ANNUAL REPORT 2021

NATIONAL INSURANCE TRUST FUND BOARD

CONTENTS

NATIONAL INSURANCE TRUST FUND

ABOUT OUR INTEGRATED REPORT

National Insurance Trsut Fund (NITF) is proud to present its Annual Integrated Report 2021 which provides comprehensive and concise information on the performance of the Fund for the year ended 31st December 2021.

WELCOME TO OUR 15TH INTEGRATED ANNUAL REPORT

The Integrated reporting journey from the year 2006, provides a holistic view of the Fund's ability to create value in short, medium and long term and the ability to create competitive sustainable value to our key stakeholders for the 15th consecutive year. This report is prepared in accordance with Public Enterprises -Department (PED) Guidelines and amendement thereto together with our regular financial reporting.

OUR INTEGRATED THINKING

By collaborating all functions and the all available resources of the Fund, we design our strategy and the internal materiality process to determine the content and the structure of this report.

STRATEGIC ORIENTATION

This annual report provides the Fund's current and future strategies which are aimed towards sustainable growth and gives insight to the Treasury and other relevant authorities.

NON- FINANCIAL INFORMATION

Creating a wider understanding of the Fund's position, performance and startegy and enhancing transparency. This report discloses non- financial information where relevant and appropriate.

COMPARATIVE INFORMATION

This report presents comparative information where necessary for better presentation and complies with regulations.

BOUNDARY AND SCOPE

This integrated annual report covers the performance of NITF for the 12-month period ended 31st December 2021 and material events upto the approval of the report by the Fund's Board of Directos.

FUTURE REPORTING PERIODS

When reporting on our story we have reported information in three reporting periods namely "Short term", "Medium term" and "Long term" where applicable.

OUR VISION

Safety Net and Protection for all needy insurable sectors.

OUR MISSION

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

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

WHO WE ARE

The National Insurance Trust Fund was established by the National Insurance Trust Fund Act, No. 28 of 2006 (NITF Act). Its contribution towards the economy encompasses the provision of Reinsurance, Strike, Riot, Civil Commotion and Terrorism Insurance, Agrahara Medical Insurance, Health Insurance, other forms of General Insurance. All insurers who issue insurance covers against strike, riot, civil commotion and terrorism risks on behalf of NITF are required to remit premiums collected on same to the latter. As per a government Gazette Notification No. 1791/4 of 31st December 2012, all General insurers are now required to cede 30% of their total reinsurance liabilities 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 General 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. All officers in the public service and the Provincial public service are entitled to Agrahara medical insurance scheme and the scheme is further expanded to provide more benefits to the beneficiaries by introducing Agrahara Gold and Silver schemes. In addition, Agrahara medical insurance is provided to Semi government officers too. At the same time pensioners who have retired after 2016 are also among the categories covered by this Agrahara medical insurance scheme.

NITF is providing the motor insurance covers for all the government bodies and private vehicle owners by aiming to provide extensive benefits by settling claims within a short period to private sector as well as government sector. Under General insurance, NITF is providing non motor insurance for all the government bodies. The adoption of new technologies has enhanced our internal and external efficiencies while contributing substantially towards the bottom-line.

OUR CORPORATE VALUES

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

1. **Customer Focus**	–	Customer-focused businesses foster a NITF culture dedicated to enhancing customer satisfaction and building strong customer relationships. As NITF provides social oriented insurances and closely works with the government; customer satisfaction is more important.
2. **Integrity**	-	The quality of being honest and having strong moral principles. As a government body NITF maintains well its principles and honest to its internal as well as external parties.
3. **Quality**	-	The degree of excellence of something. NITF always working towards extend quality and durable products and services.
4. **Respect**	-	Politeness, honour, and care shown towards someone or something that is considered important. NITF always respect the words and actions of others to provide better service.
5. **Innovation**	-	Action or process of doing new things and come up with new ideas. Innovation is crucial to the continuing success of NITF as any other organizations.
6. **Continuous Improvement**	-	is simply an ongoing, in other word, continuous, effort to improve or make something better.

In insurance business in NITF, this can mean a wide variety of things, including the products and services offered by an institute, as well as any and all processes NITF use, both internal and external.

FINANCIAL HIGHLIGHTS -2021

Financial Performance	2021 LKR	2020 LKR	%
Gross Written Premium	**10,630,972,523**	9,818,040,011	8
Net Earned Premium	**17,378,904,399**	17,475,027,816	(0.6)
Profit Before Tax (PBT)	**5,935,721,923**	8,865,926,371	(33)
Profit After Tax (PAT)	**4,944,217,918**	7,526,099,442	(34)
Contribution to the Consolidated Fund	**1,824,000,000**	782,000,000	133
Financial Position as at the Year End			
Total Assets	**31,564,649,760**	27,358,314,000	15
Total Equity	**16,865,970,344**	14,062,543,942	20
Insurance Contract liabilities	**11,580,703,508**	9,825,591,002	18
Total liability	**14,698,679,413**	13,295,770,055	11

TOTAL ASSETS

LKR 31.5 Bn

CAPITAL ADEQUACY RATIO

600%

RETURN ON ASSETS

14.66%

PROFIT BEFORE TAX

LKR 5.9 Bn

FITCH RATING

A+ LKR

CONTRIBUTION TO THE CONSOLIDATED FUND

LKR 1.8 Bn

CHAIRMAN'S REVIEW

> During the year in review, NITF was able to successfully balance its core imperatives of maintaining profitability while delivering these invaluable services to meet the needs of the public sector and all needy sectors even with the challenges, risks and uncertainty from the COVID-19 pandemic.

Presentation of Annual Report 2020

It is my pleasure to once again present our valued stakeholders with the Annual Report and Audited Financial Statements of the National Insurance Trust Fund (NITF) for the financial year ended 31st December 2021. This year 2021 will be remembered once again as a period where COVID-19 pandemic outbreak around the world disrupted lives and economies in unimaginable ways. We are pleased to state that despite numerous challenges, NITF continued to display strength, resilience and a vibrant capacity in providing insurances to policyholders that are aligned to serve the needs of a growing economy and an increasingly demanding society. National Insurance Trust Fund further proved its ability to adjust rapidly as we leveraged technology and adapted to live, earn and learn in a new norm, sharing the responsibility to stay safe as well as keep our communities safe and create a significant value addition to our stakeholders with significant growth.

Performance and Contribution of the National Insurance Trust Fund

During the year in review, NITF was able to successfully balance its core imperatives of maintaining profitability while delivering these invaluable services to meet the needs of the public sector and all needy sectors even with the challenges, risks and uncertainty from the COVID-19 pandemic.

Despite posting improved GWP of Rs. 10.631 billion against a 2020's GWP figure of Rs. 9.818 billion, the organization recorded its Profit After Tax (PAT) at Rs. 4.944 billion, as compared with a PAT of Rs. 7.526 billion in 2020. NITF also obtained a Fitch rating of A+ (lka), which confirms it's financial soundness of the year 2021.

Plans for the Future

In moving forward with this challenging environment, NITF will focus on expanding the existing insurance schemes to enhance benefits to the public while strengthening human resource management to enhance service delivery and improve productivity. The organization constantly worked to forge new partnerships in order to ensure the stability of the organization.

Appreciation

I would like to convey my gratitude to the Honorable Prime Minister, Secretaries and Additional Secretaries for their cooperation during a challenging year. Further, I also acknowledge the vital support extended to our organization by the Secretary to the Treasury and all other Treasury officials as well as the Chairperson, Director General and all other officials of the Insurance Regulatory Commission of Sri Lanka (IRCSL). Finally, I extend my heartfelt thanks to my fellow Board Members, Senior Management and all employees of NITF led by the Chief Executive Officer for their dedication and commitment in supporting and enabling the organization to reach greater heights in the decades to come.

Mawahib Mowjood
Chairman

CEO'S REVIEW

> The worth of financial assets increased slightly from Rs. 21.666 billion in 2020 to Rs. 24.954 billion in 2021. The main reason for this is the increased demand for government securities such as Treasury Bills.

The impact of the COVID-19 pandemic, which plunged the entire world into dire straits in 2021, had a devastating effect on Sri Lanka as well. Although better economic growth was achieved in 2021 compared to 2020, the impact of the COVID-19 pandemic in the last two quarters of 2021 led to various pessimistic impacts on the socio-economic condition of Sri Lanka. NITF proved to be a beacon of inspiration for how resilient organizations emerge stronger amid a global pandemic that cast its shadow throughout the year under review.

The institution further accelerated its digital strategy during the year to respond to the impact of COVID-19. As a result, we converted many of our core activities to digital platforms, either entirely or partially. Using an online system to process customer claims, allowing the majority of our employees to work from home, and so on are just a few examples of how our digital journey has impacted us. It gives me great pride that we, at NITF, as the only and largest medical insurance provider to the public sector, took the initiative to assure our policyholders that we would honor any COVID-19 claims regardless of financial benefit.

Company performance

Despite facing significant headwinds as a result of the pandemic, NITF has prudently managed its financial portfolio during the volatile period of 2021, providing excellent service to customers while surviving in the insurance industry. Gross written premiums in 2021 were Rs. 10.631 billion, up from Rs. 9.818 billion in 2020, representing an 8% increase in 2021 over 2020. This was mainly due to the upturn in gross written premiums of Reinsurance and the Strike, Riot, Civil Commotion and Terrorism Fund.

On the other hand, due to the payment of a reinsurance claim to Omega Line Limited and the payment of Agrahara medical insurance claims for government employees and their dependents infected with COVID-19, the gross benefit and claims incurred in 2021 increased by 27%, to Rs. 10.147 billion, a significant increase from Rs. 7.978 billion in 2020. As a result, the total comprehensive income dwindled to Rs. 4.627 billion in 2021 from Rs. 7.652 billion in 2020. The decline is 40%.

Total equity and total assets have increased slightly from Rs. 14.063 billion in 2020 to Rs. 16.866 billion in 2021 and from Rs. 27.358 billion to Rs. 31.565 billion, respectively, when considering the financial position. Furthermore, liabilities have increased by 11%, from Rs. 13.296 billion in 2020 to Rs. 14.699 billion in 2021.

The worth of financial assets increased slightly from Rs. 21.666 billion in 2020 to Rs. 24.954 billion in 2021. The main reason for this is the increased demand for government securities such as Treasury Bills.

Overall, the National Insurance Trust Fund exhibits a reasonably sound financial position despite the replicated COVID-19 pandemic challenges faced during the period, as evidenced by its financial performance and Fitch Rating of A+.

Operational Progress

In 2021, initiatives were taken to pay the hospital bills of Government employees and their dependents who were infected with COVID-19.

Given the NITF's prominent role in the country's social security system and as the administrator of the country's largest public welfare-oriented insurance programs, we have a network of representatives in all districts, who are housed in District Secretariat offices. This countrywide representation enables a good service level to enhance amongst local communities and to respond with accurate information.

Appreciation

More than anything else, the recent progress made by NITF is a direct result of the enduring strength and commitment of our teams of employees across the country, and I must express my gratitude to all of them for keeping NITF at heart. As always, I am grateful to our customers for continuing to place their trust and confidence in NITF. Finally, I would like to thank our senior management, our Chairman and Board of Directors, officers from the Ministry of Finance, and officers from the Insurance Regulatory Commission of Sri Lanka for their ongoing guidance, advice, and professional insight in supporting NITF strength. We should all be proud of what we accomplished together over the course of a difficult year that will be remembered for a long time.

Gama

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

Management Discussion and Analysis

GOALS, OBJECTIVES AND STRATEGIES

	Goals	Objectives	Strategies
1.	To be the highest insurance premium earned government insurance institute	Increase the GWP of the Agrahara and General insurance business by 2023	- Develop diversify products -Attract new resources (both human and other resources) - Attract new customers -Optimize web site speed - Take a chance with remarketing -Create a recommendation system - Build awareness and credibility for new products - Create distribution channels
2.	To become a regional player in South Asia region in Reinsurance	Develop a reinsurance fund by 2025	- Establish a committee and conclude the way of processing - Make aware the strengthen of NITF and the benefits for the insurance industry through e- advertising
		Accept more than 30% reinsurance liability by 2023	- study the market before take risks - Attract new resources (both human & other resources)
		Create new Treaty Reinsurance Arrangement for General Insurance by 2024	- Establish a committee and decide the way of processing - Collect necessary information - Take chances for new businesses through marketing
3.	To become the government best alternate fund holder in SRCC & T	Develop a good investment policy in relation to SRCC & T by 2023	- Study and select best investment option - Strengthen internal controls to collect all premiums of insurance industry
4.	To expedite the settlement of comprehensive Motor claims with insufficient information after collecting them from the claimant	Settle the claims within a weeks' time by 2023	-Develop and upgrade the service center and call center - Introduce a grievance handling system - develop efficient documentary system - Innovation through IT

ENVIRONMENTAL REVIEW

In the recent past, the complex relationship between human activities and the environment has become a major public concern, raising issues of legal, political and economic relevance. When considering about the environment; the local environment as well as global environment substantially influence the operations of the National Insurance Trust Fund. The year 2021 was indeed a year for putting people first as National Insurance Trust Fund dealt with the COVID 19 pandemic, ensuring access to insurance services while ensuring the health and safety of employees, customers and other stakeholders. This is revealed through the upsurge in demand on health insurance during the past two years which accounted to the expansion of insurance business. NITF has refreshed the long-term strategic goals to align with Institution's priorities along with the impact of the Socio-economic conditions on insurance industry. Consequently, the insurance companies transfer their risks by reinsuring 30% with NITF and the rest of the portion with the foreign reinsurers. Hence the NITF needs to evaluate the economic and insurance industry developments in the country when it makes strategic decisions.

Sri Lankan Economic Context

The economic and social impacts of the COVID-19 pandemic posed several challenges and opportunities to the insurance industry. As opportunities, consumer awareness increased and interest about protection saw an upsurge. Inflationary pressures and impact to the buying power due to subdued economic condition became threats.

In 2021, an expeditious vaccination campaign contributed to economic recovery. Sri Lanka has achieved an economic growth of 3.7% in 2021 after a contraction of 3.6% in 2020. But, as many economies in the world, Sri Lanka's economy also had a devastating impact and obstacles due to the COVID pandemic in the year 2021.

Increased expenditures and lower revenues amid the pandemic contributed to a deterioration of the fiscal situation. However, fiscal deficits sharply widened and public debt significantly increased due to the pandemic and pre-pandemic tax cuts.

Industry Review

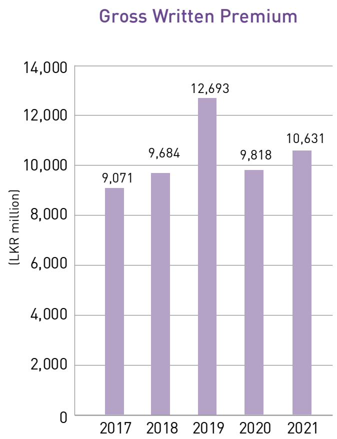
The COVID 19 pandemic affects insurance sector setting a different aspect for insurance covers making more uncertainty than ever on life and the life style of the people. Moreover, the pattern of demand for insurance covers and the conditions of insurance covers on health insurance, motor insurance changed and made a considerable impact on the behavior of the insurance industry. Although weaker disposable income levels are expected to impact demand for insurance products in the short term, a greater awareness and interest in protection products and services post COVID-19 pandemic, portend well for the industry prospects in the medium to long term. This is revealed through the upsurge in demand for health insurance during the past two years which accounted for the expansion of insurance business. Digitization of the insurance business will be the key to success as customers increasingly look for simpler and more convenient solutions. On the other hand, digitization is expected to continue to disrupt the insurance industry with customers increasingly looking for simplified and convenient protection solutions.

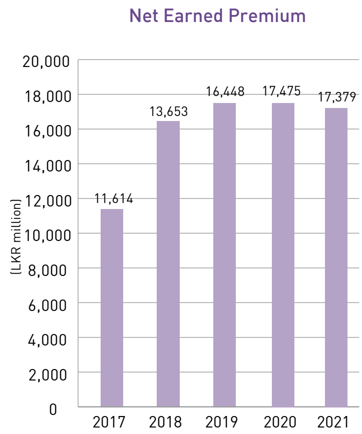
By using overarching strategy of sustainable value creation and agile business models; the insurance industry in Sri Lanka is remaining resilient in a challenging macro environment in the year 2021. The insurance industry in Sri Lanka posted an aggregate net profit before tax (PBT) of LKR38.4bn ($502m) for 2021, 4.9% lower than in 2020, data from the Insurance Regulatory Commission (IRC) show.

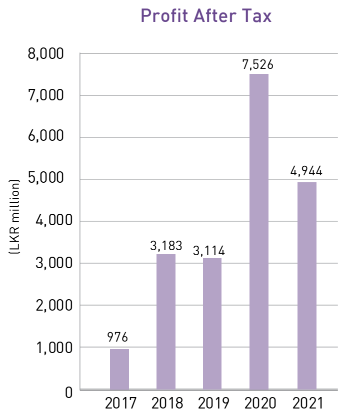
FINANCIAL REVIEW -2021

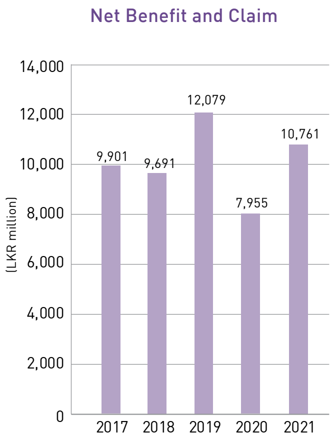
The financial performance review takes a closer look at the performance of the business.

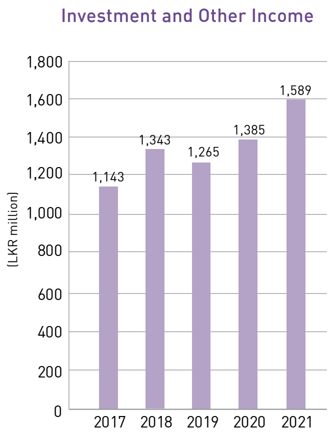
	2017 LKR million	2018 LKR million	2019 LKR million	2020 LKR million	2021 LKR million
Gross Written Premium	9,071	9,684	12,693	9,818	10,631
Net Earned Premium	11,614	13,653	16,448	17,475	17,379
Profit before Tax	1,077	3,289	3,008	8,866	5,936
Profit After Tax	976	3,183	3,114	7,526	4,944
Total Assets	18,553	15,595	20,707	27,358	31,565
Net Benefit and Claim	9,901	9,691	12,079	7,955	10,761
Investment and Other Income	1,143	1,343	1,265	1,385	1,589
Other Revenue	1,149	1,460	1,269	1,387	1,590
Total Equity	7,146	6,956	7,192	14,062	16,866
Return on Assets	5.26%	20.41%	15.04%	27.51%	14.66%

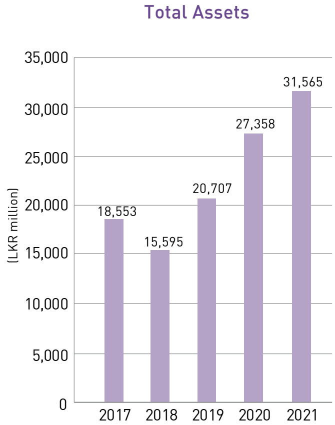


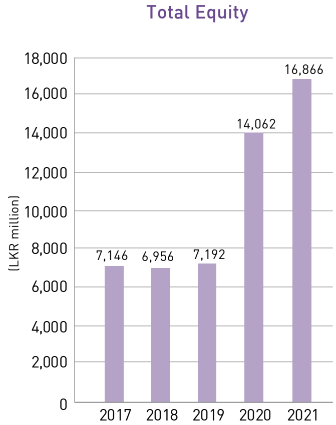












In a year full of challenges, where the whole country was heavily impacted by the COVID- 19 pandemic, the GWP achievement of NITF stood at LKR 10.631 billion for the year 2021 against LKR 9.818 billion in 2020. The growth rate was 8%. Net earned premium reached LKR 17.379 billion during the period, which is a slight decline of 0.6% from LKR 17.475 billion in 2020. However, the above two graphs show the growth of GWP and NEP over the last 5 years.

Profit after Tax significantly decreased to LKR 4.944 billion in 2021 from LKR 7.526 billion in 2020. Investment and other income increased to LKR 1,589 billion in 2021 compared to any other previous year. Although the investment income is favorably higher, the profit after tax was adversely affected due to the higher percentage of Net Benefits and Claims paid.

NITF's Total Assets significantly increased to LKR 31. 565 billion, from LKR 27.358 billion in 2020. This increase of 15% is attributable to substantial growth in Financial Assets and Premium Receivable. In the meantime, Total Equity also increased substantially to LKR 16.866 billion in 2021 versus LKR 14.062 billion in 2020. This growth of 20% is mainly due to increase in Retained Earnings.

DIVISIONAL REVIEW

Agrahara Medical Insurance Scheme

'Agrahara' is Sri Lanka's largest medical insurance scheme with a membership of over 875,000. The scheme provides Agrahara insurance to members' families too. Accordingly, nearly 2.5 million people in Sri Lanka are provided shelter through this scheme. This is a contributory scheme where a nominal monthly contribution is deducted from salaries from all pensionable Government officers.

During the 2021 financial year Agrahara received a contribution of LKR 824 million from the Treasury and collected LKR 5.45 billion through member contributions. A total payout of LKR 6.38 billion was made as medical insurance claims during the year.

Table: Classification of Revenue

Contribution Collected for Agrahara Medical Insurance Scheme	2021 LKR	2020 LKR	2019 LKR
Contribution from Members	4,778,171,594	4,090,359,038	3,617,114,527
Contribution from the Treasury	824,000,000	782,000,000	767,970,000
Pensioners Insurance Scheme	236,438,800	166,837,400	142,321,400
Semi Government Scheme	444,549,525	430,102,300	311,317,625
	6,283,159,919	5,469,298,738	4,838,723,552

Agrahara Gold and Silver Schemes for Government Sector

In 2016, the scheme was extended by adding two new options as Agrahara Gold and Silver, with the expectation of providing more benefits to the beneficiaries while increasing the premium. Accordingly, Beneficiaries who give their consent to an increased premium of Rs. 300 and Rs. 600 would be eligible for benefits under the Silver and Gold schemes respectively. At the end of the year 2021, half of the Agrahara members joined the Agrahara Gold and Silver schemes, and NITF has been able to increased the premium which was the goal of NITF and also increased the benefits given to members continuously throughout the year.

Agrahara Gold and Silver Scheme for Semi Government Sector

In 2017, the Agrahara Gold and silver schemes were introduced to the semi Government sector and continued it for the year 2021 by providing best service to satisfy the beneficiaries to the best of our ability.

Agrahara Pension Scheme

The Agrahara Pension Scheme was introduced in May 2016 and was further expanded in 2017 supported by a strong demand for this product. The pension scheme is applicable exclusively for full government employees pensioned after January 1, 2016. By December 2021, 100,900 pensioners are eligible to get the Agrahara Pension insurance.

Reinsurance

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 each general insurance companies in Sri Lanka. This was continued up to 2012. In 2013, it was increased to 30% and it has continued to date.

In 2021, NITF obtained a back to back reinsurance cover (retrocession) for the period commencing 01st August 2020 and ending 31st January 2022 to protect the NITF balance sheet in agreement with the Line Ministry. The limit of reinsurance cover was Rs. 7.5 Bn in excess of Rs.1 Bn and the Lead reinsurer of the reinsurance panel was Everest Reinsurance Company.

In addition to the retrocession cover, NITF also obtained Reinsurance covers for the SRCC & T Fund to protect it's liabilities up to Rs.10 Bn for the period commencing 01st August 2020 and ending 31st January 2022.

In 2021, Gross written premium of the reinsurance was Rs.3.549 billion and paid claim amount was Rs. 2.114 billion. Gross written premium increased by 9.7% and claim payments increased by 73% in comparison to the year 2020.

SRCC T Fund

SRCC & T Fund was established for provide covers of Strike, Riot, Civil Commotion and Terrorism (SRCC & T) risk 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 2020, NITF obtained the reinsurance cover for SRCC Fund to protect the NITF balance sheet in the agreement of the Line Ministry and the limit of reinsurance cover was Rs. 10 Bn for the period 01st August 2020 to 31st January 2022. The lead reinsurer of the reinsurance panel was MS/ Chaucer Syndicate 1084.

In 2021, Gross written premium of SRCC department was Rs.6.754 billion and paid claim amount was Rs. 2 million. The Gross written premium increased by 10.6% and claim payment increased by 0.19% in comparison to 2020.

DIVISIONAL REVIEW

General Insurance

General Insurance operations of National Insurance Trust Fund started in 2009 according to the provisions of special gazette no.1615/20 dated on 20th August 2009. Accordingly, NITF provided insurance coverage to property and personals in Government and semi government Institutions. Insurance Regulatory Commission of Sri Lanka has given approval to National Insurance Trust Fund to operate as a General Insurance business entity through their act 03/2011 Regulation of Insurance Industry in 2011.

Motor Insurance

Motor insurance was introduced by the National Insurance Trust Fund for the vehicles owned by government institutions and semi government institutions since 2008 according to the government circular number PF 427 and thereafter PF 437. Motor insurance was extended to private customers from 2014.

In 2017 NITF introduced a new motor insurance product called "Agrahara Motor" to public servants and now it is the major insurance scheme in Motor insurance section.

NITF provides value added services including rapid assessments of accidents island-wide and claim settlements within few days of document submission, for increased customer satisfaction. NITF has expanded its marketing activities through branch Network Island wide to extend the services to customers all over the country. Gross written premium from motor insurance dwindled to LKR 175 million in 2021 from LKR 260 million in 2020. The decline was 30%. Further, the premium and claims paid also declined from LKR 169 million in 2020 to LKR 147 million in 2021. The main reasons for the drop in premium were the opening of government insurance business to the private sector insurance companies by changing the public finance circular no.4/2015 in 2019 and the adverse impact of COVID-19 pandemic situation in the country throughout the year in 2021.

General Insurance - Motor	2021 LKR	2020 LKR	2019 LKR
Gross Written Premium -Inward Reinsurance	175,571,681	260,600,235	390,150,125
Gross Benefits and Claims Paid	(146,839,942)	(169,250,954)	(257,432,249)

Non-Motor Insurance

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

General Insurance - Non-Motor	2021 LKR	2020 LKR	2019 LKR
Gross Written premium	132,482,523	213,469,435	301,979,246
Gross Benefits and Claims Paid	(218,546,666)	(156,059,649)	(307,223,184)

Branch Network

Island-wide branch network is in operation in addition to the head office to enhance the business of NITF and develop the general insurance portfolio and serve the customers island-wide. The employees working in each unit carryout the business related to both Motor and Non-motor insurances. In addition, they also provide service to the members of Agrahara medical insurance scheme. Mainly, District units have been established in District secretariats and few units in Divisional secretariats too. In the year 2021, 29 units were in operation under three regional branch offices at Anuradhapura, Matara and Kandy and nearly 60 employees were deployed in branch network.

In 2021, overall performance of all district and divisional level offices under general insurance businesses was nearly Rs.109 million. The premium in 2021 was less compared to the premium earned in 2020 from regional units due to the replicate COVID-19 pandemic challenges faced during the period.

DIVISIONAL REVIEW

IT/technologies

NITF is equipped with modern IT infrastructure, such as cloud computing and data center to carry out the insurance operations island wide. State-of-the-art, tailor- made oracle-based software solutions have also been developed to support the insurance business given the large volume of data that needs to be handled, due to NITF's large spectrum of operations. This ERP provides end to end solutions which NITF exercised in its operations.

The latest version of SAGE ACCPAC accounting and Finance software package was introduced to improve the accuracy of accounting aspects.

HR & Administration

The HR and Administration department provides the needed support to strengthen the National Insurance Trust Fund's staffing, facilities, infrastructure and specially the coordinating support to effectively to meet the basic needs of the management. Emphasis is placed on the physical infrastructure and the effective use of Human resources and we have worked toward achieving organizational goals in 2021 as well.

The year 2021 was a challenging year to the society with the Covid-19 pandemic which affected the entire world. With this situation some of the strategies were aligned accordingly. We have identified the potential of the educated staff as the competitive edge to thrive in the market. Hence NITF invest heavily on staff Training and Development programs, welfare programs and accordingly the training Programs were done online in 2021.Further, NITF invested heavily to safeguard it's valuable assets and Human Resources from the Covid-19 pandemic.

However, even with the country's situation the HR Department of NITF managed to complete several targets;

- Improving administration practices and streamlining systems according to the board approved Manuals.
- To more clearly define roles and responsibilities for all the staff and engage them in a more productive way.
- To ensure "best practice" procedures are determined and networked
- To ensure a structure that best caters for the needs of all levels of the staff
- To provide efficient and effective administration procedures and practices for all.
- Infrastructure development & purchasing required items as per the approved Procurement plan by the Board of Directors.

Supporting Services

Other than the main streams and the supporting services like IT and HR & Administration, Finance Internal Audit, Legal and Research and Analysis departments were also operating by giving their fullest support to achieve the overall goals of NITF.

Governance and Internal Control

ENTERPRISE GOVERNANCE

INTRODUCTION

Our Corporate Governance framework which is identified as conformance ensures balancing and aligning the interest of the stakeholders with the management of the institute. It is built on a strong, comprehensive and integrated structure which focuses on the long-term sustainability of the business model. Enterprise Governance emerged by combining both conformance and performance and it can be defined as "the set of responsibilities and practices exercised by the board and executive management with the goal of providing strategic direction, ensuring that objectives are achieved, ascertaining that risks are managed appropriately and verifying whether the organization's resources are used responsibly" (Information Systems Audit and Control Foundation, 2001). Enterprise governance constitutes the entire accountability framework of the organization. There are two dimensions of enterprise governance – conformance and performance, that need to be in balance.

NITF fully recognizes that good corporate governance results in lasting long-term value and therefore aims to continuously refine its well-established corporate governance framework. 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

The Board of Directors is at the core of the corporate governance platform, and all members of the Board of the National Insurance Trust Fund ensure that NITF is managed efficiently in accordance with all applicable Government policies, constitutional and legal requirements, in a manner that ensures the accomplishment of the organization's overarching goals. 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.

The Minister is empowered to appoint one person of the Board as Chairman. In terms of the Act, all members of the Board shall hold office for a period of five years from the date of appointment. The Board of NITF meets regularly to discuss the ongoing business of NITF and as and when it may be required.

FINANCIAL STATEMENTS

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

PROCUREMENT

The procurements of the National Insurance Trust Fund are done using NPA guidelines and Department of Public Finance guidelines. All significant procurements are carried out with the assistance of the CAPC (Cabinet Appointed Procurement Committee), MPC (Ministry Procurement Committee), and DPC (Departmental Procurement Committee) based on the value.

THE INTERNAL CONTROL

During the year 2021, internal audits were carried out with the expectation of improving and developing the internal controls to strengthen the operations of NITF.

EXTERNAL AUDIT

The Auditor General was appointed as the External Auditor in terms of the Constitution of the Democratic Socialist Republic of Sri Lanka and is also required to audit the accounts of Public Corporations, businesses or other undertakings vested in the Government under any written law. The Sri Lanka Auditing Standards determined by the Auditing standards Committee established under the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995 shall be applicable to audits undertaken by the National Audit Office established under section 29. The Auditor General performed the annual audit of the financial statements of the company for the year ended 31st December 2021 in terms of the Constitution of the Democratic Socialist Republic of Sri Lanka.

MEMBERS OF THE BOARD OF NITF -2020

Mr. Mawahib Mowjood
(Chairman)

Mr. Pradeep Kumara
Board Member

Mr. D. P. G. Pradeep
Board Member

Ms. D. L. U. Peiris
Board Member

Ms. H.M.T.P. Herath
Board Member

Mr. Chandana Kumarasinghe
Board Member

Mr. Mawahib Mowjood (Chairman)

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

Mr. Pradeep Kumara (Board Member)

Mr. Pradeep Kumara was appointed as a board member in 2020. He counts over 25 years of experience in the public sector. He is presently working as the Additional Director General of Department of Trade and Investment Policy of Ministry of Finance.

His academic excellence records a Masters of Public Policy – Flinders University, Australia, PG Dip. In Public Administration-Flinders University, Australia. He has also obtained a Certificate in Public Administration- Sri Lanka Institute of Development Administration and B. Com (1st Class) -University of Peradeniya.

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

Mr. D. P. G. Pradeep was appointed as a board member in 10.05.2019. He is presently working as the Chief Accountant of the Ministry of Finance and he also counts nearly 20 years of experience in Accountants service.

Mr. Pradeep Dissanayake holds a Masters of Commerce degree – University of Kelaniya, Diploma in Public Procurement and Contract Administration (DIPPCA)- Miloda Academy of Financial Studies. He has also obtained Bachelor of Commerce -University of Colombo and Licentiate part1 part 11 and professional part 1- of The Institute of Chartered Accountants of Sri Lanka. He is also an Associate member of the Australian Computer Society.

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

Ms. D. L. U. Peiris was appointed as a board member in November 2020 after the resignation of Ms. Kanthi Gunawardena and has been attending Board meetings since then. During the year she served as an Additional Secretary (Administration) in the Ministry of Health and Indigenous Medicine. Ms. Peiris has over 20 years of experience in public service.

She has obtained a Masters of Arts in Economics – University of Colombo, PG Dip. in Development Economics- University of Colombo. She has also obtained PG Dip. in English – NIBM, Bachelor of Commerce - University of Colombo. Currently, she is reading a Masters of Public Administration – University of Colombo.

Ms. H.M.T.P. Herath (Board Member)

Ms. H.M.T.P. Herath was appointed as a board member in April 2021 after the resignation of Mr. Chandana Kumarasighe. She is presently working as the Director of Establishment in the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government and she also counts over 20 years of experience in Sri Lanka Administrative services.

Ms. Herath has obtained a Masters in Human Resources – University of Kelaniya, PG Dip. in Human Resources- University of Kelaniya. She has also obtained Bachelor of Arts degree- University of Kelaniya. Currently, she is reading a Masters of Public Administration – University of Colombo.

Mr. Chandana Kumarasinghe (Board Member)

Mr. Chandana Kumarasinghe was appointed as a board member in December 2015. He served as a Board member of NITF only in the 1st quarter for the year 2021 and then resigned from the position. He is presently working as the Director General of the Ministry of Public Administration and Management with over 20 years of experience in public service.

He has obtained a Masters of Business Administration – University of Colombo, PG Dip. in Management – University of Rajarata and Bachelor of Science degree -University of Kelaniya.

CORPORATE AND SENIOR MANAGEMENT TEAM

Mr. Manjula Hettiarachchi
CEO - (Acting) 2020

Ms. Nimali Pathirana
Assistant General Manager Insurance

Mr. Lasantha U Kumara
Head of HR & Administration

Ms. Nimali Perera
Head of Branch Supervision

Ms. Dammika Weerakoon
Head of Finance

Ms. Upeksha Ekanayaka
Head of Underwriting

Ms. Anura Samarakoon
Head of Claims

Ms. Nimesha Sahabandu
Head of NNDIS, Crop Insurance

Ms. Deshani Nanayakkara
Head of Reinsurance & SRCC

Mr. T. G. Lakshman
Head of Motor Claims

Ms. Randima Manage
Head of General Claims

Mr. R. S. Gunasekara
Head of Internal Audit

Mr. Kavindra Jayasinghe
Head of IT

Ms. Gayathri Soysa
Head of Research & Analysis

Mr. Asanka Jayalath
Head of Administration

Mr. Namal Kanchana
Head of Payments &Expenses

Mr. Sisitha Chandrakumara
Head of Financial Reporting

Ms. Lumbini Uthpala
Head of Legal

Ms. Gayani Siyambalagoda
Secretary to the Charmin

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

Mr. Indeera Wickramarachchi
Head of Anuradhapura Branch

ENTERPRISE RISK MANAGEMENT

INTRODUCTION

Enterprise Risk Management (ERM) is responsible for identifying possible risks before they occur which enables NITF to set up procedures in order to mitigate risk or minimize its impact, or at the very least help cope with its impact. ERM functions involves identifying, assessing, managing and monitoring NITF's opportunities and threats with a forward and ongoing perspective and enable risk centered decision making. 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. Our focus is to drive excellence in managing risk to ensure that NITF optimizes the opportunities and minimizes threats of the future.

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

GENERAL INSURANCE & REINSURANCE RISK

There are many risks associated with General insurance and Reinsurance. The following prominent risks have been identified evaluating the quantum of the impact / consequence and the likelihood / plausibility of occurrence.

R01 -STRATEGIC RISK

Strategic risks are determined by board and top management decisions about the objectives and direction of the organization. To take strategic decisions effectively, board and the management need sufficient information about how the business is performing, and about relevant aspects of the economic, commercial, and technological environments. To assess the variety of strategic risks the organization faces, the board needs to have a breadth of the vision; hence governance reports recommend that a higher authorities in the organization be balanced in skills, knowledge, and experience.

However, even if the board and the management follows corporate governance best practice concerning the procedures for strategic decision making, this will not necessarily ensure that the Officials make the correct decisions. Those are the risks that the organizations may have to take in order (certainly) to expand, and even to continue in the long term. NITF may accept other strategic risks in the short term but take action to reduce or eliminate those risks over a longer timeframe.

Ultimately, some risks should be avoided, and some business opportunities should not be accepted, either because the possible impacts could be too great or because the probability of success could be so low that the returns offered are insufficient to warrant taking the risk.

R02 -OPERATIONAL RISK

Although boards need to incorporate an awareness of strategic risks into their decision making, there is a danger that they focus excessively on high-level strategy and neglect what is happening 'on the ground' in the organization. If production is being disrupted by machine failure, key staff are leaving because they are dissatisfied, and sales are being lost because of poor service quality, then the business may end up in serious trouble before all the exciting new plans can be implemented. All of these are

operational risks – risks connected with the internal resources, systems, processes, and employees of the organization.

The board in NITF establish various committees to monitor exposure of risks, actions taken and risks that have materialized. The committees are likely to assess operational risks in aggregate, over the whole organization, and decide which risks are most significant and what steps should be taken to counter these. This may include setting priorities for control systems and liaising with internal audit to ensure audit work covers these risks.

The Internal Audit function of Strike, Riot, Civil Commotion and Terrorism Fund and other departments of NITF has being carried out by the Internal Audit Department in order to minimize the errors and discrepancies of premium collection and claims payments. Furthermore, the office operations have been computerized in order to minimize errors and discrepancies. In addition, A key part of line managers' responsibilities is the management of the operational risks in their area. As well as ensuring specific risks are dealt with effectively. Managers will be concerned with their local working environment and will deal with conditions that may cause risks to materialize.

R03 -MARKET RISK

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

R04 -LIQUIDITY RISK

Liquidity risk can be defined as the risk that cash resources are insufficient to meet cash needs either under current conditions or in stress scenarios. In NITF scenario, Liquidity Risk is the inability to meet the contractual obligations such as claims payments, reinsurance payments and fund transfers to the Treasury when requested by Ministry of Finance. This risk has been mitigated through diversification of investments

ENTERPRISE RISK MANAGEMENT

with different maturities such as Repos, Treasury Bills of different maturities, Treasury Bonds of different maturities and debentures. For financial stability and supervision purposes, it is important to analyze the different types of liquidity risk confronting NITF as well as NITF's liquidity positions. Calculating liquidity positions can be done by accessing the internal data from insurance companies.

R05 -INTERNATIONAL RISK

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

R06 –REPUTATIONAL RISK

Reputational risk insurance is essentially the measure of your exposure to a specific set of risks that could impact the NITF's ability to operate as normal should an event trigger a material impact on NITF reputation. 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. Standardization, technology, policies, and procedures reduce the likelihood and severity of events that could cause reputational damage. By focusing on consistently supplying quality services, it's much less likely that there will be a harmful mistake. Further, in all situations, it's key to consistently send out positive communications. Over time, this will build up NITF's reputation in the public mind, lessening the impact of future damages.

R07– FRAUD RISK

Fraud Risk is the risk of unexpected financial, material or reputational loss as the result of fraudulent action of persons internal or external to the organization. Professional training includes the analysis of information and systems which can have a significant role to play in the development and implementation of anti-fraud measures within NITF. Further, NITF has established an effective internal control system and accounting system. It has an effective internal audit function in place which continuously reviews all of the internal controls within the organization to ensure that the risk of fraudulent activity is prevented.

R08 -FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk that a business' financial performance or financial position will be impacted by changes in the exchange rates between currencies. 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.

R09 –REINSURANCE RISK

Reinsurance risk refers to the inability of the ceding company or the primary insurer to obtain insurance from a reinsurer at the right time and at an appropriate cost. The inability may emanate from a variety of reasons like unfavorable market conditions, etc. Anyway, in 2018, NITF obtained reinsurance covers at a reasonable cost to cover its reinsurance portfolio with reinsurers who have excellent financial ratings and high global ranking. In 2021, Reinsurance covers were obtained for Strike, Riot, Civil Commotion and Terrorism Fund, Retrocession Program and all those covers continuously keep going on to mitigate the reinsurance risk.

R10 –INFORMATION TECHNOLOGY RISK

Information technology or IT risk is basically any threat to a business data, critical systems and business processes. It is the risk associated with the use, ownership, operation, involvement, influence and adoption of IT within an organization. NITF IT has deployed front-end insurance and back-end ERP solutions and support solutions for insurance, reinsurance, finance and administration. The IT supports our clients, customers and regulator with accurate and current information by providing services to cater ever demanding business growth since 2007. Information security, redundancy and availability is achieved by both infrastructure and database aspects.

R11 -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.

SUSTAINABILITY REPORTING

Sustainability reporting is the disclosure and communication of environmental, social, and governance (ESG) goals—as well as a company's progress towards them. The benefits of sustainability reporting include improved corporate reputation, building consumer confidence, increased innovation, and even improvement of risk management.

Sustainability reporting satisfies the need for a more holistic approach to corporate reporting on performance, beyond the purely financial disclosure. Sustainability is firmly on the corporate agenda – although as with many business challenges, committing to a course of action often proves difficult. Sustainability initiatives often combine tangible, short-term gains with longer term benefits to generate new sources of revenue and enhance intangible assets such as brand and reputation.

Sustainability and the value it creates must be quantified and linked to business performance if the case for sustainability is to be made and the benefits are to be realized.

So, in a nutshell, sustainability reporting can have four major benefits to any organization:

- It is a useful risk management tool.
- It can help generate savings.
- It helps in better decision-making.
- It helps in increasing stakeholder trust.

National Insurance Trust Fund strives to enhance its business performance through achieving the new performance dimensions of triple bottom line which is economic prosperity, environmental and social quality and strives to be a "Well Responsible Corporate Citizen". Some have argued that sustainability reporting and risk management are actually 'two sides of the same coin'. Considering risk and sustainability together is noteworthy, as sustainability, in grand, strategic terms, is about realizing business resilience, and an opportunity to enhance transparency and partnership. Sustainability shapes NITF's future operating environment, its corporate perception, while at the same time bringing resilience and efficiency into the business.

NITF has by way of a levy increased its contribution substantially to the consolidated fund of the Government by contributing LKR 0.782 million and 1,824 million to the consolidated fund in 2020, 2021 respectively and thereby continuing the past tradition as shown in the table below.

Table: Contribution to Consolidated Fund

Year	Amount
2021	1,824,000,000
2020	782,000,000
2019	3,267,970,000
2018	2,750,000,000
2017	1,500,000,000
2016	3,200,000,000
2015	3,000,000,000
2014	4,000,000,000
2013	3,200,000,000

In order to serve the customers better by minimizing insolvency and credit risk and enhancing of NITF brand image, NITF has obtained its Fitch rating of A+.

REPORT OF THE DIRECTORS

1. PREFACE

The NITF is managed by a Board and the Board shall consist of the following members who shall be appointed by the Minister in charge of the subject of Finance.

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

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

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

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

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

The Minister is empowered to appoint one person of the Board as Chairman. In terms of the Act, all members of the Board shall hold office for a period of five years from the date of appointment.

The Directors have pleasure in presenting to the shareholders Integrated Annual Report of National Insurance Trust Fund together with the Audited Financial Statements of the Fund for the year ended 31st December 2021 and the Independent Auditors' Report on those Financial Statements conforming to all relevant statutory requirements. This Report provides the information as required by the National Insurance trust Fund Act, No. 28 of 2006, Insurance Industry Act No. 43 of 2000 and amendments thereto and Sri Lanka Accounting & Auditing Standards Act No. 15 of 1995 and amendments made thereon and best practices of corporate governance.

During the year 2021, 4 Board Meetings have been held and Members of the Board have maintained excellent records of attendance at the meetings.

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.

2. REVIEW OF BUSINESS

2.1 Vision, Mission and Corporate Conduct

The Fund's Vision and Mission Statements are exhibited on page 4 of the Annual Report.

The business activities of the Fund are conducted maintaining the highest level of ethical standards in achieving its Vison and Mission while providing insurance for needy persons or group of persons as may from time to time be identified by the Minister by Order, which reflects our commitment to high standards of business conduct and ethics in performing.

2.2 Principal Activity

Principal activities of NITF in 2021 were the implementation of Medical Insurance Scheme for Public Officers (Agrahara), Compulsory Reinsurance Scheme, Parliamentary Members Insurance scheme, Motor Vehicle Insurance Scheme, Non- Motor Insurance Schemes, and Management of Strike, Riot, Civil Commotion & Terrorism Fund (SRCC&T).

2.3 Financial Results

The Financial Statements of the Company are prepared in conformity with the sri Lanka Accounting Standards LKAS/SLFRS laid down by the institute of Chartered Accountants of Sri Lanka, National Insurance Trust Fund Act No. 28 of 2006 and comply with the regulations of the insurance Industry Act No 43 of 2000 and other rules and regulations of the Insurance Regulatory Commission of Sri Lanka (IRCSL).

In 2021, NITF recorded a Gross Written Premium of LKR 10.630 billion as against to GWP in 2020 of 9.818 billion. The GWP registered a marginal increase relative to 2020 mainly due to increase in premium received from reinsurance and Strike, Riot, Civil Commotion and Terrorism Fund in 2021. During 2021, NITF earned a Profit after Tax of LKR 4,944 billion.

2.4 Auditors

The financial statement for 2021 of the NITF was audited by the Auditor General in terms of Financial Act No. 38 of 1971.

Corporate Governance

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

Mawahib Mowjood
Chairman

Lumbini Uthpala
Secretary to the Board

Colombo
31.08.2022

Financial Reports

AUDITOR GENERAL'S REPORT

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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය / எனது இல. / My No. INF/A/05/NITF/AR/2021

ඔබේ අංකය / உமது இல. / Your No.

දිනය / திகதி / Date March 2023

Chairman

National Insurance Trust Fund

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the National Insurance Trust Fund Board for the year ended 31 December 2021 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial statements

1.1 Opinion

The audit of the financial statements of the National Insurance Trust Fund Board ("Fund") for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

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

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව   இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை.   No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
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AUDITOR GENERAL'S REPORT

1.2 Basis for Disclaimer of Opinion

1.2.1 Internal Control over the preparation of financial statements

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

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

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

- Internal audit function had not been carried out for the period of February 2020 to October 2021 (20 months) and the Audit Committee had not been conducted for the year 2021. Therefore, the review and strengthen internal control systems on regular basis, review financial statements and financial statements preparation process to ensure compliance with Accounting Standards had not been carried out.

- A fraud done by an employee in the Agrahara Insurance Scheme had been discovered accidently in October 2022. This fraud had been committed from the year 2018 and the discovered financial loss as per the internal audit report submitted to law enforcement authorities is Rs. 5,136,000. This was happened due to lack of design and implementation of the sound internal control system with proper supervision and monitoring. Further, this evident that the non-existence of the sound system of control environment for the fund. Further, the current status in this regard had not been presented to the audit.

(b.) Integrated system for handling Agrahara Claims from acceptance of the claim applications to settlement of the claims had not been available for the fund. Therefore, due to acceptance of claim applications in an irresponsible manner, loss of claim information and unnecessary delays of claim processing had been observed.

(c.) The transactions of the Strike, Riot, Civil Commotion and Terrorism Fund (SRCC & Tr Fund) had been recorded in the excel files using source documents and at the end of the year all transactions recorded in the excel files had been updated to a manual ledger and submitted to the audit. Even though, the facility had been provided in the SAGE Accounting System in the year 2019, that facility had not been used in real time basis for the financial reporting process of the Strike, Riot, Civil Commotion and Terrorism (SRSS & Tr) Fund. Therefore, duplicate works and high risk of data duplication and errors may occur during same data processing among both systems. And also, it seems there are high probability of manipulation during integrations.

(d.) (d.) Contribution for the Agrahara insurance scheme had been recognized as one item of income in the financial statements for Agrahara Normal, Silver and Gold schemes. Since there was no proper and updated database, it is difficult to obtain information for contributions made to each Agrahara Insurance Schemes and to obtain a detailed record of the monthly contributions made by each institution and by each policy holder to the Fund.

(e.) (e.) Financial information of reinsurance outstanding claims of Rs. 2,623,829,593 and reinsurance claims

AUDITOR GENERAL'S REPORT

paid had been maintained manually in excel sheets. Therefore, it is observed that there was no proper system in place to handling transactions and keep records in the reinsurance section. Therefore, there is a greater risk of data integrity due to weaknesses in financial information reporting in the reinsurance section. Further, timely actions for collection of reinsurance claims and accuracy of those information are questionable.

(f.) A Staff Loan Register had not been maintained by the entity in an acceptable manner. Instead, a staff loan register had been prepared as an excel file format, which cannot be accepted and trust since the lower level of data integrity due to possibility of unauthorized changes, recorded incidents of deletion and edition of information in the history and inability to verify the accuracy of history of the information. The total balance of staff loans as at 31 December 2021 as per financial statements is Rs. 47,326,145.

(g.) According to the guidelines 2.3 of the Operational Manual for State Owned Enterprises (SOE's), all SOEs should have their own systems, processes, and protocols clearly defined in Manuals covering all major operations, which are periodically reviewed and updated. However, an approved Information Technology and Information System Policy is not available for the fund. Therefore, an IT security policy, records management policy, business continuity management and disaster recovery plan, breach response plan and privacy policy are not available for the fund. Therefore, this will impact to validity, completeness, integrity, security and availability of data and processed information.

1.2.2 Non-Compliance with Sri Lanka Accounting Standards

(a.) SLFRS 07 – Financial Instruments: Disclosures

(i.) According to the paragraph 33(a) of the standard, the entity has not made required disclosures regarding exposures to risk and how they arise in relation to reinsurance receivables, motor premium receivables and non-motor receivables.

(ii.) According to the paragraph 33(b) of the standard, the entity had not provided sufficient disclosures regarding its objectives, policies and processes for managing the risk and the methods used to measure the risk in relation to reinsurance receivables, motor premium receivables and non-motor receivables.

(b.) LKAS 08 – Accounting Policies, Changes in Accounting Estimates and Errors

According to the paragraph 42 of the standard, an entity shall correct material prior period errors retrospectively in the first set of financial statements for authorized for issue after their discovery. The Adjustment premium of National Natural Disaster Insurance Scheme (NNDIS) of Rs. 123,387,679 for the period of 26 May 2018 to 31 July 2018 and the Adjustment premium of Retrocession Reinsurance of Rs. 466,292,684 for the period of 15 March 2018 to 15 September 2019 had been recognized for the year under review. Therefore, this error had not been corrected as per the provisions of the standard. As a result, the profit for the year had been understated by Rs. 589,680,363.

(c.) LKAS 12 – Income Tax

An accounting policy for recognition and measurement of deferred tax had not been disclosed in the financial statements. Further, the fund had not recognized the deferred tax asset amounting to Rs. 4,081,840 as at 31 December 2021.

1.2.3 Accounting Policies

(a.) According to the paragraph 36 and 37(a) of SLFRS 4 – Insurance Contracts, an insurer shall disclose information that identifies and explains the amounts in its financial statements arising from insurance contracts. However, the entity had not disclosed accounting policy for recognition and measurement of reinsurance gross written premium income for the year under review. The reinsurance gross written premium recognised for the year under review is Rs. 3,548,784,649.

AUDITOR GENERAL'S REPORT

(b.) According to paragraph 13 of LKAS 08 – Accounting Policies, Changes in Accounting Estimates and Errors, the entity shall select and apply its accounting policies consistently for similar transactions. However, the fundhad used different policies for the valuation of treasury bills and treasury bonds. The fund had used average yield to calculate the treasury bill and treasury bond in 2019. However, buying yield had been used to calculate the treasury bills and treasury bonds in 2020 and 2021. Further, investment policy had not been defined the valuation method of treasury bills and bonds.

1.2.4 Accounting Deficiencies

(a.) Reinsurance receivable balances in accordance with the Control General Ledger Account is Rs. 1,590,481,053 and Reinsurance Receivable Age Analysis Report submitted to the audit is Rs. 1,581,447,299. Therefore, it was observed that, the difference of Rs. 9,033,754 between Reinsurance Receivable Control General Ledger Account and Reinsurance Receivable Age Analysis. According to the reconciliation prepared by fund, this difference represents the omission of Rs. 9,053,364 receivable balances from an insurance company from the age analysis and further unidentified difference of Rs.19,610 had been observed. However, the evidence had not been available for identified omission of Rs. 9,053,364 for the audit to decide whether any adjustment shall be required for the financial statement for the year under review.

(b.) A difference of Rs. 568,087 had been observed between staff loan balance as per financial statements and the detailed schedule submitted for the audit.

(c.) Administration Expenses amounting to Rs. 3,445,057 for the year 2020 had been accounted in the year 2021. Furthermore, Administration Expenses amounting to Rs. 2,280,680 for the year 2021 had been accounted in the year 2022. Therefore, total expenses for the year had been overstated and the profit for the year had been understated by Rs. 1,164,377.

(d.) According to the Revised Financial statements of 2020, the Company had introduced a revenue recognition policy for re-insurance. However, such policy had not been consistently disclosed for the year under review as per the paragraph 13 of LKAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. As per the policy disclosed in the revised financial statements for the year 2020, the Proportional Treaty Re-insurance premium shall be recognized when the periodic advice received from cedants with the leader confirmation. However, it was observed that the re-insurance premium relevant prior to 2021 of Rs.723,971,289 had been recognized for the year under review. Further re-insurance premium of Rs.684,791,928 relevant for the period had been recognized for the year 2022, due to the leader confirmation and periodic advice had been received in delay. Due to this, the revenue for the year had been overstated by Rs.39,179,361.

(e.) According to the accounting policy introduced by the revised financial statements for the year 2020, the re-insurance premium for Non-Proportional Treaty Re-Insurance Agreement has been recognized based on the contractual premium already established at the start of the Treaty Gross Written Premium (GWP) for the year. However, it was observed that the re-insurance premium relevant prior to 2021 of Rs.35,138,723 has been recognized for the year under review. Further re-insurance premium of Rs.15,800,799 relevant for the year had been identified in the year 2022. This was occurred due to relevant adjustments had not been made by reviewing the agreements with available additional information and developments at the end of the period. Due to this the revenue for the year had been overstated by Rs. 19,337,924.

(f.) According to the accounting policy for Facultative Re-insurance Agreement the insurance premium has been recognized after receiving the leader confirmation. Therefore, re-insurance premiums of Rs.143,783,983 relevant for the prior periods had been recognized for the year under review. Further, re-insurance premium of Rs. 170,065,932 relevant for the period had been recognized in the year 2022. Due to this the revenue for the year had been understated by Rs. 26,281,949.

(g.) A difference of Rs. 3,408,464 had been observed in four (04) bank accounts in relation to nine (09) months between the cash book balances attached in the bank reconciliation statement and the cash book balance as per the system as at audit date of 19 May 2022.

AUDITOR GENERAL'S REPORT

(h.) Right of Use Asset amounting to Rs 5,351,298, the lease liability on right of use asset amounting to Rs. 7,339,958 and the finance cost of right of use asset amounting to Rs. 2,259,970 had been overstated for the year under review.

1.2.6 Documentary Evidences not made available for Audit

(a.) The fund has a debit balance amounting to Rs. 22,465,243 continued from the year 2020 in the Income Tax Payable account. According to the management this is an Economic Service Charge (ESC) paid by the fund. Therefore, it seems that ESC had not been claimed against the income tax payment hence the recoverability of the same is remote. However, further evidence was not made available for this debit balance.

(b.) The source documents such as payment voucher and agreements for rent deposit receivable amounting to Rs.2,180,969 and refundable deposit payable amounting to Rs. 892,692 had not been available for the audit. Further, alternative procedures had not been possible due to lack of evidence and the non-availability of management comments.

(c.) Source documents such as receipts, agreements had not been made available for the audit for the long outstanding payable balances amounting Rs. 282,865,828 in five (05) general ledger accounts. Further, alternative procedures had not been provided due to lack of evidence and non-availability of management comments.

According to FR 272(1) All paid vouchers should be kept in safe custody in the consecutive order of their numbers until they are disposed. Thirty-four payment vouchers along with the supporting documents amounting to Rs 2,490,462 were not made available for audit.

Sixty-nine (69) Journal vouchers along with relevant source documents amounting to Rs 2,584,778,761 were not available in the Journal Entry files for the year under review. Further, alternative procedures could not be performed to get confirmed the accuracy and existence of the balance due to lack of evidence Despite the written requests and reminders made, information in relation to the reinsurance claims paid for flood and non-flood for the year under review had not been submitted to the audit. Further, alternative procedures could not be performed to get confirmed the accuracy and existence of the balance due to lack of evidence. According to the calculation of the audit, the sum of the claims paid for the year under review is Rs.1,298,922,574.

(d.) The outstanding claim provision for reinsurance as at 31 December 2021 is Rs. 2,623,829,611 of which the provisions of Rs. 2,341,883,754 from eight (08) insurance companies had been selected for calling third party confirmations, which represent eighty-nine (89) percent of the total claim provision. However, the third-party confirmations for these balances had not been made available for the audit. Further, performance of alternative procedures were not possible due lack of follow up on third party confirmations by the management and non-submission of intimations, reconciliations, claims settlement schedules and management comments in this regard.

(e.) The outstanding inward reinsurance premium receivable as at 31 December 2021 is Rs. 1,590,481,053 and out of which the receivables of Rs. 1,457,619,423 from eight (08) insurance companies had been selected for calling third party confirmations, which represent ninety-two (92) percent of the total reinsurance receivables. However, the third-party confirmations for these balances had not been made available for the audit. Further, performance of alternative procedures were not possible due lack of management support for follow up on third party confirmations and non-submission of invoices, receipts, reconciliations, recovery schedules, age analysis and management comments in this regard.

(f.) The information submitted to the actuary for valuation in respect of final quarter provisions had not submitted to the audit.

(g.) Age analysis for Retro and NNDIS reinsurance receivable balances of Rs. 1,102,142,174 had not been available for the audit, even though the written requests and reminders were made. Therefore, it was not possible to select samples to call balance confirmations for these balances due to non-availability of age

AUDITOR GENERAL'S REPORT

analysis. Further, performance of alternative procedures were not possible due to lack of management support for calling third party confirmations and non-submission of invoices, receipts, reconciliations, recovery schedules, age analysis and management comments in this regard.

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

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

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

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

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

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

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

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

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

2. Report on Other Legal and Regulatory Requirements

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

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

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

2.1.4 The financial statements presented do not include the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

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

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

AUDITOR GENERAL'S REPORT

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

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

Reference to law/ direction	Description
(a.) Sections 7, 31(2) and 49 (b) of Regulation of Insurance Industry Act No.43 of 2000	Four (04) quarterly returns containing information as rules made in that behalf should be submitted to the Insurance Regulatory Commission. However, quarterly and annual returns had been submitted with delay of 17 to 363 days to the Insurance Regulatory Commission
(b.) Section 6(1)(e) of the National Insurance Trust Fund Act, No. 28 of 2006	According to the provisions of the Act, three (03) persons to be nominated by the Minister from among persons possessing qualifications or expertise in the fields of finance, banking, insurance, management or law to the board of the fund. However, it is observed that, two (02) board positions are still remaining vacant as at 31 December 2021.
(c.) Section 13(e) of the National Insurance Trust Fund Act No 28 of 2006	According to the provisions of the act a general account in respect of the Fund and separate Individual accounts in respect of each member needed to be maintained. However separate accounts for individual members had not been maintained by the fund.
(d.) Paragraph 13(g) & (h) of the National Insurance Trust Fund Act, No. 28 of 2006	A statement of Investments shall be prepared by showing the face value, purchase price and market value of each of the investments and shall transmit to the Minister a copy of each of the statement of investments. However, such a statement had not been prepared by the fund for the year under review. The total investment of the board as at 31 December 2021 is Rs. 24,954,265,916.
(e.) Paragraph 23 of the National Insurance trust Fund Act, No.28 of 2006	According to the provisions of the act, the fund had not taken necessary actions to inspect records of the insurance companies to verify whether such insurance companies have invoiced and remitted amount accrued to the fund accurately.
(f.) Paragraph 40(1) of the National Audit Act No. 19 of 2018	The governing body of the entity shall appoint an internal auditor for the fund. However, the internal audit function had not been carried out for the period of February 2020 to October 2021.
(g.) F.R. 386(7)	Even though, the cancelled cheques must be affixed to the counterfoil and retained in the cheque book. The fund has attached cheque counterfoils with the payment voucher. As a result, in the case of any misplacement of the voucher all the details related to cancelled cheques may get lost.
(h.) F.R. 395(b)	Bank Reconciliation Statements should be certified by the Paying Officer concerned, and made available to Audit for inspection. However, the Bank Reconciliation Statements prepared for eighteen (18) bank accounts had been certified without name, designation and date.
(i.) F.R. 446	The petty cash book of SRCC & Tr Fund had not been maintained properly due to non-availability of serial number order and non-availability of authorised signatures for the alternations.
(j.) F.R. 446(1)(c)	Strike Riot Civil Commotion and Terrorism (SRCC & Tr) Department had not written the cash books up to date, not totalled and balanced daily nor monthly basis and Supervisory or Staff Officer responsible has not signed the Cash Book in relation to three (03) bank accounts.

AUDITOR GENERAL'S REPORT

(k.)	Section 04 of Public Enterprises Circular No. PED 2/2015 dated 25 May 2015	According to the provisions of the circular the cost of purchasing mobile phones should be personally born by the officers. However, the fund has purchased mobile phones for employees by incurring Rs. 168,700 for the years 2021. Further, total cost of Rs.2,601,071 had been incurred to purchased mobile phones for the period from 2016 to 2021 by the fund.
(l.)	Guideline 2.2.2(a)(ii) of Guidelines of Corporate Governance for State Owned Enterprises 2021	The Board meetings need to be held regularly, at least once a month in accordance with the provisions of the Act. However, the Board meetings had not been held for the months of April, June, July, September, October, and November 2021.
(m.)	Guideline 2.2.2 (b) (xii) of Guidelines of Corporate Governance for State Owned Enterprises 2021	According to the guideline, the board should ensure the appointment and the proper functioning of Board sub-committees. However, the board sub committees such as Risk Committee, Related Party Transactions Review Committee had not been functioned in the year under review.
(n.)	(n.) Principle G.2 Code of Best Practice on Corporate Governance 2017	The board had not appointed a Chief Information Security Officer (CISO) nor the cybersecurity risk management policy had been developed for the entity.

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

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

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

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

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

(e.) Investment Activities

(i.) An approved investment policy had not been available for the fund. The draft policy had been submitted to the board and board recommend to submit the draft policy with proposed investment limits. However, resubmission had not been done.

AUDITOR GENERAL'S REPORT

(ii.) As per paragraph 17 of the Draft Investment Policy of the fund, the investment committee should meet periodically and the responsibilities of the investment committee had been defined. However, the investment committee had not been met for the year under review.

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

(iv.) Even though the role of the investment manager has been defined in paragraph 13 of the draft investment policy this position had been vacant since 13 August 2020.

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

(vi.) The financial assets of the fund (Investments) amounting to Rs. 24,954,265,916 represent 79% of the total assets of the fund. However, the delegation of financial authority for investment decisions had not been defined in the Investment Policy based on the value of the investments and the sources of investments. All investments were approved only by the Investment Committee irrespective of the value and the sources of the investments.

(f.) Actuarial Function

(i.) The recommendations in relation to data capturing, splitting major class of business, provide claim counts and claim handling expenses were made since 2019 by the actuary. However, the actuarial report had not been discussed at the board level or the appropriate level of management from 2019 to make required improvements to increase the data confidence level of the fund.

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

(g.) Recovery reminders of 03 lapse soft loan account balances of Rs.2,726,557 had not been followed up by the entity until 31 December 2021. After requesting by the audit, recovery reminders had been sent on 23 August 2022.

(h.) According to the Extra Ordinary Gazette No. 1824/23 dated 23 August 2013, penalty had not been imposed and collected by the fund from the overdue crop levy payment amounting Rs.2,681,980 from 10 banks and financial institutions for the year 2020 and 2021 and further actions had not been taken in terms of provisions of paragraph 24 of the National Insurance Trust Fund Act No. 28 of 2006 for non-payment of the levy.

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

2.5 Other Matters

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

W.P.C. Wickramaratne
Auditor General

STATEMENT OF COMPREHENSIVE INCOME

For the Period ended 31st December 2021

	Notes	2021 Rs.	2020 Rs.
Gross written premiums	1	10,630,972,523	9,818,040,011
Contribution Received for Agrahara	1	6,283,159,919	5,469,298,738
Crop Insurance Levy Collected		2,193,825,976	1,626,851,259
Reinsurance Premiums ceded		(589,680,363)	(1,101,890,156)
Net written premiums		18,518,278,055	15,812,299,851
Net change in Reserve for unearned premium		(408,441,178)	867,768,751
Reinsurers share of change in UPR		(730,932,477)	794,959,214
Net earned premium		17,378,904,399	17,475,027,816
Revenue from other operations			
Fees and commission income	2	1,329,693	1,935,395
Investment & Other Income	3	1,588,798,090	1,385,087,715
Other revenue		1,590,127,784	1,387,023,110
Gross benefits and claims Incured	4	(10,147,096,018)	(7,978,035,907)
Claims ceded to reinsurers	4	-	-
Gross change in contract liabilities	4	1,176,026,553	97,522,388
Change in contract liabilities ceded to reinsurers	4	-	-
Gross change in IBNR	4	(1,790,211,581)	(74,002,744)
Net benefits and claims		(10,761,281,045)	(7,954,516,263)
Underwriting and acquisition cost (including reinsurance)	5	(1,863,920,737)	(1,614,860,946)
Other operating and administrative expenses	6.1	(392,242,269)	(409,175,576)
Finance cost & other Related Cost	6.2	(15,866,209)	(17,571,769)
Total benefits, claims and other expenses		(13,033,310,261)	(9,996,124,555)
Profit/(Loss) before tax		5,935,721,923	8,865,926,371
Income Tax for the Year		(991,504,005)	(1,339,826,929)
Profit/(Loss) After tax for the year		4,944,217,918	7,526,099,442
Other Comprehensive Income			
Net change in available for sale financial assets		(346,028,774)	134,541,150
Actual Gain/(Loss) on retirement benefit obligation		29,237,258	(7,943,165)
Other comprehensive income for the year, net of tax			
Total Comprehensive Income		4,627,426,402	7,652,697,427

STATEMENT OF FINANCIAL POSITION

As At 31st December 2021

	Notes	2021 Rs.	2020 Rs.
Assets			
Intangible assets	7	19,673,246	5,998,484
Property, plant and equipment	8	35,294,751	42,225,902
Right of use lease Assets	9	62,145,998	94,511,709
Financial Assets	10	24,954,265,916	21,666,072,511
Reinsurance Receivable	11	1,102,142,174	1,102,142,174
Premium receivables	12	3,791,265,630	2,849,482,173
Soft Loans	13	2,726,557	2,726,557
Other non financial assets	14	103,107,368	112,092,419
Deferred Commission	15	778,394,410	713,547,137
Cash at bank and in hand	16	715,633,708	769,514,934
Total Assets		31,564,649,760	27,358,314,000
Equity and Liabilities			
Retained earnings		17,007,415,074	13,887,197,157
Other component of equity		(139,342,604)	177,448,911
Revaluation Reserve		(2,102,126)	(2,102,126)
Total Equity		16,865,970,344	14,062,543,942
Liabilities			
Insurance contract liabilities	19	11,580,703,508	9,825,591,002
Retirement benefit obligation	20	29,677,230	50,120,616
Lease Creditor	21	85,708,121	113,263,614
Other liabilities	17	3,002,590,554	3,306,794,823
Bank overdraft	16	-	-
Total Liabilities		14,698,679,413	13,295,770,055
Total Equity and Liabilities		31,564,649,760	27,358,314,000

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

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

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

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

Mawahib Mowjood
Chairman

Director

25-Feb-22
Colombo

STATEMENT OF CHANGES IN EQUITY

As At 31st December 2021

	Retained earnings	Available for Sale Financial Assets	Revaluation Reserve	Total
Balance as at 31st December 2016	7,831,705,609	(266,847,481)		7,564,858,128
Profit for the year	976,233,935			976,233,935
Net change in available for sale financial assets	-	208,755,171		208,755,171
Cash Transferred to the Consolidated Fund	(1,500,000,000)			(1,500,000,000)
Year End Closing Difference	(44,253,311)			(44,253,311)
Income Tax Payable 2016/2017	(97,669,225)			(97,669,225)
Amortised discounts on Bonds	26,235,147			26,235,147
Refund crop AAIB	42,871,673			42,871,673
Incentive 2016	(3,140,650)			(3,140,650)
RI Premium General	(2,921,713)			(2,921,713)
Opening - AR Control RI	(38,856,406)			(38,856,406)
Opening - AR Control Non Motor	83,109,718			83,109,718
Cheque Return	(324,575)			(324,575)
ETF 3%	305,147			305,147
Motor bike Advance & Motor Receivable	(57,582,588)			(57,582,588)
ESC	(2,068,743)			(2,068,743)
Other Previous Year Adjustment	(493,887)			(493,887)
Acturial (gain)/loss on gratuity valuation	-	(8,699,331)		(8,699,331)
Balance as at 31st December 2017	**7,213,150,131**	**(66,791,641)**	**-**	**7,146,358,490**
Profit for the year	3,183,238,866			3,183,238,866
Net change in available for sale financial assets		(390,587,646)		(390,587,646)
Cash Transferred to the Consolidated Fund	(2,750,000,000)			(2,750,000,000)
Revaluation of Assets			(2,102,126)	(2,102,126)
Revaluation on Disposed Motor Vehicle	6,276,415			6,276,415
Amortised discounts on Bonds	25,070,657			25,070,657
NNDIS Reinstatement & Adjustment Fee	(291,472,452)			(291,472,452)
RETRO RI Receivable Exchange loss	(3,888,779)			(3,888,779)
Settle Invoice & CN Cancelation	41,810,528			41,810,528
Missed Invoice in Openning Balance RI	10,980,047			10,980,047
NNDIS Cancel Cheque	12,682,341			12,682,341
Cheque Cancelation	2,080,928			2,080,928
Bond Coupon Interest	(8,856,250)			(8,856,250)
Salaries correction	(1,037,300)			(1,037,300)
Leave Encashment	(2,764,983)			(2,764,983)
Duplicate CN Cancelation RI	(7,458,551)			(7,458,551)
Euro USD Exchange Gain Reverse	(5,082,679)			(5,082,679)
Other Previous Year Adjustment	(83,955)			(83,955)
Acturial (gain)/loss on gratuity valuation		(9,075,505)		(9,075,505)
Balance as at 31st 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 31st December 2019	7,143,097,716	50,850,927	(2,102,126)	7,191,846,517
Profit for the Period	7,526,099,442			7,526,099,442
Acturial (gain)/loss on gratuity valuation		(7,943,165)		(7,943,165)
Net change in available for sale financial assets		134,541,150		134,541,150
Cash Transferred to the Consolidated Fund	(782,000,000)			(782,000,000)
Balance as at 31st December 2020	**13,887,197,157**	**177,448,912**	**(2,102,126)**	**14,062,543,942**
Profit for the Period	4,944,217,918			4,944,217,918
Acturial (gain)/loss on gratuity valuation		29,237,258		29,237,258
Amortised discounts on Bonds	-			-
Net change in available for sale financial assets		(346,028,774)		(346,028,774)
Cash Transferred to the Consolidated Fund	(1,824,000,000)			(1,824,000,000)
Balance as at 31st December 2021	**17,007,415,075**	**(139,342,604)**	**(2,102,126)**	**16,865,970,344**

Accounting policies and notes on pages 45 to 76 form an integral part of the Financial Statements.
Figures in bracket indicate deductions.

STATEMENT OF CASH FLOWS

For the Period ended 31st December 2021

		2021 Rs.	2020 Rs.
Cash Flows from Operating Activities			
Profit Before Tax		5,935,721,923	8,865,926,371
Adjustments for :			
Interest Income		(1,424,696,277)	(1,334,565,453)
Depreciation		9,049,428	10,704,723
Amortisation		7,868,701	2,149,221
Lease Expenses		15,866,209	17,571,769
Net Fair Value Changes		(316,791,516)	126,597,985
Prior Year Adjustments			
Loss/ (Profit)on Disposal of Fixed Assets		-	-
		4,227,018,467	7,688,384,616
Change in Operating Assets	A	(965,279,969)	(262,001,625)
Change in Operating Liabilities	B	411,405,353	(1,559,158,338)
Cash Flow from Operating Activities		3,673,143,852	5,867,224,653
Net Cash Generated from Operating Activities		3,673,143,852	5,867,224,653
Cash Flows from Investing Activities			
Net Disposal/(Acquisition) of Financial Investments		(3,288,193,406)	(6,221,405,247)
Interest Received		1,424,696,277	1,334,565,453
Amortised discounts on Bonds		-	-
Recovery of Soft Loans		-	1,028,424
Disposal of Property Plant and Equipment			
Acquisition of Intangible Assets		(21,543,462)	-
Acquisition of Property, Plant and Equipment		(2,118,276)	(12,433,322)
Net Cash Used from Investing Activities		(1,887,158,867)	(4,898,244,692)
Cash Flows from Financing Activities			
Lease Expenses		(15,866,209)	(17,571,769)
Cash Transferred to the Consolidated Fund		(1,824,000,000)	(782,000,000)
Net Cash Used in Financing Activities		(1,839,866,209)	(799,571,769)
Net Increase / (Decrease) in Cash and Cash Equivalents	C	(53,881,226)	169,408,194
Net Cash and Cash Equivalents at the beginning of the Year		769,514,934	600,106,740
Cash and Cash Equivalents at the end of the Year		715,633,708	769,514,934
Notes to the Cash Flow Statement			
A. Change in Operating Assets			
(Increase)/ Decrease in Deferred Commission		(64,847,273)	45,284,164
(Increase)/ Decrease in reinsurance premium receivable		-	497,478,268
(Increase)/ Decrease in Premium Receivable		(941,783,457)	(838,666,693)
(Increase)/ Decrease in Other Non Financial Assets		8,985,051	(2,236,806)
(Increase)/ Decrease in Right of use lease Assets		32,365,710	36,139,441
		(965,279,969)	(262,001,625)
B. Change in Operating Liabilities			
Increase / (Decrease) in Insurance Contract Liabilities		1,755,112,506	(1,978,288,607)
Increase / (Decrease) in Retirement Benefit obligation		(20,443,386)	15,928,153
Increase / (Decrease) in Other liabilities		(1,295,708,274)	431,740,347
Increase / (Decrease) in Lease Creditor		(27,555,493)	(28,538,231)
		411,405,353	(1,559,158,338)
C. Increase / (Decrease) in Cash and Cash Equivalents			
Net Cash and Cash Equivalents at the end of the Year		715,633,708	769,514,934
Less: Net Cash and Cash Equivalents at the beginning of the Year		769,514,934	600,106,740
Net Increase / (Decrease) in Cash and Cash Equivalents		(53,881,226)	169,408,194

Notes to the Financial Statements

Year ended 31st December 2021

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 2021 was 265 (2020 – 365).

1.6 Approval of financial statements by the Board of Directors

The financial statements of The Board for the year ended 31st December 2021 were approved and authorized to issue on 28 February 2022 in accordance with the resolution of the Board of Directors on 25th February 2022.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

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

The Financial Statements include the following components:

- A Statement of Financial Position providing the information on the financial position of the Board as at the quarter-end, (page 62).
- A Statement of Comprehensive Income providing the information on the financial performance of the Board for the year under review. (page 61)
- A Statement of Changes in Equity depicting all changes in equity. (page 63)
- 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 64) and Notes to the financial statements comprising accounting policies and other explanatory information (page 65 to 101).

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 2021

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 2021.

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

2.7 Significant Accounting Judgments, Estimates and Assumptions

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

Accounting judgments, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

2.7.1 Going concern

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

2.7.2 Fair value of financial instruments

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

2.7.3 Assessment of Impairment

The Board 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.

2.8 Summary of significant accounting policies

2.8.1 Foreign currency translation

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

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

2.8.2 Impairment of non-financial assets

The Board assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment

Notes to the Financial Statements (Contd...)

Year ended 31st December 2021

testing for an asset is required, The Board estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted. to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

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

2.8.3 Impairment of financial assets

The Board assesses at each reporting date whether a financial asset or group of financial assets is impaired. The Board assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets not carried at fair value through profit or loss are impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

♦ **Impairment of financial assets carried at amortized cost**

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the loss is recorded in the statement of comprehensive income.

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

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

♦ **Impairment of available for-sale financial investments.**

If an available-for-sale financial asset is impaired, an amount comprising the difference between its costs (net of any principal repayment and amortization) and its current fair value, less any impairment loss previously recognized in of other comprehensive income, is transferred from equity to the statement of comprehensive income. Reversals in respect of equity instruments classified as available-for-sale are not recognized in the statement of comprehensive income.

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

• **Impairment of financial assets carried at cost**

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference

Notes to the Financial Statements (Contd...)

Year ended 31st December 2021

between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

2.8.4 Provisions and contingencies

General Provisions are recognised when The Board has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Board expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Expense relating to any provision is presented in the statement of profit or loss, net of any reimbursement.

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

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

2.8.5 Statement of cash flows

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

2.8.6 New standards and interpretation not yet adopted

a) Sri Lanka Financial Reporting Standard (SLFRS) 17- Insurance Contracts

The Institute of Chartered Accountants of Sri Lanka issued SLFRS 17- Insurance Contracts in January 2020, effective for annual periods beginning on or after 01/01/2023. This new standard supersedes SLFRS 4 - Insurance Contacts. The Board expects to commence work on implementation of IFRS 17 with the support of a consultancy firm.

b) Amendments of Sri Lanka Financial Reporting Standard (SLFRS) but not effective yet.

The below amendments to the Sri Lanka Accounting Standards came into effect on 01st January 2022. Accordingly, entities' financial statements may have an impact on the following areas.

(i) Amendment to SLFRS 09- Fees in the "10 percent" de recognition of financial liabilities

(ii) Amendments to SLFRS 03 - Updating a reference to the Conceptual Framework

(iii) Amendment to LKAS 41- Taxation in fair value measurements.

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 2021

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

	2021							
	Motor	Non Motor	NNDIS	Reinsurance	SRCC	Health Agrahara /Mp	Crop Insurance Scheme	Total
	Rs	Rs	Rs	Rs	Rs			Rs
PREMIUMS								
Gross written premiums	175,571,681	132,482,523	-	3,548,784,649	6,754,133,669	20,000,000	-	10,630,972,523
Contribution Received for Agrahara	-	-	-	-	-	6,283,159,919	-	6,283,159,919
Crop Insurance Levy Collected	-	-	-	-	-	-	2,193,825,976	2,193,825,976
Reinsurance Premiums ceded	-	-	(123,387,679)	(466,292,684)	-	-	-	(589,680,363)
Net written premiums	**175,571,681**	**132,482,523**	**(123,387,679)**	**3,082,491,965**	**6,754,133,669**	**6,303,159,919**	**2,193,825,976**	**18,518,278,055**
Gross change in UPR	27,580,952	35,869,369	-	(109,658,643)	(362,232,857)	-	-	(408,441,178)
Reinsurers share of change in UPR	-	-	-	(653,409,837)	(77,522,640)	-	-	(730,932,477)
Net change in Reserve for unearned Premium	27,580,952	35,869,369	-	(763,068,480)	(439,755,497)	-	-	(1,139,373,655)
NET PREMIUMS EARNED (A)	**203,152,634**	**168,351,892**	**(123,387,679)**	**2,319,423,485**	**6,314,378,172**	**6,303,159,919**	**2,193,825,976**	**17,378,904,399**
Fee income (B)	1,306,795	22,898						1,329,693
TOTAL UNDERWRITING INCOME (A + B)	**204,459,429**	**168,374,790**	**(123,387,679)**	**2,319,423,485**	**6,314,378,172**	**6,303,159,919**	**2,193,825,976**	**17,380,234,093**
Acquisition costs	(47,836)	(6,033,981)	-	(720,168,759)	(1,087,484,898)	-	-	(1,813,735,475)
Profit Commission Expenses	-	-	-	-	(115,032,536)	-	-	(115,032,536)
Change in deferred acquisition costs	-	(16,865)	-	6,001,212	58,862,926	-	-	64,847,273
Net acquisition costs (C)	(47,836)	(6,050,846)	-	(714,167,547)	(1,143,654,508)	-	-	(1,863,920,737)
Gross claims Incurred	(193,264,456)	(193,396,401)	(9,016,333)	(2,114,353,891)	(2,039,823)	(6,133,924,646)	(325,073,914)	(8,971,069,465)
Reinsurance recoveries	-							
Changing of IBNR	(9,090,486)	(44,250,304)	15,591,777	(264,761,256)	(34,859,156)	(625,467,045)	(827,375,110)	(1,790,211,581)
Net claims paid	(202,354,942)	(237,646,705)	6,575,444	(2,379,115,147)	(36,898,979)	(6,759,391,691)	(1,152,449,025)	(10,761,281,045)
Reinsurers share of change in outstanding claims	-	-						
NET CLAIMS INCURRED (D)	(202,354,942)	(237,646,705)	6,575,444	(2,379,115,147)	(36,898,979)	(6,759,391,691)	(1,152,449,025)	(10,761,281,045)
UNDERWRITING RESULT(A+B+C+D)	**2,056,651**	**(75,322,761)**	**(116,812,236)**	**(773,859,209)**	**5,133,824,686**	**(456,231,772)**	**1,041,376,952**	**4,755,032,310**

Notes to the Financial Statements (Contd...)

Year ended 31st December 2021

4 REVENUE

5 GROSS WRITTEN PREMIUM

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

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

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

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

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

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

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

	2021 Rs.	2020 Rs.
Gross Written Premium		
The premium income for the year by major classes of business is as follows.		
Inward Reinsurance	**3,548,784,649**	3,235,474,242
SRCC & Tr Premium	**6,754,133,669**	6,088,496,099
General Insurance - Motor	**175,571,681**	260,600,235
General Insurance - Non Motor	**132,482,523**	213,469,435
National Natural Disaster Scheme (NNDIS)	**-**	-
Medical scheme for Parliamentory members	**20,000,000**	20,000,000
	10,630,972,523	9,818,040,011
Contribution collected for Agrahara medical Insurance Scheme		
Contribution from Members	**4,778,171,594**	4,090,359,038
Contribution from the Treasury	**824,000,000**	782,000,000
Pensioners Insurance Scheme	**236,438,800**	166,837,400
Semi Government Scheme	**444,549,525**	430,102,300
	6,283,159,919	5,469,298,738

Notes to the Financial Statements (Contd...)

Year ended 31st December 2021

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 recognized 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.

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.

Notes to the Financial Statements (Contd...)

Year ended 31st December 2021

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,

	2021 Rs.	2020 Rs.
Current Income Tax	-	-
Income Tax on current year's profit	991,504,005	1,339,826,929
(Over)/Under Provision of Current Taxes in Respect of Prior Years	-	-
Total Income Tax (Reversal)/Expense	991,504,005	1,339,826,929

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 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

Notes to the Financial Statements (Contd...)

Year ended 31st December 2021

amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates.

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

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

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

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

17.1 Fully amortised intangible assets in use was Rs. 7,067,073 fully amortised intangible assets which are still in use or idle intangible assets as at the reporting date (2020 – 7,067,073).

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. 21,543,462 (2020 – nil).

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 2021. 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;

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.

Notes to the Financial Statements (Contd...)

Year ended 31st December 2021

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. 4,272,623 (2020 - Rs. 12,433,322). 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 2021 (2020 - Nil).

18.5 Temporarily idle property, plant and equipment There were no temporarily idle property, plant and equipment as at 31 December 2021 (2020 - 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 2021. 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:

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

However, The Board did not have any investment classified as held to maturity investments and investment classified as Fair Value Through Profit or Loss investments as at the reporting date (2020-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.

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.

Notes to the Financial Statements (Contd...)

Year ended 31st December 2021

The Board 's financial investments are summarized 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 each class of instrument.

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

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

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

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

19.2.1 Repurchase agreements The Board has invested in reverse repurchase agreements (REPO) with People's Bank, Bank of Ceylon and NSB Fund Management (Pvt) Ltd which are fully secured against the assigned government securities with ISIN numbers. REPO rates for the outstanding balances were in the range of 4.98% - 8.26%, depending on different maturities.

Notes to the Financial Statements (Contd...)

Year ended 31st December 2021

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 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

Notes to the Financial Statements (Contd...)

Year ended 31st December 2021

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	2021	2020
Up to 30 days	284,335,234	41,598,382
31 to 60 days	276,698,418	19,169,527
61 to 365 days	475,571,969	755,909,721
Over 365 days	553,875,433	451,128,820
	1,590,481,053	1,267,806,450

MOTOR

Age	2021	2020
Up to 30 days	6,804,239	3,304,755
31 to 60 days	2,735,986	2,181,646
61 to 365 days	9,127,576	4,652,398
Over 365 days	92,405	467,366
	18,760,206	10,606,165

NON MOTOR

Age	2021	2020
Up to 30 days	955,325	45,532,523
31 to 60 days	888,531	535,425
61 to 365 days	3,830,965	11,830,708
Over 365 days	23,062,747	12,514,249
	28,737,568	70,412,904

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.

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 2021

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 Other reserves

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

28 INSURANCE CONTRACT LIABILITIES

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements (Contd...)

Year ended 31st December 2021

28.6 Liability adequacy test A Liability Adequacy Test (LAT) was performed by NMG Financial Services Consulting Pte Limited, a firm of professional actuaries as at 31 December 2021 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 2021 (2020 - 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 2021.

28.8 Changes in assumptions There were no material estimation changes from the previous valuation done for the balance as at 31 December 2021.

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	2021	2020
a) Discount Rate	10.10%	9.09%
b) Salary increase	5.00%	9.00%
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%	0.0%
25 - 30	3.6%	2.9%
30 - 35	2.8%	1.8%
35 - 40	3.2%	1.9%
40 - 45	0.0%	0.0%
45 - 50	0.0%	0.0%
50 - 55	0.0%	0.0%
55 - 100	0.0%	0.0%

Employee Information		
a) Average age	36.3	35.3
b) Average service period(years)	8.6	7.6
c) Expected future lifetime (years)	13.15	15.58
d) Number of Employees	227	234

Notes to the Financial Statements (Contd...)

Year ended 31st December 2021

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.

35 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Accounting policy - Events occurring after the reporting period Events occurring after the reporting period are those events, favorable and unfavorable, that occur between the reporting date and the date when the financial statements are authorized for issue.

All material post reporting date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the financial statements.

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

36 LEASES – SLFRS 16

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right of use the asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term.

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

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

Notes to the Financial Statements (Contd...)

Year ended 31st December 2021

1 Gross Written Premium

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

	2021 Rs.	2020 Rs.
IInward Reinsurance	**3,548,784,649**	3,235,474,242
SRCC & Tr Premium	**6,754,133,669**	6,088,496,099
General Insurance - Motor	**175,571,681**	260,600,235
General Insurance - Non Motor	**132,482,523**	213,469,435
National Natural Disaster Scheme (NNDIS)	**-**	-
Medical scheme for Parliamentory members	**20,000,000**	20,000,000
	10,630,972,523	9,818,040,011

1.2 Contribution collected for Agrahara medical Insurance Scheme

	2021 Rs.	2020 Rs.
Contribution from Members	**4,778,171,594**	4,090,359,038
Contribution from the Treasury	**824,000,000**	782,000,000
Pensioners Insurance Scheme	**236,438,800**	166,837,400
Semi Government Scheme	**444,549,525**	430,102,300
	6,283,159,919	5,469,298,738

	2021 Rs.	2020 Rs.
2. FEES AND COMMISSION INCOME		
Policyholder administration fees	**1,329,693**	1,935,395
Total fees and commission income	**1,329,693**	1,935,395

	2021 Rs.	2020 Rs.
3. INVESTMENT & OTHER INCOME		
3.1 Loans and receivables interest income		
Interest income from Repurchase Agreements	**263,336,827**	389,025,674
Interest income from Debentures		
	263,336,827	389,025,674
3.2 Available for sales interest income		
Interest income from Treasury Bills	**679,303,883**	308,025,889
Interest income from Treasury Bonds	**439,289,833**	604,225,897
	1,118,593,716	912,251,786

Notes to the Financial Statements (Contd...)

Year ended 31st December 2021

		2021 Rs.	2020 Rs.
3.	**INVESTMENT & OTHER INCOME (Contd..)**		
3.3	**Held to maturity interest income**		
	Interest income from SLBD	42,765,733	33,287,993
		42,765,733	33,287,993
	Total Investment Income	1,424,696,277	1,334,565,453
3.4	**Other Income**		
	Interest on Savings Account	10,573,189	8,882,278
	Interest on Soft Loans	-	20,576
	Interest on Staff Distress Loans	2,052,343	1,785,186
	Disposal of Fixed Assets	-	-
	Exchange Gain / loss	134,210,278	33,162,446
	Other	17,266,004	6,671,775
	Total Other Income	164,101,813	50,522,262
	Total Income	1,588,798,090	1,385,087,715

		2021 Rs.	2020 Rs.
4	**NET BENEFITS AND CLAIMS**		
	(a) Gross benefits and claims paid		
	Reinsurance	(2,920,425,570)	(1,690,493,892)
	SRCC & Tr	(2,039,823)	(2,036,000)
	General Insurance - Motor	(146,839,942)	(169,250,954)
	General Insurance - Medical & Other	(218,546,666)	(156,059,649)
	Crop Insurance	(470,444,974)	(1,692,380,813)
	National Natural Disaster Scheme (NNDIS)	(8,526,333)	(94,403,615)
	Agrahara medical Insurance Scheme	(6,380,272,709)	(4,173,410,985)
		(10,147,096,018)	(7,978,035,907)
	(a.1) Agrahara medical Insurance Scheme		
	Paid Claims		
	Pension	(284,382,325)	(159,173,816)
	Semi Government	(470,430,844)	(319,522,769)
	Agrahara Parliament	(17,360,525)	(8,948,637)
	Agrahara Normal	(721,883,191)	(800,856,874)
	Agrahara Silver	(165,605,256)	(143,045,092)
	Agrahara Gold	(4,720,610,568)	(2,741,863,797)
		(6,380,272,709)	(4,173,410,985)

Notes to the Financial Statements (Contd...)

Year ended 31st December 2021

		2021 Rs.	2020 Rs.
4	**NET BENEFITS AND CLAIMS (Contd..)**		
(b)	**Claims ceded to reinsurers**		
	Reinsurance Retro	-	-
	National Natural Disaster Scheme (NNDIS)	-	-
		-	-
(c)	**Gross change in contract liabilities**		
	Reinsurance	806,071,679	86,200,706
	SRCC & Tr	-	-
	General Insurance - Motor	(46,424,514)	(57,648,910)
	General Insurance - Medical & Other	25,150,265	(50,886,987)
	Crop Insurance	145,371,060	293,940,911
	National Natural Disaster Scheme (NNDIS)	(490,000)	642,444,580
	Agrahara medical Insurance Scheme	246,348,063	(816,527,912)
		1,176,026,553	97,522,388
(d)	**Change in contract liabilities ceded to reinsurers**		
	Reinsurance	-	-
	National Natural Disaster Scheme (NNDIS)	-	-
		-	-
(e)	**Gross change in IBNR**		
	Reinsurance	(264,761,256)	98,821,419
	SRCC & Tr	(34,859,156)	16,417,739
	General Insurance - Motor	(9,090,486)	(8,618,552)
	General Insurance - Medical & Other	(44,250,304)	12,034,400
	Crop Insurance	(827,375,110)	(336,313,348)
	National Natural Disaster Scheme (NNDIS)	15,591,777	121,880,420
	Agrahara medical Insurance Scheme	(625,467,045)	21,775,178
		(1,790,211,581)	(74,002,744)
	Net benefits and claims	(10,761,281,045)	(7,954,516,263)

Notes to the Financial Statements (Contd...)

Year ended 31st December 2021

		2021 Rs.	2020 Rs.
5	**UNDERWRITING AND ACQUISITION COST**		
	Acquisition Cost - Insurance Companies	(1,807,653,657)	(1,685,763,896)
	Profit Commission Expenses	(115,032,536)	118,308,118
	Broker Commission Fee	(6,081,818)	(16,374,604)
	Change unearned commission reserve - SRCC	58,862,926	-
	Change unearned commission reserve - General	(16,865)	(1,508,879)
	Change unearned commission reserve - Reinsurance	6,001,212	(29,521,684)
		(1,863,920,737)	(1,614,860,946)

		2021 Rs.	2020 Rs.
6.1	**OTHER OPERATING AND ADMINISTRATIVE EXPENSES**		
	Auditors Remuneration	939,000	686,800
	Employee Benefit Expenses	225,142,248	225,797,476
	Administration and establishment Expenses	109,341,589	132,492,191
	Advertisement & Promotion Expenses	816,025	786,124
	Depreciation of Property Plant and Equipment	9,049,428	10,704,723
	Depreciation of Right of Use Assets	37,717,009	36,139,441
	Amortisation of Intangible Assets	7,868,701	2,149,221
	Legal Fees	1,368,270	419,600
	Sponsership	-	-
	Total other operating and administrative expenses	392,242,269	409,175,576
6.1.1	**Employee Benefit Expenses**		
	Wages and salaries including bonus & incentives	167,070,799	163,995,179
	Contributions to defined contributions plans	-	-
	Employees' Provident Fund	19,148,452	18,412,121
	Employees' Trust Fund	4,787,113	4,580,361
	Other personal cost	24,144,892	30,595,271
	Retirement benefit cost	9,990,992	8,214,544
	Total employee benefits expense	225,142,248	225,797,476

Notes to the Financial Statements (Contd...)

Year ended 31st December 2021

	2021 Rs.	2020 Rs.
6.1 OTHER OPERATING AND ADMINISTRATIVE EXPENSES (Contd..)		
6.1.2 Administration and establishment Expenses		
Professional fees	8,960,771	2,619,072
Electricity	5,957,624	4,679,008
Telephone	3,363,517	3,431,633
Printing & Stationary	5,195,167	6,444,326
Postage	1,626,093	1,691,532
Office Rent	4,659,960	2,737,262
Nation building tax expense	-	35,967,319
Inspection & Assessing	6,427,124	8,100,593
Annual Fee & Cess To IBSL	20,180,014	19,552,385
Travelling	1,607,820	1,939,434
Soft ware Maintenance	2,733,809	1,586,722
Internet & E -Mail Chargers	7,380,353	5,829,552
Fuel	2,104,520	1,743,370
Office Repaires and Maintenance	14,553,953	21,017,837
Other administration & establishment expenses	24,590,863	15,152,146
Total administration and establishment expenses	**109,341,589**	**132,492,191**

	2021 Rs.	2020 Rs.
6.2 FINANCE COST & OTHER RELATED COST		
Lease Expenses	15,866,209	17,571,769
Total Finance Cost & Other Related Cost	15,866,209	17,571,769

Notes to the Financial Statements (Contd...)

Year ended 31st December 2021

		2021 Rs.	2020 Rs.
7	**INTANGIBLE ASSETS**		
	Cost		
	As at 1st January 2021	**16,168,125**	16,168,125
	Additions	**21,543,462**	-
	As at 31st December 2021	**37,711,587**	16,168,125
	Accumulated amortisation and impairment		
	As at 1st January 2021	**10,169,641**	8,020,420
	Amortisation	**7,868,701**	2,149,221
	As at 31st December 2021	**18,038,342**	10,169,641
	Carrying amount		
	As at 31st December 2021	**19,673,246**	5,998,484

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

	2021 Rs.	2020 Rs.
Software	**7,067,073**	7,067,073

Notes to the Financial Statements (Contd...)

Year ended 31st December 2021

8. PROPERTY, PLANT & EQUIPMENT

Company	Motor Vehicles Rs.	Office Equipment Rs.	Furniture & Fittings Rs.	Name Board Rs.	Machinery	Total
Cost/Valuation						
As at 1st January 2021	11,725,000	33,614,692	22,779,835	965,940	7,690,824	76,776,291
Additions	-	3,749,050	523,573	-	-	4,272,623
Revalued Cost	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Transfer	-	(2,164,505)	10,158.26	-	-	(2,154,346)
Disposals	-	-	-	-	-	-
As at 31th December 2021	11,725,000	35,199,238	23,313,566	965,940	7,690,824	78,894,568
Accumulated Depreciation						
As at 1st January 2021	8,306,253	15,399,221	9,314,202	334,364	1,196,350	34,550,390
Depreciation	1,775,000	1,600,920	4,681,516	222,910	769,082	9,049,428
Disposals	-	-	-	-	-	-
Revaluation Acc. Depreciation	-	-	-	-	-	-
As at 31th December 2021	10,081,253	17,000,141	13,995,717	557,274	1,965,432	43,599,818
Carrying amount						
At 31 December 2020	3,418,747	18,215,471	13,465,633	631,576	6,494,474	42,225,902
As at 31th December 2021	1,643,747	18,199,096	9,317,848	408,666	5,725,392	35,294,751

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

	2021 Rs.	2020 Rs.
Motor Vehicles	10,925,000	425,000
Office Equipment	14,054,250	11,985,500
Furniture & Fittings	64,800	776,900
	25,044,050	13,187,400

Notes to the Financial Statements (Contd...)

Year ended 31st December 2021

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

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

	2021			2020		
Item	Cost	Accumulated Depreciation	Carrying Amount	Cost	Accumulated Depreciation	Carrying Amount
Motor Vehicle	30,008,003	29,857,570	150,432	30,008,003	29,837,287	170,715
Office Equipment	67,358,898	31,052,151	36,306,747	55,617,765	28,138,751	27,479,015
Furniture & Fittings	27,128,485	4,893,978	22,234,506	26,756,747	7,507,175	19,249,572
Name Board	965,940	334,364	631,576	965,940	111,455	854,485
Machinery	7,370,373	1,196,350	6,174,023	7,370,373	429,938	6,940,435
Total	132,831,699	67,334,415	65,497,284	120,718,828	66,024,607	54,694,222

9 RIGHT OF USE LEASE ASSETS

	Motor Vehicles Rs.	Lease Hold Asset Building SRCC	NITF Rs.	Total Rs.
Cost/Valuation Motor Vehicles	13,798,021	151,237,301	1,358,917	166,394,239
As at 1st January 2021				
Adjustments	-	5,351,298	-	5,351,298
Additions				
As at 31th December 2021	13,798,021	156,588,599	1,358,917	171,745,537
Accumulated Depreciation Motor Vehicles				
As at 1st January 2021	9,399,700	61,520,258	962,572	71,882,530
Depreciation on Lease Vehicle	3,295,335	34,025,329	396,345	37,717,009
As at 31th December 2021	12,695,035	95,545,587	1,358,917	109,599,539
Carrying amount	1,102,986	61,043,012	-	62,145,998

Notes to the Financial Statements (Contd...)

Year ended 31st December 2021

		Notes	2021 Rs.	2020 Rs
10	FINANCIAL ASSETS			
	Loans And Receivables	10.1	6,053,277,053	5,646,778,131
	Available For Sale Financial Assets	10.2	18,167,690,231	15,244,888,356
	Held to Maturity Financial Assets	10.3	733,298,633	774,406,024
	Total financial instruments		24,954,265,916	21,666,072,511
10.1	Loans And Receivables			
	Government Securities - Repo Investment		6,053,277,053	5,646,778,131
	Debentures - Unquoted		-	-
	Debentures - Unquoted		-	-
	Refundable Deposits		-	-
	Promissory notes		-	-
	Total loans and receivables at amortised cost		6,053,277,053	5,646,778,131
10.2	Available For Sale Financial Assets			
	Government Securities - Treasury Bonds		4,287,718,110	5,681,721,630
	Government Securities - Treasury Bills		13,879,972,121	9,563,166,725
			18,167,690,231	15,244,888,356
10.3	Held to Maturity Financial Assets			
	Sri Lanka Development Bonds		733,298,633	774,406,024
			733,298,633	774,406,024

		Notes	2021 Rs.	2020 Rs
11	REINSURANCE RECEIVABLES			
11.1	Reinsurance Receivable			
	Reinsurance Receivable Retro		1,082,148,701	1,082,148,701
	Reinsurance Receivable NNIDS		19,993,473	19,993,473
			1,102,142,174	1,102,142,174
12	PREMIUM RECEIVABLES			
12.1	Premium Receivable from :			
	Parliamentary Members insurance		-	15,000,000
	Pension Agrahara		588,200	19,111,800
	Semi Agrahara		16,651,100	24,620,800
	Primary Insurance SRCC		2,171,519,417	1,469,955,271
	Inward Reinsurance		1,590,481,053	1,267,806,451
	General Insurance Motor	12.1.1	10,182,006	6,541,063
	General Insurance Non motor	12.1.1	1,843,853	46,446,787
			3,791,265,630	2,849,482,173
12.1.1	Premium Receivable Impairment			
	General Insurance Motor		18,760,206	10,606,165
	Impairment Provision - Motor		(8,578,200)	(4,065,102)
			10,182,006	6,541,063
	General Insurance Non motor		28,737,568	70,468,558
	Impairment Provision - Non Motor		(26,893,715)	(24,021,771)
			1,843,853	46,446,787
			12,025,859	52,987,850

Notes to the Financial Statements (Contd...)

Year ended 31st December 2021

		2021 Rs.	2020 Rs
13	**SOFT LOANS**	2,726,557	2,726,557
14	**OTHER NON-FINANCIAL ASSETS**		
	Advances & Prepayments	3,088,482	3,161,603
	Refundable Deposits	43,982,724	44,137,724
	Staff Distress Loans	47,326,145	54,274,121
	other receivable	4,614,792	6,462,631
	Cheque Return Receivable	633,115	594,229
	General Insurance Motor	973,009	973,009
	Agrahara Department - NITF	2,489,102	2,489,102
	Receivable from Treasury	-	-
		103,107,368	112,092,419
15	**DEFERRED COMMISSION**		
	As at 1st January 2021	713,547,137	758,831,301
	Provision made /(released) during the year	64,847,273	(45,284,164)
	As at 31th December 2021	778,394,410	713,547,137
16	**CASH AND CASH EQUIVALENTS**		
	Petty Cash	351,664	329,532
	Cash at bank	715,282,043	769,185,402
	Cash in hand and at bank	715,633,708	769,514,934
	Bank overdraft	-	-
	Total cash and cash equivalents	715,633,708	769,514,934
17	**OTHER LIABILITIES**		
	Other financial liabilities	1,869,486,274	1,986,839,830
	Other non financial liabilities	1,133,104,280	1,319,954,993
		3,002,590,554	3,306,794,823
17.1	**Other financial liabilities**		
	Claim cheques/SLIPS returned payable	11,498,735	13,015,761
	Unpresanted Cheque Payable	62,335,536	68,214,058
	Commission payable - Reinsurance	42,434,299	42,434,299
	Reinsurance Premium payable	1,563,867,022	1,658,509,743
	Annual fee and Cess payable	6,260,720	2,249,574
	Refund Payable	5,506,319	5,376,420
	Accrued expenses	23,680,993	14,910,084
	Profit Commission Payable	142,802,845	142,787,719
	Other payables	11,099,804	39,342,172
		1,869,486,274	1,986,839,830
17.2	**Other non financial liabilities**		
	Government Levies	141,600,273	99,512,241
	Income Tax Payable	991,504,007	1,220,442,752
		1,133,104,280	1,319,954,993

Notes to the Financial Statements (Contd...)

Year ended 31st December 2021

18 SEGMENT INFORMATION

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

	2021							
	Motor	Non Motor	NNDIS	Reinsurance	SRCC	Health Agrahara /Mp	Crop Insurance Scheme	Total
	Rs	Rs	Rs	Rs	Rs			Rs
PREMIUMS								
Gross written premiums	175,571,681	132,482,523	-	3,548,784,649	6,754,133,669	20,000,000	-	10,630,972,523
Contribution Received for Agrahara	-	-	-	-	-	6,283,159,919	-	6,283,159,919
Crop Insurance Levy Collected	-	-	-	-	-	-	2,193,825,976	2,193,825,976
Reinsurance Premiums ceded	-	-	(123,387,679)	(466,292,684)	-	-	-	(589,680,363)
Net written premiums	**175,571,681**	**132,482,523**	**(123,387,679)**	**3,082,491,965**	**6,754,133,669**	**6,303,159,919**	**2,193,825,976**	**18,518,278,055**
Gross change in UPR	27,580,952	35,869,369	-	(109,658,643)	(362,232,857)	-	-	(408,441,178)
Reinsurers share of change in UPR	-	-	-	(653,409,837)	(77,522,640)	-	-	(730,932,477)
Net change in Reserve for unearned Premium	27,580,952	35,869,369	-	(763,068,480)	(439,755,497)	-	-	(1,139,373,655)
NET PREMIUMS EARNED (A)	**203,152,634**	**168,351,892**	**(123,387,679)**	**2,319,423,485**	**6,314,378,172**	**6,303,159,919**	**2,193,825,976**	**17,378,904,399**
Fee income (B)	1,306,795	22,898						1,329,693
TOTAL UNDERWRITING INCOME (A + B)	**204,459,429**	**168,374,790**	**(123,387,679)**	**2,319,423,485**	**6,314,378,172**	**6,303,159,919**	**2,193,825,976**	**17,380,234,093**
Acquisition costs	(47,836)	(6,033,981)	-	(720,168,759)	(1,087,484,898)	-	-	(1,813,735,475)
Profit Commission Expenses	-	-	-	-	(115,032,536)	-	-	(115,032,536)
Change in deferred acquisition costs	-	(16,865)	-	6,001,212	58,862,926	-	-	64,847,273
Net acquisition costs (C)	(47,836)	(6,050,846)	-	(714,167,547)	(1,143,654,508)	-	-	(1,863,920,737)
Gross claims Incurred	(193,264,456)	(193,396,401)	(9,016,333)	(2,114,353,891)	(2,039,823)	(6,133,924,646)	(325,073,914)	(8,971,069,465)
Reinsurance recoveries	-							
Changing of IBNR	(9,090,486)	(44,250,304)	15,591,777	(264,761,256)	(34,859,156)	(625,467,045)	(827,375,110)	(1,790,211,581)
Net claims paid	(202,354,942)	(237,646,705)	6,575,444	(2,379,115,147)	(36,898,979)	(6,759,391,691)	(1,152,449,025)	(10,761,281,045)
Reinsurers share of change in outstanding claims	-	-						
NET CLAIMS INCURRED (D)	(202,354,942)	(237,646,705)	6,575,444	(2,379,115,147)	(36,898,979)	(6,759,391,691)	(1,152,449,025)	(10,761,281,045)
UNDERWRITING RESULT(A+B+C+D)	**2,056,651**	**(75,322,761)**	**(116,812,236)**	**(773,859,209)**	**5,133,824,686**	**(456,231,772)**	**1,041,376,952**	**4,755,032,310**
Administrative expenses (E)	(62,123,012)	(17,256,392)	(34,512,785)	(34,512,785)	(62,980,631)	(189,820,316)	(6,902,557)	(408,108,478)
TOTAL EXPENSES (C+D+E)	(264,525,791)	(260,953,943)	(27,937,341)	(3,127,795,479)	(1,243,534,118)	(6,949,212,007)	(1,159,351,582)	(13,033,310,261)
	(60,066,362)	(92,579,153)	(151,325,020)	(808,371,994)	5,070,844,054	(646,052,088)	1,034,474,395	4,346,923,832
Investment & Other Income for the year	22,086,909	1,846,118	-	282,748,052	1,164,786,321	36,509,430	80,821,260	1,588,798,090
Profit before tax	**(37,979,453)**	**(90,733,035)**	**(151,325,020)**	**(525,623,942)**	**6,235,630,375**	**(609,542,658)**	**1,115,295,654**	**5,935,721,923**
Income tax expense		-			(991,504,005)			(991,504,005)
Profit after tax	**(37,979,453)**	**(90,733,035)**	**(151,325,020)**	**(525,623,942)**	**5,244,126,370**	**(609,542,658)**	**1,115,295,654**	**4,944,217,918**

Notes to the Financial Statements (Contd...)

Year ended 31st December 2021

19 INSURANCE CONTRACT LIABILITIES

		As at 31st December 2021							
	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	320,111,745	54,735,043	1,050,000	2,623,829,593	32,076,607	953,651,937	-	3,985,454,926
Provision for unearned premiums	19.2	74,567,166	22,988,026	-	1,184,632,005	3,314,630,186	13,315,068	-	4,610,132,451
Provision for claims IBNR	19.3	120,298,323	64,527,432	43,172	518,849,339	36,855,745	1,080,853,662	1,163,688,458	2,985,116,131
Total Insurance contract liabilities		514,977,234	142,250,501	1,093,172	4,327,310,938	3,383,562,538	2,047,820,667	1,163,688,458	11,580,703,508
19.1 Outstanding claims provision									
As at 1st January 2021		273,687,232	79,885,308	560,000	3,429,901,272	30,522,784	1,200,000,000	145,371,060	5,159,927,656
Increase / Decrease in Provision		46,424,514	(25,150,265)	490,000	(806,071,679)	1,553,823	(246,348,063)	(145,371,060)	(1,174,472,730)
As at 31th December 2021		320,111,745	54,735,043	1,050,000	2,623,829,593	32,076,607	953,651,937	-	3,985,454,926
19.2 Provision for unearned premiums									
As at 1st January 2021		102,148,118	58,857,395	-	1,132,415,985	2,958,981,443	13,315,068	-	4,265,718,010
Increase / Decrease in Provision		(27,580,952)	(35,869,369)	-	109,658,643	362,232,857	-	-	408,441,178
As at 31th December 2021		74,567,166	22,988,026	-	1,242,074,627	3,321,214,300	13,315,068		4,674,159,187
Reinsurance UPR									
As at 1st January 2021		-	-	-	710,852,459	84,106,755	-	-	794,959,214
Increase / Decrease in Provision		-	-	-	653,409,837	77,522,640	-	-	(730,932,477)
As at 31th December 2021		-	-	-	57,442,622	6,584,115	-	-	64,026,737
Provision for Unearned Changers		74,567,166	22,988,026	-	1,184,632,005	3,314,630,186	13,315,068	-	4,610,132,451
19.3 Provision for claims IBNR									
As at 1st January 2021		111,207,837	20,277,128	15,634,949	254,088,083	1,996,589	455,386,617	336,313,348	1,194,904,550
Increase / Decrease in Provision		9,090,486	44,250,304	(15,591,777)	264,761,256	34,859,156	625,467,045	827,375,110	1,790,211,581
As at 31th December 2021		120,298,323	64,527,432	43,172	518,849,339	36,855,745	1,080,853,662	1,163,688,458	2,985,116,131

Notes to the Financial Statements (Contd...)

Year ended 31st December 2021

20 RETIRING BENEFIT OBLIGATION

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

	Notes	2021 Rs.	2020 Rs.
As at 1st January 2021		**50,120,617**	34,192,463
Add: Retiring gratuity expenses		**(19,246,266)**	16,157,709
Less: Benefits paid during the year	20.1	**(1,197,120)**	(229,555)
		-	-
As at 31th December 2021		**29,677,231**	50,120,617

20.1 Retiring Gratuity Expense

	2021 Rs.	2020 Rs.
Current service cost	**5,488,131**	4,545,517
Past Services (Gains)/Cost	**-**	-
Interest cost	**4,502,861**	3,669,027
Acturial (gain)/loss	**(29,237,258)**	7,943,165
	(19,246,266)	16,157,709

21 LEASE CREDITOR

		Lease Hold Asset -Building		
	Motor Vehicles Rs.	SRCC	NITF Rs.	Total Rs.
As at 1st January 2021	5,001,835	107,826,748	435,031	113,263,614
Adjustments	-	5,351,298	-	5,351,298
Interest Expense recognised in Income Statement	401,721	15,444,519	19,969	15,866,209
Settlement throught lease payment	(4,065,000)	(44,253,000)	(455,000)	(48,773,000)
As at 31th December 2021	1,338,555	84,369,566	-	85,708,121

Notes to the Financial Statements (Contd...)

Year ended 31st December 2021

22. RISK MANAGEMENT

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

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

INSURANCE AND FINANCIAL, RISK

(a) Insurance risk

The principal risk the Board faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid. Therefore, the objective of the Board is to ensure that sufficient reserves are available to cover these liabilities.

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

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

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

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

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

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

Frequency and Severity of Claims

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

Property

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

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

Notes to the Financial Statements (Contd...)

Year ended 31st December 2021

Engineering

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

Motor

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

Miscellaneous Accident

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

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

Marine

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

Medical and Personal Accident

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

Geographical concentration of risks

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

(b) Financial Risk

i. Credit risk

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

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

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

ii. Liquidity risk

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

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

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

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

Notes to the Financial Statements (Contd...)

Year ended 31st December 2021

iii. Market risk

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

a) Interest rate risk

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

b) Foreign currency risk

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

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

Supplementary Information

DECADE AT A GLANCE

Statement of Financial Performance

for the year ended 31st December

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenue										
Net Earned Premium Income	17,378,904,399	17,475,027,816	16,448,026,766	13,653,431,467	11,613,828,982	8,850,506,451	7,931,485,679	8,015,628,345	5,452,318,662	3,886,183,341
Benefits, Losses and Expenses										
Insurance claims and acquisition cost	(12,625,201,782)	(9,569,377,210)	(14,135,009,664)	(11,299,642,432)	(11,341,525,875)	(6,611,475,579)	(4,172,209,800)	(3,899,969,969)	(1,763,476,689)	(2,281,470,751)
	4,753,702,617	7,905,650,607	2,313,017,102	2,353,789,035	272,303,106	2,239,030,872	3,759,275,879	4,115,658,376	3,688,841,974	1,604,712,590
Other Income										
Investment Income	1,424,696,277	1,334,565,453	1,215,544,996	1,159,031,654	1,108,006,205	967,301,878	801,608,493	624,075,269	691,492,020	615,813,544
Interest of Soft Loans	2,052,343	1,805,762	1,739,191	318,346	807,908	2,078,808	3,110,618	11,937,931	5,915,955	7,278,316
Other Income	163,379,164	50,651,895	51,932,499	190,517,529	40.746,691	19,308,494	51,664,458	3,902,584	4,165,001	18,886,182
	1,590,127,784	1,387,023,110	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
Expenditure										
Staff Related Costs	225,142,248	225,797,476	240.189,765	218,637,288	201,433,256	164,253,318	132,494,516	84,790,542	76,487,490	72,006,709
Administration Expenses	167,100,021	183,378,100	312,495,352	174,516,012	143,245,042	223,714,879	93,018,399	88,128,033	64,621,143	74,402,484
Finance & Other Expenses	15,866,209	17,571,769	21,062,606	21,663,536	-	-	-	-	8,459,075	17,258,273
Total Expenditure	408,108,478	426,747,346	573,747,723	414,816,836	344,678,298	387,968,196	225,512,915	172,918,575	149,567,708	163,667,466
Taxation	(991,504,005)	(1,339,826,929)	105,600,661	(105,600,662)	(100,951,677)	-	(86,822,200)	-	-	-
Profit After tax	4,944,217,918	7,526,099,442	3,114,086,727	3,183,238,866	976,233,935	2,839,751,856	4,303,324,332	4,582,655,585	4,240,847,847,242	2,083,023,167

Statement of Financial Position

As at 31 December **(In Sri Lankan Rupees)**

Assets	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Property Plant and Equipment	117,113,995	142,736,095.01	179,296,158	32,169,337.10	40,848,693	43,058,543	34,125,797	26,251,881	19,317,968	24,739,202
Financial Investments	24,954,265,916	21,666,072,510.61	15,444,667,263	10,674,617,496.64	8,161,427,792	11,187,844,373	10,388,972,726	9,105,573,879	6,667,518,021	5,375,914,672
	25,071,379,911	21,808,808,605.62	15,623,963,422	10,706,786,833.74	8,202,276,484	11,230,902,916	10,423,098,523	9,131,825,761	6,686,855,988	5,400,653,874
Current Assets										
Receivable	4,999,241,730	4,066,443,323.67	3,724,046,517	3,121,798,364.60	8,619,672,838	7,096,616,002	1,222,450,075	1,416,831,322	1,686,049,990	1,664,647,836
Cash and Cash Equivalents	715,633,708	713,547,136.51	758,831,301	1,142,242,977.96	1,133,642,497	705,205,727	166,785,332	278,096,913	305,495,813	103,641,397
Current Assets	5,714,875,438	4,779,990,460.18	4,482,877,818	4,264,041,342.56	9,753,315,335	7,801,821,729	1,389,235,407	1,694,928,235	1,991,545,803	1,768,289,233
Total Assets	30,786,255,349	26,588,799,065.80	20,106,841,240	14,970,828,176.30	17,955,591,819	19,032,724,645	11,812,333,930	10,826,753,995	8,678,381,792	7,168,943,107
Equity & Liability Equity										
Accumulated Fund	16,865,970,37	14,062,543,941.87	7,191,846,515	6,956,088,048.34	7,146,358,490	7,564,858,128	8,655,511,761	7,723,034,946	6,950,664,274	5,912,918,517
	16,865,970,344	14,062,543,941.87	7,191,846,515	6,956,088,048.34	7,146,358,490	7,564,858,128	8,655,511,761	7,723,034,946	6,950,664,274	5,912,918,517
Technical Reserve										
Unearned Premium	4,610,132,451	3,470,758,795.51	5,133,486,760	3,461,087,004.67	3,761,032,182	2,873,981,524.97	2,155,544,260	2,128,642,612	1,622,656,295	1,059,398,308
Deferred Commission	(778,394,410)	(713,547,136.51)	(758,831,306)	(620,751,687)	(597,083,610)	(482,908,910)	(421,132,953)	(366,621,700)	(199,173,169)	(176,532,688)
	3,831,738,041	2,757,211,659.00	4,374,655,459.47	2,840,335,317.21	3,163,948,573	2,391,072,615	1,734,411,307	1,762,020,912	1,423,483,126	882,865,620
Liability										
Non-Current Liabilities										
Government grant					-	-	-	-	66,960	66,960
Profit Commission payable	142,802,845	142,787,719.05	438,298,891.53	134,356,470.86	120,403,318	89,809,561	-	-	12,287,375	12,287,375
	142,802,845	142,787,719.05	438,298,891.53	134,356,470.86	120,403,318	89,809,561	-	-	12,354,336	12,354,336
Current Liabilities										
Claim payable	6,970,571,059	6,354,832,206.28	6,670,392,849	4,070,118,634.82	5,118,824,558	6,921,254,984	1,102,369,856	1,111,616,732	273,060,335	286,078,050
Other payable	2,975,173,060	3,271,423,539.59	1,431,647,525	969,929,704.78	2,406,056,880	2,065,729,357	320,041,006	230,081,405	18,819,722	74,726,585
	9,945,744,119	9,626,255,745.87	8,102,040,374	5,040,148,339.60	7,524,881,438	8,986,984,341	1,422,410,862	1,341,698,137	291,880,056	360,804,635
Total Equity and Liabilities	30,786,255,349	26,588,799,065.80	20,106,841,240	14,970,828,176.30	17,955,591,819	19,032,724,645	11,812,333,930	10,826,753,995	8,678,381,792	7,168,943,108

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

Members of the Board -2020

Mr. Mawahib Mowjood (Chairman) (05th Feb 2020-31st Dec. 2021)
Mr. M.K.P.Kumara (1st Jan 2020-31st Dec 2021)
Mr. D.P.G.Pradeep (1st Jan 2020-31st Dec 2021)
Ms. D. L. U. Peiris (Nov 2020-31st Dec. 2021)
Ms. H.M.T.P. Herath (April 2021-31st Dec. 2021)
Mr. Chandana Kumarasinghe (2015 March 2021)

Secretary to the Board (Acting) -2020

Mrs.Lumbini Pinto

External Auditors

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

Bankers

Peoples Bank
Bank of Ceylon
National Savings Bank

NOTES

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