5,469,298,738		5,469,298,738
Crop Insurance Levy Collected							1,626,851,259	1,626,851,259
Reinsurance Premiums ceded				(985,500,000)	(116,390,156)			(1,101,890,156)
Ceded to SRCC & Tr Fund	(6,683,271)	(9,585,888)			16,269,158			-
Net written premiums	253,916,964	203,883,547	-	2,249,974,242	5,988,375,101	5,489,298,738	1,626,851,259	15,812,299,851
Gross change in UPR	62,708,125	19,407,473	369,863,014	328,384,234	87,405,906	-		867,768,751
Reinsurers share of change in UPR				710,852,459	84,106,755			794,959,214
Net change in Reserve for unearned Premium	62,708,125	19,407,473	369,863,014	1,039,236,693	171,512,661	-	-	1,662,727,965
NET PREMIUMS EARNED (A)	316,625,089	223,291,020	369,863,014	3,289,210,934	6,159,887,762	5,489,298,738	1,626,851,259	17,475,027,816
Fee income (B)	1,669,869	265,526						1,935,395
TOTAL UNDERWRITING INCOME (A + B)	318,294,958	223,556,546	369,863,014	3,289,210,934	6,159,887,762	5,489,298,738	1,626,851,259	17,476,963,211
Acquisition costs	(114,503)	(2,006,500)		(703,022,439)	(982,741,457)			(1,687,884,899)
Profit Commission Expenses					118,308,118			118,308,118
Change in deferred acquisition costs		(1,508,879)		(29,521,684)	(14,253,601)			(45,284,164)
Net acquisition costs (C)	(114,503)	(3,515,380)	-	(732,544,123)	(878,686,940)	-	-	(1,614,860,946)
Gross claims Incurred	(226,899,864)	(206,946,636)	548,040,965	(1,604,293,185)	(2,036,000)	(4,989,938,897)	(1,398,439,902)	(7,880,513,519)
Reinsurance recoveries	-							
Changing of IBNR	(8,618,552)	12,034,400	121,880,420	98,821,419	16,417,739	21,775,178	(336,313,348)	(74,002,744)
Net claims paid	(235,518,416)	(194,912,236)	669,921,385	(1,505,471,766)	14,381,739	(4,968,163,719)	(1,734,753,250)	(7,954,516,263)
Reinsurers share of change in outstanding claims	-	-						
NET CLAIMS INCURRED (D)	(235,518,416)	(194,912,236)	669,921,385	(1,505,471,766)	14,381,739	(4,968,163,719)	(1,734,753,250)	(7,954,516,263)
UNDERWRITING RESULT(A+B+C+D)	82,662,038	25,128,930	1,039,784,399	1,051,195,045	5,295,582,561	521,135,020	(107,901,991)	7,907,586,001
Administrative expenses (E)	(57,835,269)	(16,065,353)	(32,130,705)	(32,130,705)	(105,440,294)	(176,718,878)	(6,426,141)	(426,747,346)
TOTAL EXPENSES (C+D+E)	(293,468,189)	(214,492,969)	637,790,680	(2,270,146,595)	(969,745,496)	(5,144,882,597)	(1,741,179,391)	(9,996,124,555)
	24,826,769	9,063,577	1,007,653,694	1,019,064,340	5,190,142,267	344,416,141	(114,328,133)	7,480,838,656
Investment & Other Income for the year	3,609,098	328,160	10,233	211,344,417	1,125,424,167	15,796,882	28,574,758	1,385,087,715
Profit before tax	28,435,867	9,391,738	1,007,663,927	1,230,408,756	6,315,566,434	360,213,024	(85,753,375)	8,865,926,371
Income tax expense					(1,339,826,929)			(1,339,826,929)
Profit after tax	28,435,867	9,391,738	1,007,663,927	1,230,408,756	4,975,739,505	360,213,024	(85,753,375)	7,526,099,442

Notes to the Financial Statements (Contd...)

Year ended 31st December 2020

19 INSURANCE CONTRACT LIABILITIES

		As at 31st December 2020							
	Notes	Motor Rs	Non Motor Rs	NNDIS Rs	Reinsurance Rs	SRCC Rs	Health Agrahara /Mp Rs.	Crop Insurance Rs.	Total Rs
(a) Insurance contract liabilities									
Outstanding claims provision	19.1	273,687,232	79,885,308	560,000	3,429,901,272	30,522,784	1,200,000,000	145,371,060	5,159,927,656
Provision for unearned premiums	19.2	102,148,118	58,857,395	-	421,563,526	2,874,874,688	13,315,068	-	3,470,758,796
Provision for claims IBNR	19.3	111,207,837	20,277,128	15,634,949	254,088,083	1,996,589	455,386,617	336,313,348	1,194,904,550
Total Insurance contract liabilities		487,043,187	159,019,831	16,194,949	4,105,552,881	2,907,394,062	1,668,701,685	481,684,407	9,825,591,002
19.1 Outstanding claims provision									
As at 1st January 2020		216,038,321	28,998,321	643,004,580	3,516,101,979	322,563,781	383,472,088	439,311,970	5,549,491,041
Increase / Decrease in Provision		57,648,910	50,886,987	(642,444,580)	(86,200,706)	(292,040,997)	816,527,912	(293,940,911)	(389,563,385)
As at 31st December 2020		273,687,232	79,885,308	560,000	3,429,901,272	30,522,784	1,200,000,000	145,371,060	5,159,927,656
19.2 Provision for unearned premiums									
As at 1st January 2020		164,856,243	78,264,868	369,863,014	1,460,800,218	3,046,387,349	13,315,068		5,133,486,760
Increase / Decrease in Provision		(62,708,125)	(19,407,473)	(369,863,014)	(328,384,234)	(87,405,906)	0	-	(867,768,751)
As at 31st December 2020		102,148,118	58,857,395	-	1,132,415,985	2,958,981,443	13,315,068	4,265,718,010	
Reinsurance UPR									
As at 1st January 2020									-
Increase / Decrease in Provision		-			710,852,459	84,106,755			794,959,214
As at 31st December 2020		-	-		710,852,459	84,106,755	-	-	794,959,214
Provision for Unearned Changes		102,148,118	58,857,395	-	421,563,526	2,874,874,688	13,315,068	-	3,470,758,796
19.3 Provision for claims IBNR									
As at 1st January 2020		102,589,285	32,311,528	137,515,369	352,909,502	18,414,328	477,161,796	-	1,120,901,808
Increase / Decrease in Provision		8,618,552	(12,034,400)	(121,880,420)	(98,821,419)	(16,417,739)	(21,775,179)	336,313,348	74,002,743
As at 31st December 2020		111,207,837	20,277,128	15,634,949	254,088,083	1,996,589	455,386,617	336,313,348	1,194,904,550

Notes to the Financial Statements (Contd...)

Year ended 31st December 2020

20 RETIRING BENEFIT OBLIGATION

Movements in present value of the retirement benefit obligation are as follows

	Notes	2020 Rs.	2019 Rs.
As at 1st January 2020		**34,192,463**	28,510,041
Add: Retiring gratuity expenses		**16,157,709**	(222,156)
Less: Benefits paid during the year	20.1	**(229,555)**	5,904,578
		-	-
As at 31st December 2020		**50,120,617**	34,192,463

20.1 Retiring Gratuity Expense

	2020 Rs.	2019 Rs.
Current service cost	**4,545,517**	3,525,225
Past Services (Gains)/Cost	-	(1,702,930)
Interest cost	**3,669,027**	3,508,250
Acturial (gain)/loss	**7,943,165**	574,033
	16,157,709	5,904,578

21 LEASE CREDITOR

	Building NITF Rs.	Total Rs.
As at 1st January 2020	1,105,329	141,801,845
Interest Expense recognised in Income Statement	109,702	17,571,769
Settlement throught lease payment	(780,000)	(46,110,000)
As at 31st December 2020	435,031	113,263,614

Notes to the Financial Statements (Contd...)

Year ended 31st December 2020

22. RISK MANAGEMENT

Risk management demonstrate the initiatives that arc undertaken to reduce or mitigate the Board's exposure to losses. The Board is exposed to the following risks

Insurance Risk	Non-life Insurance and Inward Reinsurance Contracts Reinsurance
Financial Risk	Market Risk
	Liquidity Risk
	Credit Risk
	Operational Risk

INSURANCE AND FINANCIAL, RISK

(a) Insurance risk

The principal risk the Board faces under insurance contracts 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. Therefore, the objective of the Board is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines.

The Board principally issues the following types of general insurance contracts: Motor, Marine, Fire, Engineering, miscellaneous. Healthcare contracts provide medical expense coverage to policyholders. Risks under insurance policies usually cover twelve months duration.

For general insurance contracts including inward reinsurance, the most significant risks arise from climate changes, natural disasters and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk. For healthcare contracts, the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements.

These risks do not vary significantly in relation to the location of the risk insured by the Board, type of risk insured and by industry.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Board. The Board further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Board's risk appetite as decided by management.

Frequency and Severity of Claims

The frequency and severity of claims can be affected by several factors. The Board underwrites mainly property, engineering, motor, miscellaneous accident, marine, medical and personal accident classes. These classes of insurance are generally regarded as short-term insurance contracts where claims are normally intimated and settled within a short time span. This helps to mitigate insurance risk.

Property

For property insurance contracts, the main perils are fire damage and other allied perils and business interruption resulting therefrom.

These contracts are underwritten either on replacement value or indemnity basis with appropriate values for the interest insured. The cost of rebuilding or repairing the damaged properties, the time taken to reinstate the operations to its pre-loss position in the case of business interruption and the basis of insurance are the main factors that influence the level of claims.

Notes to the Financial Statements (Contd...)

Year ended 31st December 2020

Engineering

For engineering insurance contracts, the main elements of risks are loss or damage to insured project works and resultant third party liabilities, loss or damage to insured plant, machinery and equipment and resultant business interruption losses. The extent of the loss or damage is the main factor that influences the level of claims.

Motor

For motor insurance contracts, the main elements of risks are claims arising out of death and bodily injury and damage to third party properties as well as that of insured vehicles. The potential court awards for deaths and bodily injury and the extent of damage to properties are the key factors that influence the level of claims.

Miscellaneous Accident

For miscellaneous accident classes of insurance such as loss of money, infidelity of employees, personal accident, workmen's compensation, travel, general third party liability and professional indeminity are underwritten.

The extent of loss or damage and the potential court awards for liability classes are the main factors that influence the level of claims.

Marine

In marine insurance the main risk elements are loss or damage to insured cargo and hull due to various mishaps resulting in the total or partial loss claims. The extent of the loss or damage is the main factor that influences the level of claims.

Medical and Personal Accident

In medical insurance, the main risk elements are illness and accidents and related healthcare costs. For personal accident the main risks elements are claims arising from death and/or permanent or partial disability.

Geographical concentration of risks

The insurance risk arising from insurance contracts is primarily concentrated in Sri Lanka.

(b) Financial Risk

i. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by falling to discharge an obligation.

The following processes/activities reduces the credit risk of financial instruments.

- Credit risk policy is based on circulars and guidelines issued by the Ministry of Finance . The exposures is limited to Government Securities only.
- The management evaluates the exposure and the new investments in instruments in order to reduce the risks.
- The regular review by the Board also minimises the credit risks.

ii. Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting its financial liabilities that are settled by delivering cash or another financial assets and obligations associated with financial instruments.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

The following policies and procedures are in place to mitigate the company's exposure to liquidity risk:

* Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.
* Contingency fund plans are in place, to meet the emergency call of funds.

Notes to the Financial Statements (Contd...)

Year ended 31st December 2020

iii. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Board's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

a) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose to cash flow interest risk, whereas fixed interest rate instruments expose to fair value interest risk. Board have invested in Government securities with fixed interest rates. Hence no significant interest rate risk from the change in market interest rate.

b) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board is exposed to currency risk on transactions in Foreign Currency with the other Insurers for Inward Reinsurance business.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Board does not hedge its foreign currency exposure.

SUPPLEMENTARY INFORMATION

DECADE AT A GLANCE

Statement of Financial Position

for the year ended 31st December

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenue										
Net Earned Premium Income	**17,475,027,816**	**16,448,026,766**	**13,653,431,467**	**11,613,828,982**	**8,850,506,451**	**7,931,485,679**	**8,015,628,345**	**5,452,318,662**	**3,886,183,341**	**3,606,365,031**
Benefits, Losses and Expenses										
Insurance claims and acquisition cost	(9,569,377,210)	(14,135,009,664)	(11,299,642,432)	(11,341,525,875)	(6,611,475,579)	(4,172,209,800)	(3,899,969,969)	(1,763,476,689)	(2,281,470,751)	(1,879,486,596)
	7,905,650,607	2,313,017,102	2,353,789,035	272,303,106	2,239,030,872	3,759,275,879	4,115,658,376	3,688,841,974	1,604,712,590	1,726,878,335
Other Income										
Investment Income	**1,334,565,453**	**1,215,544,996**	**1,159,031,654**	**1,108,006,205**	**967,301,878**	**801,608,493**	**624,075,269**	**691,492,020**	**615,813,544**	**723,412,241**
Interest of Soft Loans	1,805,762	1,739,191	318,346	807,908	2,078,808	3,110,618	11,937,931	5,915,955	7,278,316	10,163,846
Other Income	50,651,895	51,932,499	190,517,529	40.746,691	19,308,494	51,664,458	3,902,584	4,165,001	18,886,182	743,614
		1,269,216,686	1,349,867,529	1,149,560,805	988,689,180	856,383,568	639,915,785	701,572,977	641,978,043	734,319,701
Expenditure										
Staff Related Costs	225,797,476	240.189,765	218,637,288	201,433,256	164,253,318	132,494,516	84,790,542	76,487,490	72,006,709	56,000,854
Administration Expenses	183,378,100	312,495,352	174,516,012	143,245,042	223,714,879	93,018,399	88,128,033	64,621,143	74,402,484	68,915,550
Finance & Other Expenses	17,571,769	21,062,606	21,663,536	-	-	-	-	8,459,075	17,258,273	21,581,925
Total Expenditure	**426,747,346**	**573,747,723**	**414,816,836**	**344,678,298**	**387,968,196**	**225,512,915**	**172,918,575**	**149,567,708**	**163,667,466**	**146,498,329**
Taxation	**(1,339,826,929)**	**105,600,661**	**(105,600,662)**	**(100,951,677)**	**-**	**(86,822,200)**	**-**	**-**	**-**	**-**
Profit After tax	**7,526,099,442**	**3,114,086,727**	**3,183,238,866**	**976,233,935**	**2,839,751,856**	**4,303,324,332**	**4,582,655,585**	**4,240,847,847,242**	**2,083,023,167**	**2,314,699,707**

Statement of Financial Position

As at 31 December

(In Sri Lankan Rupees)

Assets	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Property Plant and Equipment	142,736,095.01	179,296,158	32,169,337.10	40,848,693	43,058,543	34,125,797	26,251,881	19,317,968	24,739,202	29,606,877
Financial Investments	21,666,072,510.61	15,444,667,263	10,674,617,496.64	8,161,427,792	11,187,844,373	10,388,972,726	9,105,573,879	6,667,518,021	5,375,914,672	4,444,546,262
	21,808,808,605.62	15,623,963,422	10,706,786,833.74	8,202,276,484	11,230,902,916	10,423,098,523	9,131,825,761	6,686,855,988	5,400,653,874	4,474,153,140
Current Assets										
Receivable	4,066,443,323.67	3,724,046,517	3,121,798,364.60	8,619,672,838	7,096,616,002	1,222,450,075	1,416,831,322	1,686,049,990	1,664,647,836	1,927,814,565
Cash and Cash Equivalents	713,547,136.51	758,831,301	1,142,242,977.96	1,133,642,497	705,205,727	166,785,332	278,096,913	305,495,813	103,641,397	3,542,969,945
Current Assets	4,779,990,460.18	4,482,877,818	4,264,041,342.56	9,753,315,335	7,801,821,729	1,389,235,407	1,694,928,235	1,991,545,803	1,768,289,233	5,470,784,510
Total Assets	26,588,799,065.80	20,106,841,240	14,970,828,176.30	17,955,591,819	19,032,724,645	11,812,333,930	10,826,753,995	8,678,381,792	7,168,943,107	9,944,937,649
Equity & Liability Equity										
Accumulated Fund	14,062,543,941.87	7,191,846,515	6,956,088,048.34	7,146,358,490	7,564,858,128	8,655,511,761	7,723,034,946	6,950,664,274	5,912,918,517	8,497,449,707
	14,062,543,941.87	7,191,846,515	6,956,088,048.34	7,146,358,490	7,564,858,128	8,655,511,761	7,723,034,946	6,950,664,274	5,912,918,517	8,497,449,707
Technical Reserve										
Unearned Premium	3,470,758,795.51	5,133,486,760	3,461,087,004.67	3,761,032,182	2,873,981,524.97	2,155,544,260	2,128,642,612	1,622,656,295	1,059,398,308	963,443,837
Deferred Commission	(713,547,136.51)	(758,831,306)	(620,751,687)	(597,083,610)	(482,908,910)	(421,132,953)	(366,621,700)	(199,173,169)	(176,532,688)	(161,486,715)
	2,757,211,659.00	4,374,655,459.47	2,840,335,317.21	3,163,948,573	2,391,072,615	1,734,411,307	1,762,020,912	1,423,483,126	882,865,620	801,957,122
Liability										
Non-Current Liabilities										
Government grant				-	-	-	-	66,960	66,960	142,150
Profit Commission payable	142,787,719.05	438,298,891.53	134,356,470.86	120,403,318	89,809,561	-	-	12,287,375	12,287,375	12,287,375
	142,787,719.05	438,298,891.53	134,356,470.86	120,403,318	89,809,561	-	-	12,354,336	12,354,336	12,429,525
Current Liabilities										
Claim payable	6,354,832,206.28	6,670,392,849	4,070,118,634.82	5,118,824,558	6,921,254,984	1,102,369,856	1,111,616,732	273,060,335	286,078,050	392,410,772
Other payable	3,271,423,539.59	1,431,647,525	969,929,704.78	2,406,056,880	2,065,729,357	320,041,006	230,081,405	18,819,722	74,726,585	240,690,522
	9,626,255,745.87	8,102,040,374	5,040,148,339.60	7,524,881,438	8,986,984,341	1,422,410,862	1,341,698,137	291,880,056	360,804,635	633,101,294
Total Equity and Liabilities	26,588,799,065.80	20,106,841,240	14,970,828,176.30	17,955,591,819	19,032,724,645	11,812,333,930	10,826,753,995	8,678,381,792	7,168,943,108	9,944,937,649

CORPORATE INFORMATION

Name of Institute

National Insurance Trust Fund

Legal Form

Statutory Body established under the National Insurance Trust Fund Act No. 28 of 2006

Registered Office

No 95, UPTO Building,

Sir Chittampalam A. Gardinar Mawatha,

Colombo 02,

Sri Lanka

Contact Details

Telephone Numbers: +94 11 2026600

Fax Numbers: +94 112338778

Email: mail@nitf.lk

Corporate Website: http:// www.nitf.lk

Members of the Board -2020

Mr. Mawahib Mowjood (Chairman) (05th Feb 2020-31st Dec. 2020)

Mr. M.K.P.Kumara (1st Jan 2020-31st Dec 2020)

Mr. D.P.G.Pradeep (1st Jan 2020-31st Dec 2020)

Ms. Kanthi Gunawardena (1st Jan 2020-Nov 2020)

Ms. D. L. U. Peiris (Nov 2020-31st Dec. 2020)

Secretary to the Board (Acting) -2020

Mrs.Lumbini Pinto

External Auditors

The Auditor General

No.306/72, Polduwa Road

Battaramulla

Bankers

Peoples Bank

Bank of Ceylon

National Savings Bank

NOTES

NATIONAL INSURANCE TRUST FUND BOARD
No:95, UPTO House
Sir Chittampalam A Gardiner Mawatha,
Colombo 2.
Phone : (+94) 112 026 600
Email Address : mail@nitf.lk
Web:https://www.nitf.lk