ANNUAL REPORT - 2019

NATIONAL INSURANCE TRUST FUND

CONTENTS

ABOUT NATIONAL INSURANCE TRUST FUND

OUR VISION & MISSION

OUR VISION

Safety Net and Protection for all needy sectors.

OUR MISSION

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

Affordable, efficient and progressive insurance schemes for all 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 including Natural Disaster Insurance covers. As per the NITF Act, the Strike, Riot, Civil Commotion and Terrorism Fund originally managed by the Ministry of Finance and Planning was absorbed by NITF, while 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. 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' 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, our turnaround time in relation to claim acceptance and payout 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 guide line for the way in which we approach our business.

- Customer Forces
- Integrity
- Quality
- Respect
- Innovation
- Continuous Improvements

FINANCIAL HIGHLIGHTS -2019

Table: Financial Highlights

	2019 LKR	2018 LKR
Gross Written Premium	12,693,194,645	9,683,874,748
Net Earned Premium	16,448,026,766	13,653,431,467
Profit Before Tax (PBT)	3,008,486,066	3,288,839,528
Profit After Tax (PAT)	3,114,086,727	3,183,238,866
Total Assets	20,706,947,980	15,595,192,598
Return on Assets (%)	15.04%	20.41%

GOALS AND OBJECTIVES

1. Create a new corporate structure with the establishment of two subsidiaries (one for Reinsurance and one for General Insurance) under NITF which will retain the SRCC and T Fund.

2. Become a regional player in Reinsurance through the newly established well capitalized reinsurance company.

3. Make all Socially Oriented Insurance Schemes (Agrahara, NNDIS and Crop Insurance) sustainable by achieving break-even position.

4. Develop Commercial General Insurance business to become a significant contributor to the profitability of the General Insurance Company.

5. 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.

CHAIRMAN'S MESSAGE

Presentation of Annual Report 2019

It is with great pleasure I recap 2019 highlights and present to you the Annual Report of the National Insurance Trust Fund for its financial year ended 31st December 2019. In spite of a challenging macro-economic environment and intense industry competition the NITF created a significant value addition to our stakeholders. This has been instrumental in our growth from strength to strength.

Performance and Contribution of National Insurance Trust Fund

Despite operating in an insurance market which was experiencing a slowdown, the NITF recorded a moderate growth in Gross Written Premium which was Rs. 12.7 billion in 2019 against Rs. 9.7 billion in 2018. Making this achievement an even more impressive one, the NITF also recorded an after tax profit of Rs 3.114 billion for the financial year 2019 against Rs. 3.183 billion in 2018. NITF also obtained a Fitch rating of AA-(lka), which confirms its financial soundness for the year 2019.

Appreciation

I would like to convey my gratitude to the Honorable Minister of Finance under whose purview this institution operates, Secretary and the Additional Secretaries for their guidance and support. I would also like to acknowledge the support received from the Secretary to the Treasury and all of the other Treasury officials with whom the 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.

H. Mawahib

Mawahib Mowjood
Chairman
27.12.2020

CEO'S REVIEW

Against a background of a challenging macro-economic environment and the continued stiff industry competition, I am pleased to state that the National Insurance Trust Fund (NITF) has been able to record a commendable performance in 2019 with satisfactory Gross Written Premium growth, Net Profit growth and customer service. It is also important to emphasize with great pleasure that NITF scored AA- 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 last two years. It is noteworthy to mention that in spite of a challenging environment NITF recorded a AA- credit rating from Fitch Rating Lanka, endorsing the resilience of NITF by reflecting the financial stability.

Progress during the year 2019

In spite of an intense competition from industry peers and challenging macro environment, the financial position and financial performance displayed a commendable enhancement while providing pleasing service to the customers and sustaining in the insurance industry. Gross Written Premiums in 2019 recorded as Rs. 12.693 billion as against to Rs. 9.683 billion in 2018 showing substantial growth of 31% in 2019 against 2018. This was mainly due to increase in Gross Written Premiums from Reinsurance, Strike, Riot, Civil Commotion and Terrorism Fund and National Natural Disaster Insurance Scheme. Similarly, Net Earned Premiums in 2019 increased to Rs. 16.448 billion from Rs. 13.653 billion in 2018 reporting a 20% of growth.

The Net Benefits and Claims Paid has increased moderately from Rs. 12.079 billion in 2019 to Rs. 9.690 billion in 2018 which is a growth of 25%. The main factor contributed to this is relative increase in Paid Claims in Agrahara Medical Insurance Scheme from 2018 to 2019. Although there is a substantial growth in the Gross Written Premium, Profit after Tax displayed a slight decline to Rs. 3.114 billion in 2019 from Rs. 3.183 billion in 2018 due to the Growth in Net Benefits and Claims Paid of 25%.

NITF's Total Assets recorded a moderate growth from LKR 20.706 billion in 2019, from LKR 15.595 billion in 2018 while its Total Equity also enhanced slightly to LKR 7.191 billion in 2019 from LKR 6.956 billion in 2018. Financial Assets increased to Rs. 15.4 billion in 2019 from Rs.10.7 billion mainly due to increase in Loans and Receivables which is a substantial growth of 43.9%. Furthermore, Property, Plant and Equipment increased to Rs. 40.497 million in 2019 compared to the Rs. 29.363 million in 2018 which is a 37.92% increase.

Appreciation

I would like to express my gratitude and appreciation to Management of NITF for their commitment and driving NITF forward towards the achievements of 2019 and our employees for their continued dedication the institution. I also wish to thank the public and the customers of NITF who are the driving forces of NITF for their reliable and sincere cooperation. Further, I would like to extend my sincere appreciations to the Chairman and the Board of Directors, Officers in Ministry of Finance and Officers of Insurance Regulatory Commission of Sri Lanka for their support during the year 2019 and look forward to serve the people contributing to the social security with better in future.

Manjula Hettiarachchi
Chief Executive Officer (Acting)
08.03.2021

MANAGEMENT DISCUSSION AND ANALYSIS

ENVIRONMENTAL REVIEW

The management of the NITF is aware that NITF's commercial operations are substantially impacted by macroeconomic dynamics. This is because all the economic developments in Sri Lanka carry a risk of failure and this is mostly countered by obtaining insurance covers taken from insurance companies in Sri Lanka. Consequently, the insurance companies transfer their risks by reinsuring 30% with NITF and the rest of the portion with the foreign reinsurer. Hence the NITF considers the macro economic developments in the country when it makes strategic decisions.

Sri Lankan Economy

The free-market economy of Sri Lanka was worth $84 billion by nominal gross domestic product (GDP) in 2019 and $296.959 billion by purchasing power parity (PPP). The country has experienced an annual growth of 6.4 percent from 2003 to 2012, well above its regional peers but has slowed since then. In 2019 with an income per capita of 13,620 PPP Dollars or 3,852 (2019) nominal US dollars, Sri Lanka was re-classified as a lower middle income nation by the World Bank from a previous upper middle income status.

Sri Lanka has met the Millennium Development Goal (MDG) target of halving extreme poverty and is on track to meet most of the other MDGs, outperforming other South Asian countries. Sri Lanka's poverty head count index was 4.1% by 2016. Since the end of the three-decade civil war, Sri Lanka focused on long-term strategic and structural development challenges as it strived to transit to an upper middle income country. Sri Lanka also faces challenges in social inclusion, governance and sustainability.

Sri Lankan Insurance Industry

The insurance sector in Sri Lanka comprised of 27 insurance companies, 67 insurance brokering companies and 16 loss adjusters at the end of 2019. Out of the 27 insurers, 13 operated as life insurers carrying on long term insurance business, 12 engaged in general insurance business and two operated as composite insurers.

During the year, a composite insurer, Seemasahitha Sanasa Rakshana Samagama segregated its long term and general insurance businesses into two separate entities, namely Sanasa Life Insurance Company Ltd. and Sanasa General Insurance Company Ltd. Over the last two years, new registrations of insurance brokering companies have slightly increased from 60 to 67.

The Sri Lankan insurance industry achieved a growth rate of 8.64% in terms of overall Gross Written Premium (GWP) for both long term and general insurance business sectors in 2019. The total GWP income for both sectors was Rs. 196,513 million compared to Rs. 180,880 million in 2018, recording an increase of Rs. 15,633 million.

The long term insurance sector generated a GWP of Rs. 88,781 million in 2019, up by 10.57% against the GWP of Rs. 80,294 million generated in 2018. The general insurance sector recorded a GWP of Rs. 107,732 million in 2019, posting a growth of 7.10% compared to Rs. 100,586 million recorded in 2018.

FINANCIAL REVIEW -2019

Financial highlights can be epitomized as follows.

	2019 LKR	2018 LKR	2017 LKR
Total Assets	20,706,947,980	15,595,192,598	18,552,675,429
Contribution to Consolidated Fund	3,267,970,000	2,750,000,000	1,500,000,000
Soft Loans	3,754,982	5,725,010	14,069,897
Gross Written Premium	12,693,194,645	9,683,874,748	9,071,278,467
Net Earned Premium	16,448,026,766	13,653,431,467	11,613,828982
Profit Before Tax (PBT)	3,008,486,066	3,288,839,528	1,077,185,612
Profit After Tax (PAT)	3,114,086,727	3,183,238,866	976,233,935
Net Benefits and Claims	12,079,317,814	9,690,648,221	9,900,699,368
Financial Assets	15,444,667,263	10,674,617,497	8,161,427,792
Fitch Rating	AA-	AA-	AA-
Return on Assets (%)	15.04%	20.41%	5.26%

During the year 2019, National Insurance Trust Fund recorded a Gross Written Premium of Rs. 12.693 billion against Rs. 9.68 billion in 2018. This is a substantial growth of 31%. Net Earned Premium recorded a moderate growth of 20.4% by increasing to Rs. 16.448 billion in 2019 from Rs. 13.653 billion in 2018. NITF recorded a Net Written Premium of LKR 18.120 billion which is a moderate increase of 35.70 % from LKR13.353 billion in 2018. This is mainly due to substantial increase in premiums from National Natural Disaster Insurance Scheme, Strike, Riot, Civil Commotion and Terrorism Fund and inward reinsurance.

The Net Benefits and Claims Paid has increased moderately from Rs. 12.079 billion in 2019 to Rs. 9.690 billion in 2018 which is a growth of 25%. The main factor contributed to this is relative increase in Paid Claims in Agrahara Medical Insurance Scheme from 2018 as against to 2019. Although there is a substantial growth in the Gross Written Premium, Profit after Tax displayed a slight decline to Rs. 3.114 billion in 2019 from Rs. 3.183 billion in 2018 due to the Growth in Net Benefits and Claims Paid of 25%.

Contribution to Consolidated Fund by NITF in 2019 amounted to Rs. 3.268 billion as against to Rs. 2.750 billion in 2018. This an increase of 19%. NITF's Total Assets recorded a moderate growth from Rs. 20.706 billion in 2019, from Rs. 15.595 billion in 2018 while its Total Equity also enhanced slightly to Rs. 7.191 billion in 2019 from Rs. 6.956 billion in 2018. Return on Assets reduced to 15.04% in 2019 from 20.41% in 2018.

Soft Loans decreased from 3.754 million in 2019 to Rs. 5.725 million in 2018 which is a 34% reduction. Financial Assets increased to Rs. 15.4 billion in 2019 from Rs.10.7 billion mainly due to increase in Loans and Receivables which is a substantial growth of 43.9%. Furthermore, Property, Plant and Equipment increased to Rs. 40.497 million in 2019 compare to the Rs. 29.363 million in 2018 which is a 37.92% increase.

Review of Income

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

Table: NITF Income from Insurance Products 2019 Vs 2018

	2019	2018	Growth
Inward Reinsurance	4,173,714,909	4,056,395,150	2.89%
SRCC & T Premium	6,307,350,365	4,581,640,544	37.67%
General Insurance - Motor	390,150,125	422,117,039	-7.57%
General Insurance - Non Motor	301,979,249	103,722,015	191.14%
National Nature Disaster Premium	1,500,000,000	500,000,000	200%
Medical Scheme for Parliamentary members	20,000,000	20,000,000	0.00%
Contribution Received for Agrahara	4,838,723,551	4,017,420,904	20.44%
Crop Insurance levy Collected	1,780,338,987	2,138,167,676	-16.73%

DIVISIONAL REVIEW

Agrahara Medical Insurance Scheme

'Agrahara' is Sri Lanka's largest medical insurance scheme with a membership of over 890,000. The scheme extends to families of members, which takes the coverage to nearly 2.8 million Sri Lankans. This is a contributory scheme where a nominal monthly contribution is deducted from salaries from all pensionable Government officers.

During the 2019 financial year Agrahara received a contribution of Rs. 767.8 million from the Treasury and collected Rs 3.6 billion through member contributions. A total payout of Rs5.3 billion was made in medical insurance claims during the year.

Table: Classification of Revenue

	2019 LKR	2018 LKR
Contribution from members	3,617,114,527	2,979,518,379
Contribution from the Treasury	767,970,000	750,000,000
Agrahara Pension scheme	142,321,400	101,282,200
Semi Government scheme	311,317,625	206,620,325
Total contribution	4,838,723,551	4,017,420,904

Table : Breakdown of claims

TYPE OF CLAIMS	NO OF CLAIMS RECEIVED - 2019	NO OF CLAIMS PAID -2019	OUTSTANDING CLAIMS -2019
DEATH	1,412	1,204	114
ACCIDENT	211	154	27
CHILD BIRTH	22,019	20,823	996
BRAIN SURGERY	35	35	-
CANCER	2,136	1,969	130
CARDIAC	1,110	1,091	15
PRIVATE HOSPITAL	32,834	27,240	3,201
HIP REPLACEMENT	9	9	3
KIDNEY	94	94	2
KNEE REPLACEMENT	22	22	1
HEARING AID	12	12	1
PARALYSIS	4	4	2
GOVERNMENT HOSPITAL	85,456	77,790	4,201
SPECTACLE	84,675	75,913	3,637
TOTAL	**230,029**	**206,360**	**12,330**

DIVISIONAL REVIEW

Agrahara gold and silver schemes for Government sector

In 2016, the Agrahara gold and Silver 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 scheme for semi Government sector

In 2017, the Agrahara gold and silver 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 to all government employees pensioned after January 1, 2016.

Agrahara E- Cards

In January 2012, E-cards were issued 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

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

In 2019, NITF extended the back to back reinsurance cover (retrocession) until 15th September 2019 to protect the NITF balance sheet in agreement with the Line Ministry and limit of reinsurance cover was 7.5 Bn. The lead reinsurer of the reinsurance panel was Renaissance Re.

In addition to the retrocession cover, NITF has obtained Reinsurance Cover for SRCC & T Fund to protect their liabilities up to 10Bn.

Reinsurance	2019 Rs.	2018 Rs.
Gross Written Premium - Inward Reinsurance	4,173,714,909	4,056,395,150
Gross Benefits and Claims Paid	(2,476,072,216)	(2,345,202,622)

Strike, Riot, Civil Commotion and Terrorism Fund

SRCC & T Fund is assigned to provide covers of 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, as per the Gazette Notification No. 1542/11 dated 25th March 2008.

In 2019, NITF extended the insurance cover for SRCC Fund to protect the NITF balance sheet in agreement with the Line Ministry and the limit of reinsurance cover was 10 Bn. The lead reinsurer of the reinsurance panel was MS/ Chaucer Syndicate 1084.

In 2019, Gross written premium of SRCC department was Rs.6,307Mn and Gross benefits and clams paid was Rs. 418Mn. Gross written premium increased by 38% in comparison to 2018 and the claim payment also increased by 734%.

SRCC and T Fund	2019 Rs.	2018 Rs.
Gross Written Premium - SRCCT Fund	6,307,350,365	4,581,640,544
Gross Benefits and Claims Paid	(417,783,502)	(50,085,704)

Motor Insurance

Motor insurance scheme was introduced by the National Insurance Trust Fund for the vehicles owned by government institutions and semi government institutions in 2008. According to the government circular number PF 427 and thereafter PF 437, the motor and non-motor insurance in government owned institutions can only be placed with National Insurance Trust Fund or in a government owned insurance company.

National Insurance Trust Fund has expanded its service to private customers also and from 2014 onwards premium contribution from private customers has drastically increased. National Insurance Trust Fund introduced a new insurance scheme to Government officers including semi government officers and pensioners called "Agrahara Motor" in 2017 and it has been the major profit earning segment of the motor insurance section.

As a fully government owned insurance institution, NITF provides Comprehensive and Third Party insurance cover to government institutions at an affordable premium. Insured can get additional covers by paying additional charges.

General Insurance - Motor	2019 Rs.	2018 Rs.
Gross Written Premium - Motor	390,150,125	422,117,039
Gross Benefits and Claims Paid	(257,432,249)	(208,043,768)

DIVISIONAL REVIEW

Non Motor Insurance

The General insurance business (Non- Motor) was initiated by National Insurance Trust Fund as per the gazette notification No. 1615/20 issued on 20.08.2009 and it grew steadily over the years.

NITF's General Insurance business is mainly sub divided into Fire & Engineering Insurance, Surgical Insurance, Marine Insurance and Miscellaneous Insurance.

General Insurance - Non Motor	2019 Rs.	2018 Rs.
Gross Written Premium - Non Motor	301,979,246	103,722,015
Gross Benefits and Claims Paid	(307,223,184)	(469,755,602)

General Insurance Non-Motor Claims department provides 24-hour service to customers. General Insurance Claims department has claim procedures for all type of claims and prepared complaints handling procedures and pay claims without delay continuously

National Natural Disaster Insurance Scheme

The National Natural Disaster Insurance Scheme (NNDIS) was originated as a budget proposal for 2016 through National Insurance Trust Fund Board (NITF).

NITF received LKR 1500 million as premium for 2019/2020 for this scheme, because there were high claims in previous years. In 2018/19 the premium was 500 Mn and some benefits also increased in 2019/2020. This insurance scheme provides blanket coverage for lives and uninsured properties, specifically for all households and small business establishments (any business where the annual turnover does not exceed Rs. 10 Mn) against cyclone, storm, tempest, flood, landslide, hurricane, earthquake, tsunami, falling trees due to heavy winds, collapse of retaining walls and any other similar natural perils excluding drought, up to an aggregate limit of Rs. 10 billion per annum. Property damage for larger businesses and those having insured with an insurance company are excluded.

All fishermen registered under the Department of Fisheries are covered to the value of Rs. 1 Million each in respect of accidental death whilst engaged in fishing. An accidental death cover for all other victims of natural disasters are paid Rs. 250,000 each under the Personal Accident Insurance cover.

Natural Disaster	2019 Rs.	2018 Rs.
Gross Written Premium - Natural Disaster	1,500,000,000	500,000,000
Gross Benefits and Claims Paid	(610,466,501)	(843,784,556)

Agricultural Loan Protection Insurance Scheme

1% Crop levy is collected by NITF from all financial institutions according to Gazette notifications and the funds are transferred to the Agricultural Agrarian Insurance Board (AAIB) according their requirements and on request of AAIB, up to Rs. 10,000/= per claim is paid to farmers using the crop levy funds for losses arising from Floods, Drought and Elephant attack.

GOVERNANCE AND INTERNAL CONTROL

ENTERPRISE GOVERNANCE

INTRODUCTION

Enterprise governance is an emerging term which describes a framework covering both the corporate governance and the business governance aspects of an organization. Achieving a panacea of good corporate governance that is linked strategically with performance management will enable companies to focus on the key drivers that move their business forward. This is both a challenge and an opportunity. The key point to note about the framework is that enterprise governance encapsulates two dimensions of the corporate governance processes i.e. conformance and performance which need to be kept in balance.

The conformance dimension covers issues such as board structures and roles as well as executive remuneration. Codes and/or standards can generally address this dimension with compliance being subject to assurance/audit. The performance dimension centers on strategy and value creation. The focus is on helping the board to make strategic decisions, understand its appetite for risk and the key drivers of performance. At the heart of the enterprise governance framework is the argument that good corporate governance can help to prevent failure, but it does not guarantee good business performance. As it has been already seen, corporate failures led to significant efforts to reform the corporate governance side of the equation in the early 2000s, but, until more recently, there has not been as much attention on the performance side in terms of strategic decision making and implementation. The enterprise governance framework helps us to understand the importance of both conformance and performance to the National Insurance Trust Fund's long-term success.

National Insurance Trust Fund was established in 2006 under the National Insurance Trust Fund Act No. 28 of 2006 and 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.

In terms of the Act the Minister is empowered to appoint one person of the Board as Chairman. According to 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	2019 Board Member's Attendance Details													Appointments Dates	Date of Resignation
	Jan	Feb	Mar	Apr	May	Jun	11 Jul	24 Jul	Aug	Sep	Oct	Nov	Dec		
Mr. Manjula De Silva	√	√		√	√		√	√		√	√			06/04/2015	
Mr. Tevine Ferandopulle	√	√		√	√		√	√		√	√			08/04/2015	
Mr. Asendra Siriwardena	AB	√		√	√		√	√		√	√			02/04/2015	
Mr. H. A. C. Kumarasinghe	√	√		√	√		√	√		√	√			14/12/2015	
Mr. P. P. S. Rohana De Silva	√	√		√	√		√	AB		√	√			05/05/2016	
Mr. N. M. D. Nawarathne	√													31/07/2017	27/02/2019
Mr. K. A. Vimalenthiraajah	AB	AB												29/08/2018	27/02/2019
Mr. D. P. G. Pradeep	√	√		√	√		√	√		√	√			10/05/2019	
Mr. C. Jayasooriya							AB	√		√	AB			11/07/2019	

SUPPLY OF INFORMATION

The Board Members are provided with monthly reports of performance, 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. A detailed and transparent analysis of performance has been displayed in it.

THE ANNUAL REPORT

The NITF Annual Report 2019 was designed to illustrate an overall view of NITF's affairs during the year 2019 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.

THE INTERNAL CONTROL

During the year 2019, internal audit functions including the internal audit of departments of NITF and audit of the Strike, Riot, Civil Commotion and Terrorism Fund has been carried out by the Internal Audit Department.

AUDIT COMMITTEE

In 2019 duties and responsibilities of Audit Committee were formulated in line with the 'Code of Best Practice for Audit Committees' issued by the Institute of Chartered Accountants of Sri Lanka. The scope of the audit, as well as the responsibilities attached to the Audit Committee established during 2019 was as follows.

- Review and establish Annual audit plans were reviewed and established.
- Review and evaluate Internal control systems.
- Review of Performance of the separate units at intervals for the dual purpose of cost effectiveness and to minimize wasteful expenditure.
- Consistent follow up with the external auditor and Auditor General with regard to the latter's management letters.
- Checks to ensure that statutes, regulations, and circulars are complied with.

ENTERPRISE GOVERNANCE

- Financial Statement checks to ensure that relevant accounting standards were complied with.
- Review of External and internal audit reports as well as management letters for lapses and remedial action.
- Review of Implementation of recommendations/directives of the committee.

Internal audit reports were prepared monthly and follow up meetings were held to identify all issues and concerns. Probable ways in which controls and operations could be improved to overcome identified weaknesses, and improve efficiencies and effectiveness of controls were also determined based on the risks identified. As an added measure, the internal audit team visited several insurance companies in an effort to monitor compliance with NITF rules and regulations within those establishments. During the year 2019 composition of the audit committee was as follows.

Members of the Audit Committee
Mr.K.A.Vimalenthirarajah(Chairman)
Mr. Trevine Fernandopulle
Mr. Asendra Siriwardena

External Audit

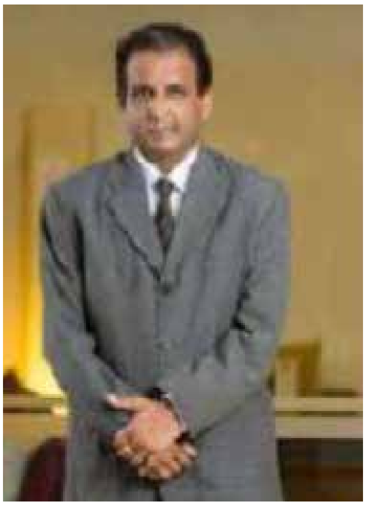
The Auditor General was appointed as the External Auditor in terms of the Constitution of the Democratic Socialist Republic of Sri Lanka who is required to audit the accounts of Public Corporations, businesses and other undertakings vested in the Government under any written law. The Auditor General performed the annual audit of the financial statements of the company for the year ended 31st December 2019 in terms of the Constitution of the Democratic Socialist Republic of Sri Lanka.

Investment Committee

The Investment Committee's responsibilities may be grouped in to two main areas namely, developing a sound investment policy and ensuring it is implemented efficiently to yield the maximum return in line with investment policy criteria and guidelines of NITF. The year under review saw the management of NITF's investment portfolio, asset allocation and management of the asset-liability match being scrutinized as well as seeking out new opportunities for investment.

MEMBERS OF THE BOARD OF NITF -2019

Mr. Manjula de Silva
Chairman



Mr. Asendra Siriwardana
Board Member

Mr. Rohana de Silva
Board Member

Mr. K. A. Vimalenthirarajah
Bord Member

Mr. Chandana Kumarasinghe
Bord Member

Mr. Trevine Fernandopulle
Bord Member

PROFILE OF THE BOARD MEMBERS

Mr. Manjula de Silva (Chairman)

Manjula de Silva was appointed as the Chairman on 06.04.2015. Prior to the appointment as the Chairman of NITF he was the Managing Director of HNB Assurance PLC. Manjula de Silva holds a BA Hons (First Class) degree in Economics from the University of Colombo and a MBA from London Business School, UK. He is also a FCMA (UK) and a CGMA.

He also served as a Consultant to the Ministry of Public Enterprise Development. Prior to 2015, he served as the Managing Director of HNB Assurance PLC for 9 years and as its CEO for 2 more years. He has also served as General Manager, Eagle NDB Fund Management Company Ltd (currently NDB Wealth Management) General Manager - Corporate Lines and Human Resources, Eagle Insurance Co. Ltd (currently AIA Insurance) and Director General, Public Enterprises Reform Commission (PERC).He also served as the Chairman of CIMA (Chartered Institute of Management Accountants) Sri Lanka Board in 2016 and subsequently served on its Regional Board for MESANA Region.

Mr. Manjula de Silva resigned in November 2019 and subsequently Mr. C. Jayasuriya was appointed as Acting Chairman for a brief period and thereafter Mr. B. K. R. Balasuriya (Chief Financial Officer of Ministry of Finance) was appointed as the Acting Chairman on 20.12.2019.

Mr. C. Jayasuriya (Board Member)

Mr. C. Jayasuriya was appointed as a board member in 11.07.2019 and has been attending Board meetings since then. During the year he was serving as Director General of Department of Trade and Investment Policy of Ministry of Finance.

Mr. Asendra Siriwardena (Board Member)

Mr. Asendra Siriwardena was appointed as a board member on 02.04.2015. He is functioning as a practicing Lawyer in 2018.

Mr. Chandana Kumarasinghe (Board Member)

Mr. Chandana Kumarasinghe was appointed as a board member on 14.12.2015. In 2018, he was serving as a very senior officer of the Ministry of Public Administration and Management.

Mr. Trevine Fernandopulle (Board Member)

Mr. Trevine Fernandopulle was appointed as a board member on 08.04.2015 and has been attending the Board meetings since 2015. He was the Deputy Chief Executive Officer of HSBC when he retired from HSBC.

Mr. N.M.D.Nawarathne (Board Member)

Mr. N.M.D.Nawarathne was appointed as a board member in 2017. In 2018 he served as the Chief Accountant of the Ministry of Finance.

Mr. K. A. Vimalenthirarajah (Board Member)

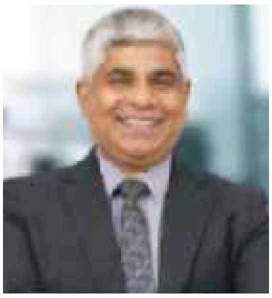
Mr. K. A. Vimalenthirarajah was appointed as a board member on 29.08.2018. Mr. K. A.Vimalenthirarajah is an officer of Sri Lanka Administrative Service, counting over 24 years of experience in the public service. During this period, he worked as the Director General, Department of Fiscal Policy. He is also an Attorney-at-Law.

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

Mr. D. P. G. Pradeep was appointed as a board member in 2019 after the resignation of Mr. N. M. D. Nawaratne. In 2019 he served as the Chief Accountant of the Ministry of Finance.

CORPORATE AND SENIOR MANAGEMENT TEAM-2019

Chief Executive Officer (upto 16.11.2019) - **Mr. Sanath C. De Silva**
Chief Executive Officer (Acting) (23.12.2019 - 31.12.2019) - **Ms. Geetha Wimalaweera**



Mr. Sanath C. De Silva
Chief Executive Officer

Mr. J. A. D. Siriwardena
Assistant General Manager Finance
(upto 16.11.2019)

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 & SRCCTF

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 Internal Audit

Mr. Namal Kanchana
Head of Expenses & Revenue

Ms. Udari Piyabhashini
Head of Legal

Ms. Gayani Siyambalagoda
Secretary of 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. It 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.

An important part 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.

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. NITF has recognized that the focus of good risk management is the identification and mitigation of these risks. NITF's objective is to add maximum sustainable value to all the activities of the organization by understanding the potential upside and downside of all those factors which can affect the organization. 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

The strategic risk is the risk of inability to achieve the National Insurance Trust Fund's strategic goals, objectives and business plan as expected due to internal and external environment factors. 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-UNDERWRITING RISK

NITF ensures that its exposure carries a balanced and acceptable level of risk. It does this by way of its application approval processes, exposure limits, and coverage limits. In addition to this, there is continuous monitoring and evaluation that takes place so as to understand loss and retention experiences. NITF has a systematic manner in which its underwriting process takes place while internal audits ensure that all guidelines are being adhered to. Training is also provided internally to ensure that staff are equipped with adequate competencies to assign accurate risk levels while underwriting.

R03-REINSURANCE RISK

In 2019, 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 2019, Reinsurance covers were obtained for Strike, Riot, Civil Commotion and Terrorism Fund, Retrocession Program, National Agriculture Insurance Scheme and National Natural Disaster Insurance Scheme.

R04 -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.

R05 - FRAUD RISK

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

R06 - CREDIT RISK

NITF continuously monitors the creditworthiness and financial stability of institutions and individuals. The credit approval process is structured based upon the size and type of business, while a credit policy is in place for the guidance of all staff. NITF maintains a stringent policy on payment of premiums on all policies and takes firm action when dues remain unpaid.

ENTERPRISE RISK MANAGEMENT

R07 - LIQUIDITY RISK

Liquidity Risk or the inability to meet the contractual obligations such as claims payments, reinsurance payments and fund transfers to the Treasury has been mitigated through diversification of investments with different maturities such as Repos, Treasury Bills with different maturities and Treasury Bonds with different maturities and debentures. NITF invests all of its funds in Government securities and an adequate portion of them are held in short term maturing investments and repurchase agreements.

R08 -CONCENTRATION RISK

Risk of exposure to increased losses associated with inadequately diversified portfolio of assets. In the case of NITF, there is a concentration of investment in government securities. However, it does not cause any concern as they are risk - free gilt -edged investments.

R09 -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 of claims.

R10 - MARKET RISK

NITF has laid down clear investment guidelines which have been approved by the Board of Directors. These guidelines specify how its investments need to be managed effectively. Management reports are also made available to the Investment Committee to ensure that market risk is substantially mitigated.

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 -INVESTMENT CREDIT RISK

In order to mitigate the Investment Credit Risk to a minimal level, risk free investments in Treasury Bills, REPOs and Treasury Bonds are made only through state banks.

R13 -OPERATIONAL RISK

Operational Risk is mitigated by the computerization of operations. The Strike, Riot, Civil Commotion and Terrorism Fund divisions of NITF are audited by the Internal Audit Department in order to minimize errors and discrepancies relating to premium collection and claims payments. Furthermore, all office operations have also been computerized for error free processing of transactions.

R14-RESERVE ADEQUACY RISK

NITF continuously reviews and ensures that its fund reserve position is adequate to meet liabilities as and when they fall due.

SUSTAINABILITY REPORTING

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

Corporate Sustainability of businesses is becoming a major concern as insurance industry moved into 2019. Accordingly, NITF 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".

Outward Bound Training

NITF has organized an Outward Bound Training Programme on 19th, 20th and 21th July 2019 at Anantaya Resort & Spa - Chilaw. This programme was conducted by 361 Degrees (Pvt) Ltd. enhancing the team spirit of NITF and developing group working and other skill development.

NITF Premier League 2019

Welfare society of National Insurance Trust Fund Board has organized a Cricket tournament on 24th October 2019 at Sri Lanka Air Force headquarters ground in order to enhance the team spirit of NITF.

Contribution to Consolidated Fund

NITF has substantially by way of a levy increased its contribution to the consolidated fund of the Government by contributing Rs. 3,268 million to the consolidated fund in 2019, thereby with continuing the past tradition as shown in the table below.

Table: Contribution to Consolidated Fund

Year	Amount
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

Customer Service

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.

In order to serve the customers better by minimizing insolvency and credit risk and enhancing of NITF brand image, NITF has being continuously updated its Fitche rating of AA-.

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 2019, 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	2019 Board Member's Attendance Details													Appointments Dates	Date of Resignation
	Jan	Feb	Mar	Apr	May	Jun	11 Jul	24 Jul	Aug	Sep	Oct	Nov	Dec		
Mr. Manjula De Silva	√	√		√	√		√	√		√	√			06/04/2015	
Mr. Tevine Ferandopulle	√	√		√	√		√	√		√	√			08/04/2015	
Mr. Asendra Siriwardena	**AB**	√		√	√		√	√		√	√			02/04/2015	
Mr. H. A. C. Kumarasinghe	√	√		√	√		√	√		√	√			14/12/2015	
Mr. P. P. S. Rohana De Silva	√	√		√	√		√	**AB**		√	√			05/05/2016	
Mr. N. M. D. Nawarathne	√													31/07/2017	27/02/2019
Mr. K. A. Vimalenthiraajah	**AB**	**AB**												29/08/2018	27/02/2019
Mr. D. P. G. Pradeep	√	√		√	√		√	√		√	√			10/05/2019	
Mr. C. Jayasooriya							**AB**	√		√	**AB**			11/07/2019	

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 2019 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, National Natural Disaster Insurance Scheme, Agricultural Loan Protection Insurance Scheme and Management of Strike, Riot, Civil Commotion & Terrorism Fund (SRCC&TF).

Financial Results

In 2019, NITF recorded a Gross Written Premium of LKR 12,693Million.The GWP registered a marginal increase relative to 2018 GWP of LKR9,684Million mainly due to increase in premium received from reinsurance and Strike, Riot, Civil Commotion and Terrorism Fund in 2019. During 2019, NITF earned a Profit after Tax of LKR 3,114Million.

Employees

The staff strength of NITF as at 31.12.2019 was 306.

REPORT OF THE DIRECTORS

Auditors

The financial statement for 2018 of the NITF was audited by the Auditor General in terms of Financial Act No. 38 of 1971.

Audit Committee

During 2019, the Audit committee (AC) comprised of three Non - Executive Directors; namely, Mr. K. A. Vimalenthirarajah (Chairman) - (Director General - Department of Fiscal Policy -2019), Mr. T. R. Fernandopulle and Mr. Asendra Siriwardena.

The Audit Superintendent appointed for NITF from Auditor General's Department too attended meetings as an observer on the invitation of the committee. The proceedings of the committee meetings are recorded with adequate details and are reported regularly to the Board of Directors.

The internal audit plan was presented and approved by the Audit Committee. During the year 2018, the internal audit of all departments and audit of the Strike, Riot, Civil Commotion and Terrorism Fund were carried out by the Internal Audit Department.

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

Gayathri Soysa
Secretary (Acting) to the Board
04 th October 2021
Colombo

FINANCIAL REPORTS

AUDITOR GENERAL'S REPORT

Report of the Auditor General on the Financial Statements of the National Insurance Trust Fund and its affairs for the year ended 31 December 2019 in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka

1.1 Qualified Opinion

The audit of the financial statements of the of National Insurance Trust Fund for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance, 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 comments and observations which I consider should be presented to Parliament appear in this report.

In my opinion, except for the effects of the matters described in Paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.5 of this report.

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

1.3 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 Sub-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.

AUDITOR GENERAL'S REPORT

1.4 Scope of Audit

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

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

" Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, or the override of internal control.

" Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

" Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

" Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

" Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

" Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Fund, and whether such systems, procedures, books, records and other documents are in effective operation;

" Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund;

" Whether the Fund has performed according to its powers, functions and duties; and

AUDITOR GENERAL'S REPORT

" Whether the resources of the Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Non-compliance with Sri Lanka Accounting Standards

Non-compliance with Reference to the relevant Standard	Comments of the Management	Recommendation
In terms of paragraph 32 of Sri Lanka Accounting Standard 1 regarding the presentation of financial statements, it is specified that an entity shall not offset assets and liabilities or income and expenses, unless required or permitted. However, a credit balance of Rs.9,479,46 exceeding 90 days in the premium income receivable relating to a private insurance company, of the Reinsurance Division, had been included in the receivable balance of the Reinsurance Division. As such, the premium income receivable had been understated by Rs.9,479,460 in the statement of financial position. Moreover, credit balances of Rs.412,293 had been included in the Receivable Premium Income Account of the Non-motor Division, thus understating the non-motor premium income receivable as well by Rs.412,293.	It is agreed with audit decisions and steps will be taken to rectify them.	Preparations should be done in compliance with Sri Lanka Accounting Standards.

1.5.2 Accounting Deficiencies

Non-compliance with Reference to the relevant Standard	Comments of the Management	Recommendation
(i) In the issuance of invoices for the year 2011 relating to the insurance cover for the Strike, Riot, Civil Commotion, and Terrorist Activities (SRCC & TR), monthly net income had been invoiced by deducting the commission payable from the non-motor premium income. However, gross premium income and expenditure on commission had been brought to account separately in the presentation of accounts. As such, it was observed at the audit test checks that an additional assessment of Rs.35,967,319 has been made by the Inland Revenue Department for the liability of Nation Building Tax computed on the premium income of the income statement. Moreover, no allocations whatsoever had been made in the financial statements for the liability of Nation Building Tax payable.	In the issuance of invoices for the year 2011, monthly net income was invoiced by deducting the commission payable from the non-motor premium income as per the previous practice. However, in the presentation of accounts, gross premium income and expenditure on commission had been brought to account separately. As such, Value Added Tax and Nation Building Tax had been computed on the premium income of the income statement, thus resulting in an understatement of taxes paid by our institution and an additional assessment was made therefor.	Preparations should be done in compliance with Sri Lanka Accounting Standards.

AUDITOR GENERAL'S REPORT

	However, local general insurance companies collect SRCC premiums from customers and remit NBT to the Inland Revenue Department on the premium income. As the insurance companies remit the SRCC premium collected from customers to the National Insurance Trust Fund on the same source, the National Insurance Trust Fund had to pay NBT and as such, it is a double taxation. Even though an appeal was made for exemption from the said Nation Building Taxes, it has been indicated as a balance further payable and allocations have not been made therefor in the financial statements.	
(ii) Even though the crop insurance tax income amounting to Rs.430,506,164 relating to the quarter ended 31 December 2019 had been received during the month of January 2020, the said amount had not been brought to account by identifying as receivable for the year 2019. Moreover, the sum of Rs.394,646,100 received in the year 2019 relating to the final quarter of the year 2018 had been brought to account as a receivable of the current year, thus overstating the crop insurance tax income relating to the year by Rs.35,860,064. Further, crop insurance tax had been understated by Rs.394,646,100.	Collection of money for this Fund depends on the profit of institutions connected thereto. As such, it is informed that our institution cannot forecast on the profit earned by other institutions and the crop tax receivable had not been brought to account. However, income for the year consists of income of 4 quarters.	Accounts should be prepared on accurate information relating to the year under review.
(iii) Agrahara insurance premiums receivable from Government and semi-government institutions by 31 December 2019 had not been brought to account, thus understating the Agrahara insurance income and the relevant account receivable by Rs.355,310,770.	In the computation of Agrahara premium income, the income received for the relevant month is considered as the monthly income. That is, it has been brought to account on cash basis. As such, a sum of Rs.245,693,637 relating to the year 2018 has been brought to account during the year 2019.	Accounts should be prepared on accurate information relating to the year under review.
(iv) Balance of 03 Foreign Currency Accounts of the National Insurance Trust Fund and the SRCC & TR Division remained as at 31 December 2019 had not been converted into the exchange rate quoted as at that date, thus overstating in accounts by Rs. 875,650.	It is recorded to rectify the error occurred in converting balances in USD and Euro of the Fund and balances of the SRCC Division into Rupees.	Accounts should be prepared on accurate information relating to the year under review.
(v) A payable Agrahara claim valued at Rs.6,235,690 brought forward for five years, remained in the Slip Returned Control - Agrahara Account bearing No.8605 and action had not been taken up to now to pay this amount to relevant parties or to take steps therefor or to bring to account accurately in case of no such further liability.	Information has been made available to the previous Board of Directors relating to balances mentioned herein, whose opinion was to take action according to the instructions of the Board of Audit. The decision of the Board of Audit was to refer to the Board of Directors again. As such, action will be taken to forward the decision relating to the said balances to the new Board of Directors in future.	Payment of benefits of Agrahara should be promptly finalized.

AUDITOR GENERAL'S REPORT

(vi) Action had not been taken to settle or to obtain reasonable confirmation on the commitment to settle or bring to account, a payable balance premium of Rs.3,843,488 brought forward since the year 2007. Moreover, an impairment adjustment as well had not been carried out on this balance up to now.	Future action will be taken on the instructions received after forwarding information on this balance to the Board of Directors.	Payment of benefits of Agrahara should be promptly finalized.

1.5.3 Lack of Documentary Evidence for Audit

Item	Amount Rs.	Evidence not made available	Comments of the Management	Recommendation
(i) Cash receivable from Reinsurance companies	1,068,471,618	Letters of Confirmation on direct balances	Even though letters on confirmation of balances have been sent to companies, replies have not been received as yet. They will be submitted to Audit immediately after receipt. This balance is a payable balance brought forward since the year 2017. According to recommendations thereon of the Audit Committee, action will be taken for future measures by forwarding to the Board of Directors.	Letters of Confirmation on direct balances should be made available to Audit.
(ii) Cash receivable - Reinsurance	9,053,364	Detailed schedules	Not replied	Detailed schedules should be made available to Audit.
(iii) Claims to be settled	4,077,033	Detailed schedules	Action will be taken for future measures by forwarding information on this balance to the Board of Directors.	Detailed schedules should be made available to Audit.
(iv) Cash payable to the Strike, Riot, Civil Commotion and Terrorism Fund Unit	644,068	Detailed schedules	Not replied	Detailed schedules should be made available to Audit.
(v) Other non-financial assets – value receivable	3,462,111	Detailed schedules	Information has been made available to the previous Board of Directors relating to balances mentioned herein, whose opinion was to take action according to the instructions of the Board of Audit. The decision of the Board of Audit was to refer to the Board of Directors again. As such, action will be taken to forward the decision relating to the said balances to the new Board of Directors in future.	

AUDITOR GENERAL'S REPORT

1.6 Non-compliance with Laws, Rules, Regulations, Management Decisions etc.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(i) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Regulation 396	Action had not been taken in terms of Financial Regulation 396 relating to the value of cheques amounting to Rs.51,365,408 payable under Account No.8630 but not presented to the bank.	Among many of the cheques not presented to the bank, are relevant to natural disaster insurance. Even though District Secretariats had been briefed thereon, many of them have not still been submitted for payment. The District Secretariats have returned a certain number of cheques due to absence of cheque recipients. Action was taken to eliminate the value of Rs.5,205,873 from this account. Further action will be taken on the approval of the Board of Directors relating to the remaining cheques.	Action should be taken in terms of Financial Regulations.
(ii) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Regulation 396	According to the bank reconciliation statement as at 31 December 2019, there were cheques valued at Rs.4,811,225 elapsed for 06 months after issuance, brought forward since the year 2018 and action had not been taken in terms of Financial Regulation 396 to identify and settle those cheques as payable, but not presented.	Further action will be taken on instructions of the Board of Directors relating to these cheques.	Action should be taken in terms of Financial Regulations.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operating result of the Fund for the year ended 31 December 2019 amounted to a net profit of Rs.3,114,086,727 as compared with the corresponding net profit of Rs.3,183,238,866 for the preceding year, thus observing a decline of Rs.69,152,140 in the financial result for the year under review. The increase in net earnings and payment of claims by Rs.2,388,669,593 and the increase in the gross difference of financial and other expenses by Rs.21,062,606 had mainly attributed to the decline of the financial result of the year under review.

AUDITOR GENERAL'S REPORT

Analysis on the financial result of the year under review and 03 preceding years is as follows.

	2016	2017	2018	2019
Income from net premiums	8,850,506,451	11,613,833,982	13,653,431,467	16,448,026,766
Other income	988,689,180	1,163,719,071	1,349,867,329	1,269,216,686
Expenditure				
Net earnings and payment of claims	(5,543,154,699)	(9,900,699,368)	(9,690,648,221)	(12,079,317,814)
Underwriting and expenditure on acquisition	(1,068,320,881)	(1,440,826,507)	(1,609,566,546)	(2,055,691,850)
Other operations and administration expenses	(387,968,196)	(344,678,298)	(414,244,501)	(552,685,117)
Financial and other expenditure	-	-	-	(21,062,606)
Total earnings, payments and other expenditure	(6,999,443,776)	(11,686,204,174)	(11,714,459,268)	(14,708,757,386)
Profit before tax	2,839,751,855	812,818,162	3,288,839,528	3,008,486,066
Expenditure on tax	-	(100,951,677)	(105,600,662)	(105,600,662)
Profit after tax	2,839,751,855	976,233,935	3,183,238,866	3,114,086,727

The surplus which was Rs.2,839,751,855 in the year 2016 had decreased up to Rs.976,233,935 in the year 2017 and it had again increased up to Rs.3,183,238,866 in the year 2018. It had again decreased up to Rs.3,114,086,727, that is by Rs.69,152,139 in the year 2019.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
Even though a sum of Rs.1,286,505 had been deposited for the stores obtained from the Department of Railways under the Refundable Deposits – Stores Account No.38 of SRCC & TR Division, the relevant agreements had not been entered into even by the date of audit.	Action is being taken to enter into the relevant agreement.	Formal agreements should be entered into.

AUDITOR GENERAL'S REPORT

3.2 Procurement Management

Audit Observation	Comment of the Management	Recommendation
Procurement relating to the Reinsurance Programme of National Natural Disaster Insurance Scheme		
(i) Even though approval had been given at the meeting of SCAPC held on 02 April 2019 to publish the newspaper advertisement of the said reinsurance on the website of the Ministry of External Affairs, evidence to the effect that it was done had not been made available. However, only a copy of the email forwarded to the Ministry of External Affairs in support of publishing the newspaper advertisement on the website of the said Ministry, had been made available.	The letter dated 01 February 2019 relating to the appointment of Technical Evaluation Committee by the Director General of the Department of Public Finance has received by our institution by fax on 05 February 2020 while it was received by the Department of Reinsurance on 08 February 2019.	Procurement process should be streamlined.
(ii) According to 2.12 of the Procurement Guidelines, members of the Procurement Committee and Technical Evaluation Committee are required to sign a declaration. Nevertheless, two officers had not signed those declarations.	Replies have not been made.	Procurement process should be streamlined.
(iii) One member had not participated in the TEC meeting and even a note for the absence had not been made. Even though a SCAPC meeting had been held for granting approval in respect of bid documents, only the attendance of one member had been noted therein. Nevertheless, no signature had been placed that, it is agreed/not agreed with the decisions.	Since the files required to make replies were not returned, replies could not be made.	Procurement process should be streamlined.
(iv) According to the Minutes of TEC meeting held for the evaluation of bids, three persons had participated therein and it had been decided to select the institution which submitted the highest bid. Nevertheless, two members had noted that the lowest bid should be reduced to one billion rupees.	Agree.	Procurement process should be streamlined.

AUDITOR GENERAL'S REPORT

(v) Since two members had stated that the lowest bid should be reduced to one billion rupees, the supplier of the year 2018 had been informed that the agreement pertaining to National Natural Disaster Insurance Scheme was extended up to 31 December 2019. Nevertheless, according to the SCAPC meeting held on 22 July 2019, the said institution should have reimbursed a sum of Rs.17,220,680 to the Fund owing to the flood disaster and such money had not been reimbursed even up to the date of audit. Nevertheless, the Chief Executive Officer of the Fund, by the letter dated 20 August 2019 had informed the relevant institution to extend the reinsurance up to 31 December 2019.	Agree.	Procurement process should be streamlined.
(b) Procurement relating to the Reinsurance Programme of Strike, Riot, Civil Commotion, and Terrorist Activities Fund		

The reinsurance activities of the Strike, Riot, Civil Commotion, and Terrorist Activities Fund established as per the Cabinet decision dated 18 November 1987 and functioning under the Fund, had been commenced in the year 2017. The following matters were observed in the examination of procurement files in this connection.	Agree.	Procurement process should be streamlined.
A Cabinet Appointed Procurement Committee had been appointed for the reinsurance of the SRCC & TR Division for the year 2019 and the following decisions were taken by the said Committee.	Agree.	
(i) Since the bidders have not forwarded original copies, it had been recommended that the bids submitted by Technical Evaluation Committee were not valid and to call the bids again,	Agree	
(ii) To grant additional 02 weeks as the minimum period of bidding time of 42 days was not adequate,		
(iii) To extend the present reinsurance from 01 July 2019 to 31 December 2019.		
(iv) To seek the approval for extension of period from 01 January 2019 on the Cabinet Approval	Agree	

AUDITOR GENERAL'S REPORT

According to the Cabinet decision dated 29 October 2019, approval had been given to obtain the reinsurance from 01 January 2019 to 31 December 2019 from the supplier of the year 2018 as stated in the Cabinet Memorandum dated 11 October 2019 submitted for extension of the period of reinsurance of the National Insurance Trust Fund as per the Cabinet Paper No. 108232/2952/19.	The Cabinet Memorandum dated 11 October 2019 has given the approval to obtain the reinsurance from 01.01.2019 to 31.12.2019 from the supplier of the year 2018.	Procurement process should be streamlined.
(c) Procurement Relating to Reinsurance of Agricultural Insurance Coverage --------------------------------------		
According to the report of the Cabinet Appointed Procurement Committee dated 06 August 2019 relating to the reinsurance of agricultural insurance coverage, the procurement had been cancelled.	According to the report of the Cabinet Appointed Procurement Committee dated 06 August 2019 relating to the reinsurance of agricultural insurance coverage, the tender had been cancelled.	Procurement process should be streamlined.
(d) Procurement Relating to Transfer of 30 per cent of Compulsory Reinsurance under the Reinsurance Programme. --------------------------------------		
In order to select a suitable reinsurer for the procurement pertaining to the transfer of reinsurance for the year 2019/2020, the Fund had published a notice on the Daily News and the website of the Fund on 12 February 2019 and a decision had been reached to terminate the procurement process on 25 March.	Agree.	Procurement process should be streamlined.
(i) According to the bids submitted by the reinsurers and the relevant requirements, as one insurance company had not presented document on the experience, its minimum financial strength could not be ascertained, and due to reporting unsatisfactory experiences on the recovery of reinsurance compensation, it had been recommended appropriate to recall for bids and to adopt new procurement method and further, to continue this process based on a Cabinet Appointed Standing Procurement Committee operating under the Ministry of Finance.	Not agreed. Explanations had been made for the justification of selecting minimum bid.	Procurement process should be streamlined.
(ii) However, as a period of 91 days is taken for the process of calling for international competitive bids, the Cabinet Appointed Procurement Committee held on 15 May 2019 had decided to extend the existing reinsurance up to 25 May 2019.	Agree.	Procurement process should be streamlined.

AUDITOR GENERAL'S REPORT

(iii) According to the new procurement process, the period for the submission of bids had been fixed up to 21 October 2019. Therefore, due to the delay of the relevant procurement process, recommendations had been made at the relevant Committee meeting to extend the agreement of the existing reinsurance from 15 March 2019 to 15 March 2020. Accordingly, for the Cabinet Memorandum titled Extension of the Reinsurance Period of the National Insurance Trust Fund presented by the Minister of Finance on 11 October 2019 under the Proposal No.HF/113/CM/2019/296 seeking Cabinet approval, action had been taken to grant approval as per the Cabinet Paper No.19/2952/108/232-1	Agree.	Procurement process should be streamlined.

3.3 Operating Inefficiencies

Audit Observation	Comment of the Management	Recommendation
I. In order to be the best service provider in the public sector by creating a consumer friendly physical environment on the ground floor of the new building and planning a consumer centered island wide service supply system within that centre, plans had been drawn in the Action Plan to implement relevant activities from the year 2019. Nevertheless, any relevant detail had not been disclosed in the Progress Report.	Although there are some delays in the activities relating to the establishment of consumer service centre on the ground floor of the new building, it is informed that relevant activities are in their final stage at present.	Expected activities of the Action Plan should be completed.
II. Even though it had been planned to complete the development of consolidated claims management system connected with the Agrahara Insurance consumer data base within the first quarter of 2019, it had not been completed even by the year 2020. Accordingly, its achievement was not at a satisfactory level.	Having obtained the consultancy service of the ICTA by the present management, the Board of Directors has given instructions based on the above consultations to pay the relevant claims and to obtain Agrahara income system.	Expected activities of the Action Plan should be completed.

AUDITOR GENERAL'S REPORT

III. With the concurrence of the Ministry of Finance and the Ministry of Disaster Management, the Fund had fixed objectives to restructure the benefits and to cover the limits for the National Natural Disaster Insurance Scheme (NNDIS) including the performance indicators of covering tea small holders and livestock farmers and building up of coordinating structure with more responsibility with the Agricultural and Agrarian Insurance Board (AAIB). Nevertheless, the Fund had informed the Audit that the National Insurance Trust Board had not issued the insurance policy for the year 2021/2020 after 31.03.2020.	With the objective of providing essential services for the houses and small scale enterprises damaged at the natural disasters, the Natural Disaster Insurance Policy was annually issued to the Ministry of Finance from 01/04/2016. Nevertheless, the National Insurance Trust Board had not issued the insurance policy for the year 2020/2021 after 31.03.2020.	Expected activities of the Action Plan should be completed.
IV Under the development of general insurance industry in commercial nature for making a considerable contribution towards the profitability of the general insurance, plans had been drawn to make 6 per cent quarterly contribution or 24 per cent annual contribution from the general insurance and quarterly contribution of Rs.75.5 million as before tax profit or Rs.70 million annual contribution from the general insurance field to the Fund out of the gross profit of the Fund during the year 2019. The progress thereof had also not been included in the annual progress report and it was observed in the financial statements 2019 that a loss of Rs.13,889,693 had annually incurred from the general insurance. Accordingly, it was further observed that the above target had not been achieved.	Agree.	Expected activities of the Action Plan should be completed.

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

As At 31st December 2019

	Notes	2019 Rs.	2018 Rs.
Gross written premium	1	**12,693,194,645**	9,683,874,748
Contribution Received for Agrahara	1	**4,838,723,551**	4,017,420,904
Crop Insurance Levy Collected		**1,780,383,987**	2,138,167,676
Reinsurance Premiums ceded		**(1,191,875,662)**	(2,460,537,699)
Ceded to SRCC & Tr Fund		**-**	(25,439,340)
Net written premiums		**18,120,426,521**	13,353,486,289
Net change in Reserve for unearned premium		**(997,664,716)**	(374,789,862)
Reinsurers share of change in UPR		**(674,735,040)**	674,735,040
Net earned premium		**16,448,026,766**	13,653,431,467
Revenue from other operations			
Fees and commission income	2	**4,438,361**	6,467,415
Investment & Other Income	3	**1,264,778,325**	1,343,399,914
Other revenue		**1,269,216,686**	1,349,867,329
Gross benefits and claims Incured	4	**(9,934,309,446)**	(9,763,499,280)
Claims ceded to reinsurers	4	**498,500,000**	
Gross change in contract liabilities	4	**(2,522,543,002)**	1,554,911,720
Change in contract liabilities ceded to reinsurers	4	**(43,234,155)**	(1,016,766,143)
Gross change in IBNR	4	**(77,731,211)**	(465,294,517)
Net benefits and claims		**(12,079,317,814)**	(9,690,648,221)
Underwriting and acquisition cost (including reinsurance)	5	**(2,055,691,850)**	(1,609,566,546)
Other operating and administrative expenses	6.1	**(552,685,117)**	(414,244,501)
Finance cost & other Related Cost	6.2	**(21,062,606)**	-
Total benefits, claims and other expenses		**(14,708,757,386)**	(11,714,459,268)
Profit/(Loss) before tax		**3,008,486,066**	3,288,839,528
Reversal of Income Tax		**105,600,661**	(105,600,662)
Profit/(Loss)for the year		**3,114,086,727**	3,183,238,866
Other Comprehensive Income			
Net change in available for sale financial assets		**517,879,752**	131,176,710
Actual Gain/(Loss) on retirement benefit obligation		**(574,033)**	(9,075,505)
Revaluation Deficit on Property Plant & Equipment			(2,102,126)
Other comprehensive income for the year, net of tax			
Total Comprehensive Income		**3,631,392,446**	3,303,237,946

STATEMENT OF FINANCIAL POSITION

As At 31st December 2019

	Notes	2019 Rs.	2018 Rs.
Assets			
Intangible assets	7	**8,147,706**	2,806,809
Property, plant and equipment	8	**40,497,303**	29,362,528
Right of use lease Assets	9	**130,651,150**	-
Financial Assets	10	**15,444,667,263**	10,674,617,497
Reinsurance Receivable	11	**1,599,620,442**	1,468,768,756
Premium receivables	12	**2,010,815,480**	1,548,824,733
Soft Loans	13	**3,754,982**	5,725,010
Other non financial assets	14	**109,855,613**	98,479,866
Deferred Commission	15	**758,831,301**	620,751,687
Cash at bank and in hand	16	**600,106,740**	1,145,855,712
Total Assets		**20,706,947,980**	15,595,192,598
Equity and Liabilities			
Retained earnings		**7,143,097,715**	7,424,644,966
Other component of equity		**50,850,926**	(466,454,792)
Revaluation Reserve		**(2,102,126)**	(2,102,126)
Total Equity		**7,191,846,515**	6,956,088,047
Liabilities			
Insurance contract liabilities	19	**11,803,879,609**	7,531,205,639
Retirement benefit obligation	20	**34,192,463**	28,510,041
Lease Creditor	21	**141,801,845**	-
Other liabilities	17	**1,535,227,547**	1,075,776,134
Bank overdraft	16	**-**	3,612,734
Total Liabilities		**13,515,101,463**	8,639,104,548
Total Equity and Liabilities		**20,706,947,980**	15,595,192,598

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

K.G.K. Wimalaweera
Chief Executive Officer

The Accounting policies and Notes on pages 46 to 79 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-Feb-20
Colombo

STATEMENT OF CHANGES IN EQUITY

As At 31st December 2019

	Retained earnings	Available for Sale Financial Assets	Revaluation Reserve	Total
Balance as at 31 December 2015	8,744,382,870	(88,871,109)		8,655,511,761
Profit for the year		2,839,751,855		2,839,751,855
Net change in available for sale financial assets		(182,717,265)		(182,717,265)
Acturial gain on gratuity valuation		4,740,893		4,740,893
Cancellation of invoices reinsurance	(34,714,833)			(34,714,833)
Cash Transferred to the Consolidated Fund	(3,200,000,000)			(3,200,000,000)
Income Tax Payable 2012/13	(578,674,926)			(578,674,926)
Amortised discounts on Bonds	47,663,316			47,663,316
Depreciation adjustment	2,614,431			2,614,431
Adjustments to Premium Refunds	7,306,615			7,306,615
SLIPS return Non Motor	22,500			22,500
Motor premium	(75,000)			(75,000)
Deposit paid write off	(392,000)			(392,000)
Reinsurance Premium Adjustment	3,869,230			3,869,230
Rent expense	(48,450)			(48,450)
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)
Operning - AR Control RI	(38,856,406)			(38,856,406)
Operning - 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 Diposed Motor Vehicle	6,276,415			6,276,415
Amortised discounts on Bonds	25,070,657			25,070,657
NNDIS Reinstatement & Ajustment 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**

Accounting policies and notes on pages 46 through 79 form an integral part of the Financial Statements.
Figures in bracket indicate deductions.

STATEMENT OF CASH FLOWS

For the year ended 31st December 2019

		2019 Rs.	2018 Rs.
Cash Flows from Operating Activities			
Profit Before Tax		3,008,486,066	3,288,839,528
Adjustments for :			
Interest Income		(1,215,544,996)	(1,168,986,729)
Depreciation		14,354,664	12,452,639
Amortisation		1,092,955	273,100
Net Fair Value Changes		517,305,719	(399,663,151)
Prior Year Adjustments		(139,165,533)	(228,020,447)
Loss/ (Profit)on Disposal of Fixed Assets		756,279	(2,352,313)
		2,187,285,153	1,502,542,627
Change in Operating Assets	A	(872,948,944)	5,465,861,509
Change in Operating Liabilities	B	4,985,210,310	(2,876,425,787)
Cash Flow from Operating Activities		6,299,546,518	4,091,978,349
Net Cash Generated from Operating Activities		6,299,546,518	4,091,978,349
Cash Flows from Investing Activities			
Net Disposal/(Acquisition) of Financial Investments		(4,770,049,767)	(2,513,189,705)
Interest Received		1,215,544,996	1,168,986,729
Amortised discounts on Bonds		11,501,557	
Recovery of Soft Loans		1,970,028	8,344,887
Disposal of Property Plant and Equipment		1,222,888	9,018,980
Acquisition of Intangible Assets		(6,433,851)	(1,702,201)
Acquisition of Property, Plant and Equipment		(27,468,606)	(4,836,560)
Net Cash Used from Investing Activities		(3,573,712,754)	(1,333,377,870)
Cash Flows from Financing Activities			
Cash Transferred to the Consolidated Fund		(3,267,970,000)	(2,750,000,000)
Net Cash Used in Financing Activities		(3,267,970,000)	(2,750,000,000)
Net Increase / (Decrease) in Cash and Cash Equivalents	C	(542,136,238)	8,600,480
Net Cash and Cash Equivalents at the beginning of the Year		1,142,242,978	1,133,642,497
Cash and Cash Equivalents at the end of the Year		600,106,740	1,142,242,978

Notes to the Cash Flow Statement

	2019 Rs.	2018 Rs.
A. Change in Operating Assets		
(Increase)/ Decrease in Deferred Commission	(138,079,613)	(23,668,078)
(Increase)/ Decrease in reinsurance premium receivable	(130,851,686)	3,105,332,165
(Increase)/ Decrease in Premium Receivable	(461,990,747)	560,340,237
(Increase)/ Decrease in Other Non Financial Assets	(11,375,748)	1,823,857,184
(Increase)/ Decrease in Right of use lease Assets	(130,651,150)	-
	(872,948,944)	5,465,861,509
B. Change in Operating Liabilities		
Increase / (Decrease) in Insurance Contract Liabilities	4,272,673,969	(1,348,651,101)
Increase / (Decrease) in Retirement Benefit obligation	5,682,422	(1,150,323)
Increase / (Decrease) in Other liabilities	565,052,074	(1,526,624,363)
Increase / (Decrease) in Lease Creditor	141,801,845	
	4,985,210,310	(2,876,425,787)
C. Increase / (Decrease) in Cash and Cash Equivalents		
Net Cash and Cash Equivalents at the end of the Year	600,106,740	1,142,242,978
Less: Net Cash and Cash Equivalents at the beginning of the Year	1,142,242,978	1,133,642,497
Net Increase / (Decrease) in Cash and Cash Equivalents	(542,136,238)	8,600,481

Notes to the Financial Statements

Year ended 31st December 2019

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 2019 was 306 (2018 - 238).

1.6 Approval of financial statements by the Board of Directors

The financial statements of The Board for the year ended 31st December 2019 were approved and authorized to issue on 27 February 2020 in accordance with the resolution of the Board of Directors on 27 February 2020.

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 43).
- A Statement of Comprehensive Income providing the information on the financial performance of the Board for the year under review. (page 42)
- A Statement of Changes in Equity depicting all changes in equity. (page 44)
- 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 45) and Notes to the financial statements comprising accounting policies and other explanatory information (page 46 to 79).

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 2019

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 2019.

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.

2.7.1 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.

2.7.2 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.

2.7.3 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 2019

2.7 Summary of significant accounting policies

2.7.1 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 pro?t or loss.

2.7.2 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.

2.7.3 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.

o 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.

o 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 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

Notes to the Financial Statements (Contd...)

Year ended 31st December 2019

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.

o 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.

2.7.5 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.

2.7.6 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 classifoed 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 ?ow statement purposes, cash and cash equivalents are presented, net of bank overdrafts.

2.7.7 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.

o 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 1 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.

o SLFRS 9 - Financial Instruments SLFRS 9 - Financial Instruments, will replace LKAS 39 - Financial Instruments: Recognition and Measurement, for annual periods on or after 1 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 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

Notes to the Financial Statements (Contd...)

Year ended 31st December 2019

of aggregated portfolios and is based on observable factors such as:

- o 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
- o 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
- o 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

Notes to the Financial Statements (Contd...)

Year ended 31st December 2019

	2019							
	Motor	Non Motor	NNDIS	Reinsurance	SRCC	Health Agrahara /Mp	Crop Insurance Scheme	Total
	Rs	Rs	Rs	Rs	Rs			Rs
PREMIUMS								
Gross written premiums	390,150,125	301,979,246	1,500,000,000	4,173,714,909	6,307,350,365	20,000,000		12,693,194,645
Contribution Received for Agrahara						4,838,723,551		4,838,723,551
Crop Insurance Levy Collected							1,780,383,987	1,780,383,987
Reinsurance Premiums ceded		(1,815,766)	(401,153,425)	(449,426,588)	(81,656,250)		(257,823,633)	(1,191,875,662)
Ceded to SRCC & Tr Fund	(10,328,946)	(15,763,537)		-	26,092,483			
Net written premiums	**379,821,180**	**284,399,943**	**1,098,846,575**	**3,724,288,321**	**6,251,786,597**	**4,858,723,551**	**1,522,560,354**	**18,120,426,521**
Gross change in UPR	3,664,281	(30,644,454)	(246,575,343)	(41,061,916)	(683,047,284)	0	(997,664,716)	
Reinsurers share of change in UPR	-		(555,846,575)	(94,558,680)	-		(24,329,784)	(674,735,040)
Net change in Reserve for unearned Premium	3,664,281	(30,644,454)	(802,421,918)	(135,620,596)	(683,047,284)	0	(24,329,784)	(1,672,399,756)
NET PREMIUMS EARNED (A)	**383,485,460**	**253,755,489**	**296,424,657**	**3,588,667,725**	**5,568,739,313**	**4,858,723,552**	**1,498,230,570**	**16,448,026,766**
Fee income (B)	3,768,548	669,813						4,438,361
TOTAL UNDERWRITING INCOME (A + B)	387,254,008	254,425,302	296,424,657	3,588,667,725	5,568,739,313	4,858,723,552	1,498,230,570	16,452,465,127
Acquisition costs	(57,467)	(7,108,852)		(787,370,107)	(1,018,025,777)			(1,812,562,203)
Change in deferred acquisition costs		1,452,674		(4,473,312)	(240,109,009)			(243,129,646)
Net acquisition costs (C)	(57,467)	(5,656,178)	-	(791,843,419)	(1,258,134,786)	-	-	(2,055,691,850)
Gross claims Incurred	(295,142,859)	(278,709,294)	(917,568,977)	(3,921,508,172)	(707,713,434)	(5,351,351,714)	(984,857,998)	(12,456,852,448)
Reinsurance recoveries				498,500,000				498,500,000
Changing of IBNR	(15,537,220)	36,466,717	25,018,135	(93,472,428)	14,787,908	(48,132,416)	3,138,094	(77,731,211)
Net claims paid	(310,680,079)	(242,242,577)	(892,550,842)	(3,516,480,600)	(692,925,527)	(5,399,484,130)	(981,719,904)	(12,036,083,659)
Reinsurers share of change in outstanding claims				(43,234,155)				(43,234,155)
NET CLAIMS INCURRED (D)	(310,680,079)	(242,242,577)	(892,550,842)	(3,559,714,755)	(692,925,527)	(5,399,484,130)	(981,719,904)	(12,079,317,814)
UNDERWRITING RESULT(A+B+C+D)	76,516,462	6,526,547	(596,126,185)	(762,890,449)	3,617,679,001	(540,760,579)	516,510,666	2,317,455,464
Administrative expenses (E)	(75,583,525)	(20,995,424)	(41,990,847)	(41,990,847)	(153,839,250)	(230,949,660)	(8,398,169)	(573,747,723)
TOTAL EXPENSES (C+D+E)	(386,321,071)	(268,894,178)	(934,541,690)	(4,393,549,021)	(2,104,899,562)	(5,630,433,791)	(990,118,073)	(14,708,757,386)
	932,937	(14,468,876)	(638,117,032)	(804,881,296)	3,463,839,751	(771,710,239)	508,112,497	1,743,707,741
Investment & Other Income for the year	18,534,139	579,183	80	142,479,029	1,071,567,944	3,406,417	28,211,533	1,264,778,325
Profit before tax	**19,467,076**	**(13,889,693)**	**(638,116,952)**	**(662,402,267)**	**4,535,407,695**	**(768,303,822)**	**536,324,029**	**3,008,486,066**
Income tax expense		8,681,727			96,918,935			105,600,661
Profit after tax	**19,467,076**	**(5,207,966)**	**(638,116,952)**	**(662,402,267)**	**4,632,326,630**	**(768,303,822)**	**536,324,029**	**3,114,086,727**

Notes to the Financial Statements (Contd...)

Year ended 31st December 2019

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.

Rebates that form part of the premium rate, such as no claim rebates, are deducted from the GWP.

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

	2019 Rs.	2018 Rs.
Gross Written Premium		
The premium income for the year by major classes of business is as follows.		
Inward Reinsurance	**4,173,714,909**	4,056,395,150
SRCC & Tr Premium	**6,307,350,365**	4,581,640,544
General Insurance - Motor	**390,150,125**	422,117,039
General Insurance - Non Motor	**301,979,246**	103,722,015
National Natural Disaster Scheme (NNDIS)	**1,500,000,000**	500,000,000
Medical scheme for Parliamentory members	**20,000,000**	20,000,000
	12,693,194,645	9,683,874,748
Contribution collected for Agrahara medical Insurance Scheme		
Contribution from Members	**3,617,114,527**	2,959,518,379
Contribution from the Treasury	**767,970,000**	750,000,000
Pensioners Insurance Scheme	**142,321,400**	101,282,200
Semi Government Scheme	**311,317,625**	206,620,325
	4,838,723,551	4,017,420,904

Notes to the Financial Statements (Contd...)

Year ended 31st December 2019

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 2019

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

For the Year Ended 31st December,

	2019 Rs.	2018 Rs.
Current Income Tax	-	-
Income Tax on current year's profit -		105,600,662
(Over)/Under Provision of Current Taxes in Respect of Prior Years	(105,600,662)	-
Total Income Tax (Reversal)/Expense	(105,600,662)	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.

Subsequent expenditure on software assets is capitalised only when it increases the future economic

Notes to the Financial Statements (Contd...)

Year ended 31st December 2019

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. 6,542,073 fully amortised intangible assets which are still in use or idle intangible assets as at the reporting date (2018 - 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 Acquisition of intangible assets during the year was Rs. 6,433,851 during the year 2019 (2018 - 1,702,201).

17.4 Assessment of impairment of intangible assets The Board of Directors has assessed the potential impairment indicators of intangible assets as at 31 December 2018. 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.

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;

Notes to the Financial Statements (Contd...)

Year ended 31st December 2019

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. 27,468,606 (2018 - Rs. 4,836,560). Cash payments amounting to Rs. 27,468,606 (2018 - Rs. 4,836,560). 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 December 2019 (2018 - Nil).

18.5 Temporarily idle property, plant and equipment There were no temporarily idle property, plant and equipment as at 31 December 2019 (2018 - 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 31 December 2019. 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. 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:

o Fair Value Through Profit or Loss (FVTPL); o Loans and receivables (L&R); o Available-For-Sale (AFS) financial assets; and o 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 (2017-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 transferred. Any interest in a transferred financial asset that is created or retained by The Board is recognised as a separate asset or liability.

Notes to the Financial Statements (Contd...)

Year ended 31st December 2019

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.

The Board 's financial investments are summarised below by measurement category.

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 progit 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 7% - 9.25%, 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 2019

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 provided 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	2019	2018
Up to 30 days	72,195,682	85,026,751
31 to 60 days	172,692,828	47,240,166
61 to 365 days	409,991,631	342,703,595
Over 365 days	302,332,943	183,846,231
	957,213,084	658,816,744

Notes to the Financial Statements (Contd...)

Year ended 31st December 2019

MOTOR

Age	2019	2018
Up to 30 days	9,700,788	17,447,602
31 to 60 days	9,064,058	7,683,775
61 to 365 days	16,321,752	4,772,167
Over 365 days	1,121,030	444
	36,207,628	29,906,005

NON MOTOR

Age	2019	2018
Up to 30 days	49,136,967	53,467,717
31 to 60 days	2,227,274	5,449,558
61 to 365 days	7,278,411	6,457,186
Over 365 days	3,563,364	6,109,706
	62,206,015	71,484,167

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 2019

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 prodit 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.

Notes to the Financial Statements (Contd...)

Year ended 31st December 2019

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.

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 ?rm of professional actuaries as at 31 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 31 December 2019 (2018 - 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 31 December 2019.

28.8 Changes in assumptions There were no material estimation changes from the previous valuation done for the balance as at 31 December 2019.

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.

Principal actuarial assumptions used.

Actuarial information	2019	2018
a) Discount Rate	10.77%	12.39%
b) Salary increase	9.80%	12.00%
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%	2.5%
25 – 30	1.6%	3.2%
30 – 35	1.8%	2.5%
35 – 40	1.4%	2.1%
40 – 45	0.0%	1.5%

Notes to the Financial Statements (Contd...)

Year ended 31st December 2019

Actuarial information	2019	2018
45 – 50	0.0%	0.5%
50 – 55	0.0%	0.0%
55 – 100	0.0%	0.0%

Employee Information		
a) Average age	34.3	34.9
b) Average service period(years)	6.5	7.1
c) Expected future lifetime (years)	15.99	16.63
d) Number of Employees	239	185

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 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.

Notes to the Financial Statements (Contd...)

Year ended 31st December 2019

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

he 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.

Notes to the Financial Statements (Contd...)

Year ended 31st December 2019

1 Gross Written Premium

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

	2019 Rs.	2018 Rs.
Inward Reinsurance	**4,173,714,909**	4,056,395,150
SRCC & Tr Premium	**6,307,350,365**	4,581,640,544
General Insurance - Motor	**390,150,125**	422,117,039
General Insurance - Non Motor	**301,979,246**	103,722,015
National Natural Disaster Scheme (NNDIS)	**1,500,000,000**	500,000,000
Medical scheme for Parliamentory members	**20,000,000**	20,000,000
	12,693,194,645	9,683,874,748

1.2 Contribution collected for Agrahara medical Insurance Scheme

	2019 Rs.	2018 Rs.
Contribution from Members	**3,617,114,527**	2,959,518,379
Contribution from the Treasury	**767,970,000**	750,000,000
Pensioners Insurance Scheme	**142,321,400**	101,282,200
Semi Government Scheme	**311,317,625**	206,620,325
	4,838,723,551	4,017,420,904

	2019 Rs.	2018 Rs.
2. FEES AND COMMISSION INCOME		
Policyholder administration fees	**4,438,361**	6,467,415
Total fees and commission income	**4,438,361**	6,467,415

	2019 Rs.	2018 Rs.
3. INVESTMENT & OTHER INCOME		
3.1 Loans and receivables interest income		
Interest income from Repurchase Agreements	**368,704,680**	359,001,887
Interest income from Debentures		-
	368,704,680	359,001,887
3.2 Available for sales interest income		
Interest income from Treasury Bills	**224,718,954**	146,519,438
Interest income from Treasury Bonds	**585,152,006**	653,510,330
	809,870,961	800,029,767

Notes to the Financial Statements (Contd...)

Year ended 31st December 2019

		2019 Rs.	2018 Rs.
3.	**INVESTMENT & OTHER INCOME (Contd..)**		
3.3	**Held to maturity interest income**		
	Interest income from SLBD	**36,969,356**	-
		36,969,356	-
	Total Investment Income	**1,215,544,996**	1,159,031,654
3.4	**Other Income**		
	Interest on Savings Account	**7,826,740**	8,241,076
	Interest on Soft Loans	**49,172**	318,346
	Interest on Staff Distress Loans	**1,690,019**	1,395,653
	Disposal of Fixed Assets	**(756,279)**	2,352,313
	Exchange Gain / loss	**17,057,402**	168,765,990
	Other	**23,366,275**	3,294,882
	Total Other Income	**49,233,328**	184,368,260
	Total Income	**1,264,778,325**	1,343,399,914

			2019 Rs.	2018 Rs.
4	**NET BENEFITS AND CLAIMS**			
	(a)	**Gross benefits and claims paid**		
		Reinsurance	**(2,476,072,216)**	(2,345,202,622)
		SRCC & Tr	**(417,783,502)**	(50,085,704)
		General Insurance - Motor	**(257,432,249)**	(208,043,768)
		General Insurance - Medical & Other	**(307,223,184)**	(469,755,602)
		Crop Insurance	**(608,307,885)**	(1,813,322,777)
		National Natural Disaster Scheme (NNDIS)	**(610,466,501)**	(843,784,556)
		Agrahara medical Insurance Scheme	**(5,257,023,909)**	(4,033,304,251)
			(9,934,309,446)	(9,763,499,280)
	(a.1)	**Agrahara medical Insurance Scheme**		
		Paid Claims		
		Pension	**(144,451,177)**	(86,053,974)
		Semi Government	**(393,835,342)**	(167,680,567)
		Agrahara Parliament	**(17,183,409)**	(13,612,162)
		Agrahara Normal	**(1,421,747,649)**	(1,638,452,006)
		Agrahara Silver	**(241,547,334)**	(245,673,639)
		Agrahara Gold	**(3,038,258,998)**	(1,881,831,903)
			(5,257,023,909)	(4,033,304,251)

Notes to the Financial Statements (Contd...)

Year ended 31st December 2019

		2019 Rs.	2018 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	(1,445,435,956)	1,118,915,215
	SRCC & Tr	(289,929,932)	(4,909,984)
	General Insurance - Motor	(37,710,610)	(19,577,104)
	General Insurance - Medical & Other	28,513,890	(44,120,899)
	Crop Insurance	(376,550,113)	227,238,143
	National Natural Disaster Scheme (NNDIS)	(307,102,476)	329,067,118
	Agrahara medical Insurance Scheme	(94,327,805)	(51,700,769)
		(2,522,543,002)	1,554,911,720
(C.1)	**Agrahara medical Insurance Scheme**		
	change in contract liabilities		
	Pension	(19,565,164)	(1,470,261)
	Semi Government	1,442,035	(18,633,260)
	Agrahara Parliament	(1,590,005)	(154,758)
	Agrahara Normal	13,307,343	42,199,179
	Agrahara Silver	2,494,458	(2,506,691)
	Agrahara Gold	(90,416,472)	(71,134,978)
		(94,327,805)	(51,700,769)
(d)	**Change in contract liabilities ceded to reinsurers**		
	Reinsurance	(43,234,155)	(335,594,771)
	National Natural Disaster Scheme (NNDIS)	-	(681,171,372)
		43,234,155)	(1,016,766,143)
(e)	**Gross change in IBNR**		
	Reinsurance	(93,472,428)	57,379,737
	SRCC & Tr	14,787,908	(21,072,197)
	General Insurance - Motor	(15,537,220)	(85,714,746)
	General Insurance - Medical & Other	36,466,717	(34,513,168)
	Crop Insurance	3,138,094	11,361,907
	National Natural Disaster Scheme (NNDIS)	25,018,135	(162,533,506)
	Agrahara medical Insurance Scheme	(48,132,416)	(230,202,544)
		(77,731,211)	(465,294,517)
	Net benefits and claims	(12,079,317,814)	(9,690,648,221)

Notes to the Financial Statements (Contd...)

Year ended 31st December 2019

		2019 Rs.	2018 Rs.
5	**UNDERWRITING AND ACQUISITION COST**		
	Acquisition Cost - Insurance Companies	**(1,805,395,884)**	(1,518,080,365)
	Profit Commission Expenses	**(381,209,260)**	(114,581,924)
	Broker Commission Fee	**(7,166,319)**	(572,335)
	Change unearned commission reserve - SRCC	**141,100,251**	31,900,594
	Change unearned commission reserve - General	**1,452,674**	(804,112)
	Change unearned commission reserve - Reinsurance	**(4,473,312)**	(7,428,404)
		(2,055,691,850)	(1,609,566,546)

		2019 Rs.	2018 Rs.
6.1	**OTHER OPERATING AND ADMINISTRATIVE EXPENSES**		
	Auditors Remuneration	**4,518,478**	1,000,000
	Employee Benefit Expenses	**240,189,765**	218,637,288
	Administration and establishment Expenses	**240,220,820**	173,943,677
	Advertisement & Promotion Expenses	**11,003,377**	4,747,107
	Depreciation of Property Plant and Equipment	**14,354,664**	12,452,639
	Depreciation of Right of Use Assets	**35,459,981**	
	Amortisation of Intangible Assets	**1,092,955**	273,100
	Legal Fees	**3,977,897**	1,214,940
	Sponsership	**1,867,180**	1,975,750
	Total other operating and administrative expenses	**552,685,117**	414,244,501
6.1.1	**Employee Benefit Expenses**		
	Wages and salaries including bonus & incentives	**165,633,480**	139,453,031
	Contributions to defined contributions plans	**-**	
	Employees' Provident Fund	**19,788,894**	16,864,127
	Employees' Trust Fund	**4,702,648**	4,210,826
	Other personal cost	**44,734,198**	50,184,122
	Retirement benefit cost	**5,330,544**	7,925,182
	Total employee benefits expense	**240,189,764.50**	218,637,288.24

Notes to the Financial Statements (Contd...)

Year ended 31st December 2019

	2019 Rs.	2018 Rs.
6.1 OTHER OPERATING AND ADMINISTRATIVE EXPENSES (Contd..)		
6.1.2 Administration and establishment Expenses		
Professional fees	**11,464,284**	9,114,800
Electricity	**6,583,288**	8,943,806
Telephone	**4,965,417**	6,249,270
Printing & Stationary	**18,101,085**	13,347,492
Postage	**4,673,732**	4,712,447
Office Rent	**17,805,229**	32,437,174
Nation building tax expense	**60,344,055**	1,889
Inspection & Assessing	**12,275,156**	14,180,405
Annual Fee & Cess To IBSL	**29,078,335**	23,373,046
Operating Lease Expences	**-**	5,730,000
Travelling	**10,799,263**	8,594,211
Soft ware Maintenance	**2,672,316**	1,644,076
Internet & E -Mail Chargers	**3,764,717**	3,676,586
Fuel	**1,696,873**	1,588,463
Office Repaires and Maintenance	**19,541,168**	5,672,110
Other administration & establishment expenses	**36,560,953**	34,677,901
Total administration and establishment expenses	**240,325,870**	173,943,677

	2019 Rs.	2018 Rs.
6.2 FINANCE COST & OTHER RELATED COST		
Lease Expenses	**21,062,606**	-
Total Finance Cost & Other Related Cost	**21,062,606**	-

Notes to the Financial Statements (Contd...)

As at 31st December 2019

		2019 Rs.	2018 Rs.
7	**INTANGIBLE ASSETS**		
	Cost		
	As at 1st January 2019	**9,734,274**	8,032,073
	Additions	**6,433,851**	1,702,201
	As at 31st December 2019	**16,168,125**	9,734,274
	Accumulated amortisation and impairment		
	As at 1st January 2019	**6,927,465**	6,654,365
	Amortisation	**1,092,955**	273,100
	As at 31st December 2019	**8,020,420**	6,927,465
	Carrying amount		
	As at 31st December 2019	**8,147,706**	2,806,809

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

	2019 Rs.	2018 Rs.
Software	**6,542,073**	6,542,073

Notes to the Financial Statements (Contd...)

As at 31st December 2019

Company	Motor Vehicles Rs.	Office Equipment Rs.	Furniture & Fittings Rs.	Name Board Rs.	Machinery	Total
Cost/Valuation						
As at 1st January 2019	11,725,000	19,766,681	7,882,682			39,374,363
Additions	-	4,606,878	14,525,415	965,940	7,370,373	27,468,606
Revalued Cost	-					
Disposals		(2,500,000)				(2,500,000)
Revaluation Acc- Cost	-					
Disposals	-					
As at 31st December 2019	11,725,000	21,873,559	22,408,097	965,940	7,370,373	64,342,969
Accumulated Depreciation						
As at 1st January 2019	2,775,003	5,841,671	1,395,163			10,011,837
Depreciation	3,381,250	7,182,379	3,249,642	111,455	429,938	14,354,664
Disposals		(520,833)				(520,833)
Revaluation Acc. Depreciation	-					
Previous Month adjustment	-					
As at 31st December 2019	6,156,253	12,503,217	4,644,805	111,455	429,938	23,845,668
Carrying amount						
At 31 December 2018	8,949,997	13,925,010	6,487,519	6,487,519		29,362,527
As at 31st December 2019	**5,568,747**	**9,370,342**	**17,763,292**	**854,485**	**6,940,435**	**40,497,302**

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

	SRCC	NITF	2019 Rs.	2018 Rs.
Motor Vehicles		425,000	425,000	
Office Equipment		776,900	776,900	
		1,201,900	1,201,900	

Notes to the Financial Statements (Contd...)

As at 31st December 2019

	Motor Vehicles	Lease Hold Asset Building SRCC	NITF	Total
	Rs.		Rs.	Rs.
9 RIGHT OF USE LEASE ASSETS				
Cost/Valuation Motor Vehicles	13,798,021	151,237,301	1,358,916.77	166,394,239
As at 1st January 2019				
Additions				
As at 31st December 2019	13,798,021	151,237,301	1,358,917	166,394,239
Accumulated Depreciation Motor Vehicles				
As at 1st January 2019				
Depreciation on Lease Vehicle	4,699,852	30,760,129	283,107.66	35,743,089
As at 31st December 2019	4,699,852	30,760,129	283,108	35,743,089
Carrying amount	9,098,169	120,477,172	1,075,809	130,651,150

	Notes	2019 Rs.	2018 Rs.
10 FINANCIAL ASSET			
Loans And Receivables	10.1	**5,290,443,608**	2,345,377,459
Available For Sale Financial Assets	10.2	**9,482,235,142**	8,329,240,037
Held to Maturity Financial Assets	10.3	**671,988,513**	-
Total financial instruments		**15,444,667,263**	10,674,617,497
10.1 Loans And Receivables			
Government Securities - Repo Investment		**5,290,443,608**	2,345,377,459
Debentures - Unquoted		**-**	-
Debentures - Unquoted		**-**	-
Refundable Deposits		-	-
Promissory notes		**-**	-
Total loans and receivables at amortised cost		**5,290,443,608**	2,345,377,459
10.2 Available For Sale Financial Assets			
Government Securities - Treasury Bonds		**6,120,032,797**	5,440,453,783
Government Securities - Treasury Bills		**3,362,202,345**	2,888,786,255
		9,482,235,142	8,329,240,037
10.3 Held to Maturity Financial Assets			
Sri Lanka Development Bonds		**671,988,513**	
		671,988,513	

Notes to the Financial Statements (Contd...)

As at 31st December 2019

		Notes	2019 Rs.	2018 Rs.
11	**REINSURANCE RECEIVABLES**			
11.1	**Reinsurance Receivable**			
	Reinsurance Receivable Retro		**1,579,626,969**	1,321,391,889
	Reinsurance Receivable NNIDS		**19,993,473**	147,376,867
			1,599,620,442	1,468,768,756
12	**PREMIUM RECEIVABLES**			
12.1	**Premium Receivable from :**			
	Parliamentary Members insurance		**15,000,000**	17,500,000
	National Natural Disaster Scheme (NNDIS)		**-**	
	Pension Agrahara		**807,000**	1,041,800
	Primary Insurance SRCC		**957,146,064**	794,290,501
	Inward Reinsurance		**957,213,084**	658,816,744
	General Insurance Motor	12.1.1	**20,776,977**	25,325,457
	General Insurance Non motor	12.1.1	**59,872,355**	51,850,232
			2,010,815,480	1,548,824,733
12.1.1	**Premium Receivable Impairment**			
	General Insurance Motor		**36,207,628**	29,903,987
	Impairment Provision - Motor		**(15,430,651)**	(4,578,530)
			20,776,977	25,325,457
	General Insurance Non motor		**71,484,166**	62,205,551
	Impairment Provision - Non Motor		**(11,611,812)**	(10,355,319)
			59,872,355	51,850,232
			80,649,332	77,175,689
13	**SOFT LOANS**		**3,754,982**	5,725,010
14	**OTHER NON-FINANCIAL ASSETS**			
	Advances & Prepayments		**2,341,900**	4,632,720
	Refundable Deposits		**44,352,724**	44,345,250
	Staff Distress Loans		**44,033,410**	33,593,020
	other receivable		**1,115,142**	1,736,405
	Economic Service Charge		**9,555,528**	7,492,108
	Cheque Return Receivable		**4,994,799**	3,218,251
	General Insurance Motor		**973,009**	973,009
	Agrahara Department - NITF		**2,489,102**	2,489,102
			109,855,613	98,479,866

Notes to the Financial Statements (Contd...)

As at 31st December 2019

		Notes	2019 Rs.	2018 Rs.
15	**DEFERRED COMMISSION**			
	As at 1st January 2019		**620,751,687**	597,083,610
	Provision made /(released) during the year		**138,079,613**	23,668,078
	As at 31st December 2019		**758,831,301**	620,751,687
16	**CASH AND CASH EQUIVALENTS**			
	Petty Cash		**329,532**	314,013
	Cash at bank		**599,777,207**	1,145,541,699
	Cash in hand and at bank		**600,106,740**	1,145,855,712
	Bank overdraft		**-**	(3,612,734)
	Total cash and cash equivalents		**600,106,740**	1,142,242,978
17	**OTHER LIABILITIES**			
	Other financial liabilities		**1,634,321,341**	915,102,369
	Other non financial liabilities		**(99,093,794)**	160,673,765
			1,535,227,547	1,075,776,134
17.1	**Other financial liabilities**			
	Claim cheques/SLIPS returned payable		**8,919,593**	8,319,124
	Unpresanted Cheque Payable		**56,571,281**	60,752,249
	Motor premium Collected		**530,070**	698,185
	Commission payable - Reinsurance		**42,434,299**	42,434,299
	Reinsurance Premium payable		**1,041,475,746**	630,548,467
	Annual fee and Cess payable		**2,243,592**	2,355,486
	Refund Payable		**6,766,420**	4,174,728
	Accrued expenses		**20,122,442**	14,700,957
	Profit Commission Payable		**438,298,892**	134,356,471
	Other payables		**16,959,007**	16,762,402
			1,634,321,341	915,102,369
17.2	**Other non financial liabilities**			
	Government Levies		**6,506,867**	55,073,103
	Income Tax Payable		**(105,600,661)**	105,600,662
			(99,093,794)	160,673,765

Notes to the Financial Statements (Contd...)

As at 31st December 2019

18 SEGMENT INFORMATION

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

	2019							
	Motor	Non Motor	NNDIS	Reinsurance	SRCC	Health Agrahara /Mp	Crop Insurance Scheme	Total
	Rs	Rs	Rs	Rs	Rs			Rs
PREMIUMS								
Gross written premiums	390,150,125	301,979,246	1,500,000,000	4,173,714,909	6,307,350,365	20,000,000		12,693,194,645
Contribution Received for Agrahara						4,838,723,551		4,838,723,551
Crop Insurance Levy Collected							1,780,383,987	1,780,383,987
Reinsurance Premiums ceded		(1,815,766)	(401,153,425)	(449,426,588)	(81,656,250)		(257,823,633)	(1,191,875,662)
Ceded to SRCC & Tr Fund	(10,328,946)	(15,763,537)		-	26,092,483			
Net written premiums	**379,821,180**	**284,399,943**	**1,098,846,575**	**3,724,288,321**	**6,251,786,597**	**4,858,723,551**	**1,522,560,354**	**18,120,426,521**
Gross change in UPR	3,664,281	(30,644,454)	(246,575,343)	(41,061,916)	(683,047,284)	0	(997,664,716)	
Reinsurers share of change in UPR	-		(555,846,575)	(94,558,680)	-		(24,329,784)	(674,735,040)
Net change in Reserve for unearned Premium	3,664,281	(30,644,454)	(802,421,918)	(135,620,596)	(683,047,284)	0	(24,329,784)	(1,672,399,756)
NET PREMIUMS EARNED (A)	**383,485,460**	**253,755,489**	**296,424,657**	**3,588,667,725**	**5,568,739,313**	**4,858,723,552**	**1,498,230,570**	**16,448,026,766**
Fee income (B)	3,768,548	669,813						4,438,361
TOTAL UNDERWRITING INCOME (A + B)	387,254,008	254,425,302	296,424,657	3,588,667,725	5,568,739,313	4,858,723,552	1,498,230,570	16,452,465,127
Acquisition costs	(57,467)	(7,108,852)		(787,370,107)	(1,018,025,777)			(1,812,562,203)
Change in deferred acquisition costs		1,452,674		(4,473,312)	(240,109,009)			(243,129,646)
Net acquisition costs (C)	(57,467)	(5,656,178)	-	(791,843,419)	(1,258,134,786)	-	-	(2,055,691,850)
Gross claims Incurred	(295,142,859)	(278,709,294)	(917,568,977)	(3,921,508,172)	(707,713,434)	(5,351,351,714)	(984,857,998)	(12,456,852,448)
Reinsurance recoveries				498,500,000				498,500,000
Changing of IBNR	(15,537,220)	36,466,717	25,018,135	(93,472,428)	14,787,908	(48,132,416)	3,138,094	(77,731,211)
Net claims paid	(310,680,079)	(242,242,577)	(892,550,842)	(3,516,480,600)	(692,925,527)	(5,399,484,130)	(981,719,904)	(12,036,083,659)
Reinsurers share of change in outstanding claims				(43,234,155)				(43,234,155)
NET CLAIMS INCURRED (D)	(310,680,079)	(242,242,577)	(892,550,842)	(3,559,714,755)	(692,925,527)	(5,399,484,130)	(981,719,904)	(12,079,317,814)
UNDERWRITING RESULT(A+B+C+D)	76,516,462	6,526,547	(596,126,185)	(762,890,449)	3,617,679,001	(540,760,579)	516,510,666	2,317,455,464
Administrative expenses (E)	(75,583,525)	(20,995,424)	(41,990,847)	(41,990,847)	(153,839,250)	(230,949,660)	(8,398,169)	(573,747,723)
TOTAL EXPENSES (C+D+E)	(386,321,071)	(268,894,178)	(934,541,690)	(4,393,549,021)	(2,104,899,562)	(5,630,433,791)	(990,118,073)	(14,708,757,386)
	932,937	(14,468,876)	(638,117,032)	(804,881,296)	3,463,839,751	(771,710,239)	508,112,497	1,743,707,741
Investment & Other Income for the year	18,534,139	579,183	80	142,479,029	1,071,567,944	3,406,417	28,211,533	1,264,778,325
Profit before tax	**19,467,076**	**(13,889,693)**	**(638,116,952)**	**(662,402,267)**	**4,535,407,695**	**(768,303,822)**	**536,324,029**	**3,008,486,066**
Income tax expense		8,681,727			96,918,935			105,600,661
Profit after tax	**19,467,076**	**(5,207,966)**	**(638,116,952)**	**(662,402,267)**	**4,632,326,630**	**(768,303,822)**	**536,324,029**	**3,114,086,727**

Notes to the Financial Statements (Contd...)

As at 31st December 2019

19 INSURANCE CONTRACT LIABILITIES

		As at 31st December 2019							
	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	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
Provision for unearned premiums	19.2	164,856,243	78,264,868	369,863,014	1,460,800,218	3,046,387,349	13,315,068	-	5,133,486,760
Provision for claims IBNR	19.3	102,589,285	32,311,528	137,515,369	352,909,502	18,414,328	477,161,796	-	1,120,901,808
Total Insurance contract liabilities		483,483,849	139,574,716	1,150,382,964	5,329,811,699	3,387,365,459	873,948,952	439,311,970	11,803,879,609
8,416,514,150									
19.1 Outstanding claims provision									
As at 1st January 2019		178,327,712	57,512,211	335,902,104	2,070,666,023	32,633,849	289,144,283	62,761,858	2,964,186,181
Increase / Decrease in Provision		(37,710,610)	28,513,890	(307,102,476)	(1,445,435,956)	(289,929,932)	(94,327,805)	(376,550,113)	(2,585,304,859)
As at 31st December 2019		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
19.2 Provision for unearned premiums									
As at 1st January 2019		168,520,523	47,620,414	123,287,671	1,419,738,302	2,363,340,065	13,315,068		4,135,822,044
Increase / Decrease in Provision		3,664,281	(30,644,454)	(246,575,343)	(41,061,916)	683,047,284	0		(997,664,716)
As at 31st December 2019		164,856,243	78,264,868	369,863,014	1,460,800,218	3,046,387,349	13,315,068		5,133,486,760
Reinsurance UPR									
As at 1st January 2019				555,846,575	94,558,680	-		24,329,784	674,735,040
Increase / Decrease in Provision			`-	(555,846,575)	(94,558,680)	-		(24,329,784)	(674,735,040)
As at 31st December 2019			-	0	-	-	-	-	0
Provision for Unearned Changers		164,856,243	78,264,868	369,863,014	1,460,800,218	3,046,387,349	13,315,068	-	5,133,486,760
19.3 Provision for claims IBNR									
As at 1st January 2019		87,052,064	68,778,245	162,533,506	259,437,073	33,202,236	429,029,379	3,138,094	1,043,170,596
Increase / Decrease in Provision		(15,537,220)	36,466,717	25,018,137	(93,472,430)	14,787,908	(48,132,417)	3,138,094	(77,731,212)
As at 31st December 2019		102,589,285	32,311,528	137,515,369	352,909,502	18,414,328	477,161,796	-	1,120,901,808

Notes to the Financial Statements (Contd...)

As at 31st December 2019

20 RETIRING BENEFIT OBLIGATION

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

	Notes	2019 Rs.	2018 Rs.
As at 1st January 2019		**28,510,041**	29,660,364
Add: Retiring gratuity expenses		**(222,156)**	-
Less: Benefits paid during the year	20.1	**5,904,578**	(1,150,323)
		-	-
As at 31st December 2019		**34,192,463**	28,510,041

20.1 Retiring Gratuity Expense

	2019 Rs.	2018 Rs.
Current service cost	**3,525,225**	4,802,206
Past Services (Gains)/Cost	**(1,702,930)**	
Interest cost	**3,508,250**	3,122,976
Acturial (gain)/loss	**574,033**	(9,075,505)
	5,904,578	(1,150,323)

21 LEASE CREDITOR

	Building NITF Rs.	Total Rs.
As at 1st January 2019		
Interest Expense recognised in Income Statement	**71,412**	21,062,606
Settlement throught lease payment	**1,033,917**	120,739,239
As at 31st December 2019	**1,105,329**	141,801,845

Notes to the Financial Statements (Contd...)

As at 31st December 2019

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 insurances 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...)

As at 31st December 2019

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 conc'entration of risks

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

(h) 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...)

As at 31st December 2019

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

Financial Position
(Sri Lankan Rupees)

for the year ended December 31,

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenue										
Total Revenue	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	3,926,469,856
Benefits, Losses and Expenses										
Insurance claims and acquisition cost	(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)	(2,292,072,983)
	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	1,164,396,873
Other Income										
Investment Income	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	798,117,037
Interest of Soft Loans	49,172	318,346	807,908	2,078,808	3,110,618	11,937,931	5,915,955	7,278,316	10,163,846	16,982,331
Other Income	53,622,518	190,517,529	40.746,691	19,308,494	51,664,458	3,902,584	4,165,001	18,886,182	743,614	1,006,353
	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	816,105,721
Expenditure										
Staff Related Costs	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	42,326,032
Administration Expenses	312,495,352	196,179,548	143,245,042	223,714,879	93,018,399	88,128,033	64,621,143	74,402,484	68,915,550	45,136,006
Finance & Other Expenses	21,062,606	-	-	-	-	-	8,459,075	17,258,273	21,581,925	32,425,697
Total Expenditure	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	119,887,735
Taxation	105,600,661	(105,600,662)	(100,951,677)	-	(86,822,200)	-	-	-	-	-
Profit After tax	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	2,330,614,859

Financial Position

(Sri Lankan Rupees)

Assets	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Property Plant and Equipment	179,296,158	32,169,337	40,848,693	43,058,543	34,125,797	26,251,881	19,317,968	24,739,202	29,606,877	39,096,011
Financial Investments	15,444,667,263	10,674,617,497	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	5,574,107,463
	15,623,963,422	10,706,786,834	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	5,610,203,474
Current Assets										
Receivable	3,724,046,517	3,121,798,365	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	1,945,815,895
Cash and Cash Equivalents	600,106,740	1,142,242,978	1,133,642,497	705,205,727	166,785,332	278,096,913	305,495,813	103,641,397	3,542,969,945	3,594,104,553
Current Assets	4,324,153,257	4,264,041,343	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	5,539,920,448
Total Assets	19,948,116,679	14,970,828,176	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	11,150,123,923
Equity & Liability Equity										
Accumulated Fund	7,191,846,515	6,956,088,048	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	9,695,467,155
	7,191,846,515	6,956,088,048	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	9,695,467,155
Technical Reserve										
Unearned Premium	5,133,486,760	3,461,087,005	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	821,564,804
Deferred Commission	(758,831,301)	(620,751,687)	(597,083,610)	(482,908,910)	(421,132,953)	(366,621,700)	(199,173,169)	(176,532,688)	(161,486,715)	(139,745,300)
	4,374,655,459	2,840,335,317	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	681,819,505
Liability										
Non-Current Liabilities										
Government grant			-	-	-	-	66,960	66,960	142,150	284,330
Profit Commission payable	438,298,892	134,356,471	120,403,318	89,809,561	-	-	12,287,375	12,287,375	12,287,375	12,287,375
	438,298,892	134,356,471	120,403,318	89,809,561	-	-	12,354,336	12,354,336	12,429,525	12,571,705
Current Liabilities										
Claim payable	6,670,392,849	4,070,118,635	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	518,000,207
Other payable	1,272,922,963	969,929,705	2,406,056,880	2,065,729,357	320,041,006	230,081,405	18,819,722	74,726,585	240,690,522	242,265,350
	7,943,315,812	5,040,148,340	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	760,265,557
Total Equity and Liabilities	19,948,116,679	14,970,828,176	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	11,150,123,921

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 -2019
Mr. Manjula De Silva (Chairman)
Mr. N. M. D. Nawarathne
Mr. Trevine Fernandopulle
Mr. Asendra Siriwardena
Mr. P. P. S. Rohana De Silva
Mr. C. Jayasuriya
Mr. Chandana Kumarasinghe
Mr. K.A.Vimalenthirarajah
Mr. D. P. G. Pradeep

Secretary to the Board -2019
Mrs.Udari Ranhotigamage

External Auditors
The Auditor General
No.306/72, Polduwa Road
Battaramulla

Bankers
Peoples Bank
Bank of Ceylon
National Savings Bank

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