

NATIONAL INSURANCE TRUST FUND

ANNUAL REPORT -2008



CONTENTS

	PAGE
Vision and Mission	03
Corporate Goals	04
The Board of Directors of NITF	05
Chairman's Review	06
NITF at a Glance	08
Environmental Review	09
Corporate Social Responsibility	11
Corporate Governance	12
Risk Management	13
Auditor's Report	15
Statement of Income	22
Balance Sheet	23
Statement of Changes in Accumulated Fund	24
Cash Flow Statement	25
Accounting Policies	26
Notes to the Financial Statement	32
Financial Review	37
Three Year Summery	46
Corporate Information	48

VISION

Safety – net and protection for all needy sectors

MISSION

To participate in the social and economic development of Sri Lanka through:

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

CORPORATE GOALS

- ◆ ***Design and implement new insurance schemes for the benefit of intended target groups***

- ◆ ***Design and manage a Reinsurance scheme to capture at least 30% of the reinsurance market***

- ◆ ***Automating the management of all schemes implemented by the NITF***

- ◆ ***Develop Human resources to provide highly effective service to all beneficiaries.***

- ◆ ***Manage the investments of NITF to achieve a minimum return of 15% during the next 5 year period.***

- ◆ ***Promote and encourage the stakeholders to participate in relevant insurance schemes through education awareness programmes*.***

- ◆ ***Develop adequate infrastructure facilities to facilitate future operations of NITF***

- ◆ ***Strengthen and procedure of NITF***

- ◆ ***Establish a risk management unit and conduct market studies and provide guidance to NITF on its future insurance activities.***

CHAIRMAN'S REVIEW



I take this opportunity with great pleasure to present the Annual Report -2008 of National Insurance Trust Fund which illustrates its steady progress and growth and the dedicated service to the nation and the needy people in Sri Lanka who needs the protection from the natural and social hazards.

In spite of macroeconomic milieu underpinned by the global economic recession and Sri Lankan financial crisis, the National Insurance Trust Fund has recorded a Net Earned Premium of Rs. 3,427,950,661 in 2008 which is a 29% growth when compared to the Net Earned Premium of Rs.2,654,902,681 in 2007.

Global Economy

The global economic crisis, which emerged with the subprime lending has diffused from

USA to Europe and thereafter to the whole world ultimately turned out to be a full blown economic crisis which has resulted in the collapse of insurance and financial institutions such as American Insurance Group and Lehman Brothers. Consequently, this economic crisis has adversely affected the international trade of Sri Lankan firm and the insurance industry

Sri Lankan Economy

The Sri Lankan economy was not spared the stress caused by the global economic conditions. While Sri Lankan insurance firms proved to be more robust than some familiar global counterparts, the failure of some large unregulated deposit takers in late 2008 threatened to undermine the domestic financial system.

Outlook

After the establishment of the National Insurance Trust fund in 2006 as per the National Insurance Trust Fund Act no. 28 of 2006 with its initial insurance scheme of Agrahara, it has expanded its scope of insurance business steadily with an inclination towards the social welfare. By the end of 2008, it has broadened its scope of insurance by implementing Parliamentary Member's insurance Scheme, Motor Insurance Scheme, Foreign Employment Insurance scheme and 20% Retrocession Program in addition to the existing Agrahara insurance Scheme as well as the Strike, Riot, Civil Commotion and Terrorism Extension which has been absorbed from the Ministry of Finance and Planning.

NITF's Contribution of to the Nation and the Insurance Industry

By implementing the Agrahara and Motor insurance schemes at a very concessionary and economical rates for government and semi government sector National Insurance Trust Fund has been able to conserve the monetary resources of the government. By implementing the 20% retrocession program, the National Insurance Trust Fund has been able to prevent foreign exchange outflow substantially which in turn favorably affected the national economic growth. Furthermore the National Insurance Trust Fund has become the only local reinsurer to provide reinsurance services economically to the local insurers relatively to the foreign re insurers. By consolidating the Strike, Riot, Civil Com-

motion and Terrorism Fund, the National Insurance Trust Fund has been able to provide covers for social perils derived from Strike, Riot, Civil Commotion and Terrorism activities economically in collaboration with the general insurance companies. The financial performance of NITF is elaborately illustrated in Financial Review section

Appreciation

I take this opportunity to thank all our stakeholders including our policyholders, claimants, insurance brokers, reinsurers, reinsurance brokers, assessors, loss adjusters, intermediaries, clients, Technical Advisory Committee members and Working Committee members of insurance companies who participated in the Technical Advisory Committee Meetings and Working Committee Meeting of Strike, Riot, Civil Commotion and Terrorism Fund, Other officers of insurance companies who interacted with us for the Strike, Riot, Civil Commotion and Terrorism and Reinsurance operation of the National Insurance Trust Fund and all the other stakeholder who have placed the trust and confidence on us as well as who has given a helping hand to us to achieve a successful year of performance.

Senaka D. Abeygoonasekera

(Pdg, BBM (U.K.), MBA (U.S.A.), DIIR)

Chairman

National Insurance Trust Fund

NATIONAL

INSURANCE

TRUST FUND

AT A GLANCE

The National Insurance Trust Fund (NITF) was established in 2006 under the National Insurance Trust Fund Act No. 28 of 2006 to provide benefits and safeguards against unforeseen health risks, personal accident and damage to property through contributory insurance schemes to be operated by the Fund. In providing the benefits, NITF has implemented the Agrahara Insurance Scheme, Parliamentary Members Insurance Scheme, Motor Insurance Scheme, VIDESA REKIYA” overseas employment insurance Scheme, 20% Retrocession Program and absorbed the Strike, Riot, Civil Commotion and Terrorism Fund.

The NITF is managed by a Board consisting of eight members appointed by the Minister in charge of the subject of Finance and constituted as follows.

- *An Officer to represent the Ministry of Finance;
- *Chief Accountant of the Ministry of Finance;
- *An Officer to represent the Ministry of Health;
- *A representative nominated by His Excellency the president the subject minister

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 administrative responsibility of NITF lies under a Chairman/CEO supported by managers and assistant managers.

ENVIRONMENTAL

REVIEW

Sri Lanka's economy has recorded a growth of 6.6 per cent in real terms during the first half of 2008, in comparison to 6.3 per cent recorded during the first half of 2007. This is an encouraging achievement, given the challenging environment stemming from tight monetary policy to check inflation on the domestic front, high and volatile oil prices, sharp increase in food prices and global economic slowdown in the backdrop of global financial crisis on the external front. The growth momentum is expected to continue into the second half of the year, although at a slightly slower pace and the economy is expected to record an overall growth of around 6.0 - 6.5 per cent in 2008, compared with 6.8 per cent registered in 2007.

The performance in the general insurance industry in Sri Lanka has illustrated a relatively low growth rate in 2007/2008 relatively to the previous years. The overall gross written premium from long term and general insurance businesses added up to Rs.58,166 million showing an annual growth of 12.11%, when compared with previous year's total of Rs.51,885 million and an annual growth of 20.56%. The decline in the premium income growth during the year has resulted in a lower GDP contribution of 1.32% when compared with the previous three years. General insurance business with a gross written premium of Rs.34,553 million (2007: Rs.31,156 million) accounted for 59.40% (2007: 60.05%) of the total gross written premium..

The Gross Written Premium in General Insurance industry in 2008 displayed an enhancement of Rs. 34,552,939 compared to Rs. 31,156,051 in 2007, Rs. 25,930,519 in 2006, Rs. 22,410,156 in 2005 and Rs. 17,037,359 in 2004. But the growth rate of 10.9% in 2008 indicated the lowest when compared to growth rate of 20.2% in 2007, 15.7% in 2006, 31.5% in 2005 and 25.9% in 2004.

Although the worldwide insurance industry has faced a recessionary condition, the insurance industry in Sri Lanka was able to achieve a growth, even though the rate of overall growth in gross written premium has slowed down from 20.56% in 2007 to 12.11% in 2008. These growth figures exclude premium income from motor insurance covers provided to government institutions by National Insurance Trust Fund, micro insurance among lower-income groups, Agriculture insurance provided by Agriculture and Agrarian Insurance Board and Insurance covers provided to exporters by Sri Lanka Export Credit Insurance Corporation as they do not come under the purview of Insurance Board of Sri Lanka.

CORPORATE

SOCIAL

RESPONSIBILITY

Under pinned by the vision of “safety net for all needy sectors”, the National Insurance Trust Fund endeavors to adore a corporate image to be a “Well Responsible Corporate Citizen” accompanied by the social values such as ethicality and sustainability.

National Insurance Trust Fund, has implemented many insurance schemes such as Agrahara Insurance scheme and “Videsha Rekiya’ Overseas Employment Insurance Scheme with highly concessionary premium.

Furthermore during the rate Making process of the Strike, Riot, Civil Commotion and Terrorism Fund, highly concessionary rates have been imposed for Personal Accident Covers given to patriotic Sri Lankan Forces. Consequently during the year 2008, the Strike, Riot, Civil Commotion and

Terrorism Fund has paid a substantial value of claims for casualties of the related to the terrorist activities.



CORPORATE

GOVERNANCE

➤ INTRODUCTION

The National Insurance Trust Fund was established in 2006 under the National Insurance Trust Fund Act No. 28 of 2006. Thereafter the Strike, Riot, Civil Commotion and Terrorism Fund which was established in 1987 in terms of a cabinet paper had been absorbed into the National Insurance Trust Fund under the paragraph (1c) of the section 18 of the National Insurance Trust Fund Act No. 28 of 2006, dated 29th August 2006.

In pursuit of creating stakeholder value, the National Insurance Trust Fund's Corporate Governance practices have been carried out giving due consideration to the relevant areas of Corporate Governance Code of Best Practices issued by Institutes of Chartered Accountants of Sri Lanka and the Public Enterprises Guidelines for Good Governance and Corporate Governance practices have been underpinned by the salient corporate governance values such as discipline, transparency, independence, accountability, responsibility, fairness and social responsibility.

➤ THE BOARD OF MANAGEMENT

The NITF is managed by a Board consisting of eight members appointed by the Minister in charge of the subject of Finance, consisting an officer to represent the Ministry of Finance, Chief Accountant of the Ministry of Finance, An officer representing the Ministry of Health, An officer representing the Ministry of Public Administration, Director General of the Insurance Trust Fund Board of Sri Lanka and three other persons nominated by the Minister to represent expertise in the fields of Finance, Banking, Insurance, Management and Law. The Minister is empowered to appoint one person of the Board as Chairman. In terms of the Act, all members of the Board shall hold office for a period of five years from the date of appointment. The names of the Board of Directors are given in the Board of Directors of NITF page

➤ SUPPLY OF INFORMATION

The Board receives a set of timely, accurate, relevant and comprehensive Board Papers, which are circulated a week prior to the Board meeting.

Meeting and the Board meets on a monthly basis in order to make strategic decisions. During the year 2008 the Board met 17 occasions.

RISK

MANAGEMENT

➤ INTRODUCTION

The appetite of the risk management of the National Insurance Trust Fund has been inclined towards risk Averseness. When adopting Enterprise Risk Management strategies following prominent risks have been identified evaluating the quantum of the impact / consequence and the likelihood / plausibility of occurrence and accordingly risk response strategies such as avoidance acceptance, transfer, sharing; elimination and management have been adopted.

➤ THE BOARD

The board's role in managing risk is one of its most important. The board is responsible for determining the risk management strategy as part of its responsibilities to share holders. It is also responsible for monitoring risk and internal controls and communicating the organization's strategy to employees.

➤ STRATEGIC RISK

In order to ensure the accomplishment of strategic objectives, the management of

the National Insurance Trust Fund has been vigilantly monitoring the economic developments and socio -political developments in Sri Lanka related to insurance sector which may impact the strategic intent of the National Insurance Trust Fund.

➤ UNDERWRITING RISK

In order to mitigate the burden from escalated claims costs due to possible occurrence of catastrophic events, the reinsurance agreements with AON Re for the National Insurance Trust Fund and with Willis Re for the Strike, Riot, Civil Commotion and Terrorism Fund have been entered with reinsurers who are having highest credit ratings (i.e. Fitch credit rating, Moody's credit rating, AM Best credit rating and Standard & Poor credit rating).

➤ BUSINESS RISK

Business risk has been mitigated through diversifying into many strategic business units such as Strike, Riot, Civil Commotion and Terrorism insurance, Motor insurance, Agrahara insurance, Foreign Employment insurance and reinsurance etc.

➡ FOREIGN EXCHANGE RISK

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

➡ INVESTMENT CREDIT RISK

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

➡ OPERATIONAL RISK

Operational Risk is mitigated by computerization of operations. Internal Audit function of Strike, Riot, Civil Commotion and Terrorism Fund has being outsourced to Ernst & Young Chartered Accountants, a well competent audit firm in order to minimize the errors and discrepancies of premium collection and claims payments a well competent audit firm. Furthermore the office operations have been computerized in order to minimize errors and discrepancies.

➡ CONCENTRATING RISK

Concentration risk is mitigated through diversification of investments into many banks such as Peoples Bank, Bank of Ceylon and National Savings Bank.

➡ LIQUIDITY RISK

Liquidity Risk or the inability to meet the contractual obligations such claims payments, reinsurance payments and fund transfers to the Treasury has been mitigated through diversification of investments with different maturities such as Repos, Treasury Bills with different maturities, Treasury Bonds with different maturities and debentures.

➡ CLAIM 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.

AUDITOR'S REPORT



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AUDITOR GENERAL'S DEPARTMENT



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 Your No. }

දිනය } 30 September 2010
 திகதி }
 Date }

The Chairman,
 National Insurance Trust Fund.

Report of the Auditor General on the Financial Statements of the National Insurance Trust Fund for the year ended 31 December 2008 in terms of Section 14(2)(c) of the Finance Act No.38 of 1971.

The audit of financial statements of National Insurance Trust Fund for the year ended 31 December 2008 was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act No.38 of 1971 and Section 17 of the National Insurance Trust Fund Act No.28 of 2006. My comments and observations which I consider should be published with annual report of the Fund in terms of Section 14(2)(c) the Finance Act appear in this report.

1:2 Responsibility of the Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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INDEPENDENCE SQUARE,
 COLOMBO 07, SRI LANKA

ඉදිරිපත්වූ විට ලැපල් } oaggov@sltnet.lk
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 E-mail. }

AUDITOR'S REPORT (contd.)

2

1:3 Scope of Audit and Basis of Opinion

My responsibility is to express an opinion on these financial statements based on my audit. Audit opinion, comments and findings in this report are based on review of the financial statements presented to audit and substantive tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka Auditing Standards to obtain reasonable assurance as to whether the financial statements are free from material misstatements. The audit includes the examination on a test basis of evidence supporting the amounts and disclosures in financial statements and assessment of accounting policies used and significant estimates made by the management in the preparation of financial statements as well as evaluating their overall presentation. I have obtained sufficient information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit. I therefore believe that my audit provides a reasonable basis for my opinion.

2. Financial Statements

2:1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the National Insurance Trust Fund had maintained proper accounting records for the year ended 31 December 2008 and except for the effects on the financial statements of the matters referred to in paragraph 2.2 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards, and give a true and fair view of the state of affairs of the National Insurance Trust Fund as at 31 December 2008 and the financial results of its operations and cash flows for the year then ended.

AUDITOR'S REPORT (contd.)

3

2:2 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non compliances with laws, rules, regulations etc. were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
(a) Public Enterprises Circular No.12 of 2 June 2003 ----- (i) Section 6.5.1 (ii) Section 7.4.1	The annual financial statements should be furnished to the Auditor General within 60 days of closure of the financial year. However, the financial statements for the year ended 31 December 2008 had been furnished on 6 September 2010. Accordingly, the delay in furnishing the accounts was 1 year and 6 months. Audit and Management Committee meetings had not been held.
(b) Financial Regulations of the Government of Sri Lanka ----- (i) F.R. 133 (ii) F.R. 756	An Internal Audit unit had not been established as required by the financial regulation. The annual board of survey had not been conducted as required by the financial regulation.

AUDITOR'S REPORT (contd.)

4

2:2 Lack of Evidence for Audit

The following evidence for audit had not been furnished.

- (a) A Corporate plan and an annual action plan approved by the board of directors.
- (b) Approved and actual cadre of the staff
- (c) Management report.
- (d) Progress reports.
- (e) Letters confirming debtors and creditors

3. Financial and Operating Review

3:1 Financial Results

The operating activities of the Trust Fund during the year under review had resulted in a surplus of Rs.2,860,775,870 as compared to the operating activities of the Fund for the year 2007 which had resulted in a surplus of Rs.1,769,807,897 showing an improvement of Rs.1,090,967,973 in financial results.

3:2 Uneconomic Transactions

An accounting system to computerize the reimbursement and accounting of medical bills had been formulated and introduced. However, it had not been properly implemented even during the current year. As a result, the expenditure of Rs.225,000 incurred in this regard in 2007 had become fruitless. Further, the computers and human resources relating to this had not been utilized for the performance of the institution in a best manner.

AUDITOR'S REPORT (contd.)

5

3:3 Transactions of Contentious Nature

The following matters were observed.

- (a) The Fund relating to strikes, riots, civil commotion and terrorist activities had been brought under the Insurance Trust Fund during May 2007 by a gazette notification on a decision made by the Cabinet of Ministers.

It was observed that proper manual of regulations was not in existence to administer this Fund before it was brought under the National Insurance Trust Fund. Net commission and profit commission had been paid to various agency institutions in Sri Lanka for many years. The amount so paid during 2006, 2007 and 2008 amounted to Rs.410 million, Rs.461 million and Rs.561 million respectively. The legal obligations of the fund to make such payments could not be understood in audit.

- (b) Reinsurance had been done in 2 institutions in order to face the risk of contingences that may arise due to the payments of compensation by the Fund on behalf of strikes, turbulence, civil commotion and terrorist activities which comes under the Insurance Trust Fund. Its minimum limit is Rs.500 million. The maximum paid as compensation during the past 4 years was Rs.50.8 million. In the circumstances, it was observed that the maintenance of the reinsurance limit at Rs.500 million was not practicable. A sum of Rs.642,396,434 had been paid as reimbursable premia from 2004 to the year under review. Instances to obtain any recovery from the reinsurers had not occurred for payment of entitlements from the commencement of the Fund upto now.

AUDITOR'S REPORT (contd.)

6

3:4 Management Inefficiencies

The following management inefficiencies were observed.

- (a) The Fund relating to strikes, riots, civil commotion and terrorist activities had granted a loan of Rs.537 million to the Galadari Lanka Hotels Company on concessionary conditions. The loan and interest thereon had not been recovered for a long time. As such, it was decided by a Cabinet Memorandum of 20 April 2007 to convert the loan and the interest thereon as an entitlement of the company. But proper action had not been taken in this regard upto now.

Further, the loan balances recoverable from the loans granted to various institution under the said loan procedure as at end of the financial year amounted to Rs.1,375 million. Of the loans granted, loans amounting to Rs.242 million and 311 instalments of interest had not been recovered upto the date of audit.

Legal action had not been taken to recover loans due from institutions with prolonged delays. Though loans amounting to Rs.1,375 million had been shown in current assets, provision had not been made in the financial reports for the recovery in suspension.

AUDITOR'S REPORT (contd.)

7

4. Systems and Controls

The Chairman was made aware of the deficiencies observed in the Fund from time to time. Special attention is needed in respect of the following areas of control.

- (a) Administration
- (b) Preparation of corporate plan and action plan
- (c) Internal audit
- (d) Reinsurance
- (e) System of computerization of accounts.
- (f) Payments of insurance compensation.
- (g) Collection of income instalments.

Sgd. H.A.S. Samaraweera
Acting Auditor General.

Samanthi /-

STATEMENT OF INCOME

(All figures in Sri Lankan Rupees)

For the year ended December 31,2008

	Notes	2008 Agrahara & Other	2008 SRCC & Tr.	2008 Total	2007 Total
Revenue					
Net Earned Premium Income	01	1,516,022,406.74	1,911,928,255.00	3,427,950,661.74	2,654,902,681
Benefits, Losses and Expenses					
Insurance claims and benefits	02	(1,096,275,343.50)	(640,080,388.00)	(1,736,355,731.50)	(1,423,044,038)
		419,747,063.24	1,271,847,867.00	1,691,594,930.24	1,231,858,643
Other Revenue					
Investment Income		96,784,543.27	1,108,678,898.00	1,205,463,441.27	528,264,787
Interest on Soft Loans		-	19,424,829.00	19,424,829.00	38,713,576
Other income		917,840.80		917,840.80	
		97,702,384.07	1,128,103,727.00	1,225,806,111.07	1,798,837,006
Expenditure					
Staff related costs	03	19,672,032.95	1,798,114.00	21,470,146.95	11,500,953
Administration Expenses	04	26,848,292.74	1,416,053.00	28,264,345.74	14,142,950
Finance & Other expenses	05	2,648,767.97	2,731,267.00	5,380,034.97	3,385,205
Total expenditure		49,169,093.66	5,945,434.00	55,114,527.66	29,029,109
Income over expenditure		468,280,353.65	2,394,006,160.00	2,862,286,513.65	1,769,807,897

BALANCE SHEET

NATIONAL INSURANCE TRUST FUND

BALANCE SHEET

(All figures in Sri Lankan Rupees)

As at December 31,

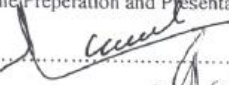
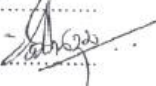
Notes	2008 Agrahara & Other	2008 SRCC & Tr.	2008 Total	2007 Total	
Assets					
Non-current assets					
Property, plant and equipment	06	26,476,697.86	18,183,083.10	44,659,780.96	25,240,464.97
Investments		691,999,822.97	7,057,178,793.00	7,749,178,615.97	5,449,343,239.97
		718,476,520.83	7,075,361,876.10	7,793,838,396.93	5,474,583,704.94
Current assets					
Receivables	07	214,197,705.56	1,774,304,282.90	1,988,501,988.46	2,221,955,825.65
Cash and cash equivalents	08	218,056,297.72	21,738,960.00	239,795,257.72	560,259,122.00
		432,254,003.28	1,796,043,242.90	2,228,297,246.18	2,782,214,947.65
Total assets		1,150,730,524.11	8,871,405,119.00	10,022,135,643.11	8,256,798,652.59
Equity and liability					
Equity					
Accumulated Fund	09	957,830,023.13	7,454,189,557.00	8,412,019,580.13	6,583,508,928.81
		957,830,023.13	7,454,189,557.00	8,412,019,580.13	6,583,508,928.81
Technical Reserves					
Unearned Premium	10	-	1,063,317,772.07	1,063,317,772.07	877,695,727.11
Deferred Commission	11	-	(206,999,340.07)	(206,999,340.07)	(161,317,228.07)
		-	856,318,432.00	856,318,432.00	716,378,499.04
Liability					
Non-Current Liabilities					
Government grant		719,190.00	-	719,190.00	719,190.00
Profit Commission payable	12	-	113,635,474.00	113,635,474.00	83,722,067.00
		719,190.00	113,635,474.00	114,354,664.00	84,441,257.00
Current Liabilities					
Claim Payable	13	175,492,171.00	157,829,461.00	333,321,632.00	602,777,397.02
Other payables	14	16,689,139.98	289,432,195.00	306,121,334.98	269,692,570.92
		192,181,310.98	447,261,656.00	639,442,966.98	872,469,967.94
Total equity and liability		1,150,730,524.11	8,871,405,119.00	10,022,135,643.11	8,256,798,652.79

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


Finance Manager

The Board of Directors are responsible for the Preparation and Presentation of Financial Statements

Sign on behalf of the Board

1. 
2. 

STATEMENT OF CHANGES IN

ACCUMULATED FUND

(All figures in Sri Lankan Rupees)

As at December 31, 2008

	Notes	2008 Agraphara & Other	2008 SRCC & Tr.	2008 Total	2007 Total
<u>ACCUMULATED FUND</u>					
Accumulated Fund as at 31.12.2007		489,549,669.48	6,093,959,259.00	6,583,508,928.48	4,814,245,088
Prior Year Adjustment			(33,775,862.00)	(33,775,862.00)	(544,057)
Less: Contribution to Consolidated Fund			(1,000,000,000.00)	(1,000,000,000.00)	
Income over Expenditure		468,280,353.65	2,394,006,160.00	2,862,286,513.65	1,769,807,897
Accumulated Fund as at 31.12.2008		<u>957,830,023.13</u>	<u>7,454,189,557.00</u>	<u>8,412,019,580.13</u>	<u>6,583,508,928</u>

CASHFLOW STATEMENT

(All figures in Sri Lankan Rupees)

For the year ended December 31,

	2008	2007
<u>Cash flow from operating activities</u>		
Net profit for the period	2,862,286,514	1,769,807,897
Less: Contribution to Consolidated Fund	(1,000,000,000)	
	1,862,286,514	
<u>Adjustments for:</u>		
Depreciation	6,684,140	2,863,050
Investment income	(1,205,463,441)	(528,264,787)
Unearned Premium Income	185,622,046	877,695,727
Deferred Commission	(45,682,112)	(161,317,228)
<u>Operating profit before working capital changes</u>	803,447,147	1,960,784,660
Decrease in receivables	233,453,837	(1,710,110,856)
Increase in Profit Commission Payable	29,913,407	83,722,067
Decrease in profit due to prior year adjustment	(33,775,862)	-
Decrease in Claim payable	(269,501,000)	602,777,397
Increase in Other payables	36,428,764	(162,149,790)
<u>Net cash from operating activities</u>	799,966,293	775,023,478
<u>Cash flows from investing activities</u>		
Purchases of property, plant and equipment	(26,136,012)	(23,102,704)
Investment in Government Securities	(2,299,835,376)	(5,449,343,240)
Proceeds of sale of equipment	77,789	-
Net Assets transferred from SRCC & Tr fund	-	4,716,059,599
Investment income	1,205,463,441	528,264,787
<u>Net cash used in investing activities</u>	(1,120,430,157)	(228,121,558)
<u>Net increase/ decrease in cash and cash equivalents</u>	(320,463,864)	546,901,920
<u>Cash and cash equivalents at beginning of the period</u>	560,259,122	13,357,202
<u>Cash and cash equivalents at end of the period</u>	239,795,258	560,259,122
<u>Analysis of cash and cash equivalents</u>		
Cash in hand and balances with banks	230,795,258	153,653,499
Short-term investments	9,000,000	406,605,623
<u>Cash and cash equivalents</u>	239,795,258	560,259,122

ACCOUNTING POLICIES

1.0 CORPORATE INFORMATION

National Insurance Trust Fund (“The Fund”) is incorporated and domiciled in Sri Lanka by the “National Insurance Trust Fund Act, No. 28 of 2006”. The registered office of the company is situated at No. 70, D R Wijewardena Mawatha, Colombo 10 and the principal place of business is located at the this address.

During the year of operation Strike, Riot and Civil Commotion and Terrorism Fund which was under the Ministry of Finance & Planning was absorbed to National Insurance Trust Fund.

2.0 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The Financial Statements have been prepared under historical cost convention in accordance with generally accepted accounting principles and the accounting standards laid down by the Institute of Chartered Accountant of Sri Lanka.

The financial statements are presented in Sri Lankan Rupees (Rs.)

No adjustment for inflationary factors has been made in these accounts.

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

2.2 Comparative Figures

The accounting policies have been consistently applied by the Fund and are consistent with those used in the previous year. Previous year's figures have been rearranged wherever necessary to the year's presentation

ACCOUNTING POLICIES (contd.)

2.3 Capital Commitments

There were no Capital commitments as at Balance Sheet date.

2.4 Cash Flow Statement

Cash Flow Statement is prepared using “indirect method”

2.5 Related Party Transactions

There were no related party transactions.

2.6 Post Balance Sheet Events

All material post balance sheet events have been considered and where appropriate adjustments or disclosures have been made in respective notes to the financial statements

ACCOUNTING POLICIES (contd.)

2.7 Assets and bases of their valuation

2.7.1 Property, Plant & Equipments

The Property, Plant & Equipments are recorded at cost

The Property, Plant and Equipment is the cost of purchase together with any expenses incurred in bringing the assets to its working condition for its intended use.

Expenditure incurred for the purpose of acquiring, extending or improving assets of permanent nature by means of which to carry on the Fund.

Depreciation

The provision for depreciation is calculated by using straight line basis on the cost of all property, plant & equipments in order to write off such amount over their estimated useful lives by equal annual installments as follows

Plant & Machinery	Over 10 years
Furniture & Fitting	Over 08 years
Office Equipments	Over 06 Years
Computers	Over 05 Years
Motor Vehicles	Over 05 years

ACCOUNTING POLICIES (contd.)

2.7.2 Investments

Investment are shown at Cost

2.7.2 Receivables

Collect ability of premiums, interest and other receivables is reviewed on an ongoing basis. Debtors other Receivables which are known to be uncollectible are written off.

2.7.3 Cash & Cash Equivalents

Cash & Cash Equivalents are defined as cash in hand, demand deposit banks for the purpose of cash flow statement, Cash and Cash Equivalent consists of cash in hand deposit in bank net of outstanding bank over draft.

2.8 Liabilities & Provision

2.8.1 Unearned Premiums

Unearned premiums are those proportions of the premium written in a year that related to the period of risk subsequent to the Balance Sheet date. The unearned Premiums are calculated on the 24th basis of Gross Premium.

2.8.2 Deferred Commission

Deferred Commission represents net commission relates to unearned premium

ACCOUNTING POLICIES (contd.)

2.8.3 Profit Commission

Profit Commission is calculated and paid in two installments. First installment is paid after six months after end of the accounting period and the second installment after twelve months after end of the accounting period.

2.8.4 Claims Payable

Claims comprise of approved claims which are not paid during the relevant financial year and the provision for outstanding claims which are declared by the members of the fund together with the related expenses and deductions made for reinsurance and salvage recoveries if available.

2.8.5 Other Payables

Other payables are stated at their cost

2.8.6 Other Provisions

All known provisions as at the Balance Sheet date have been fully provided for in the accounts.

ACCOUNTING POLICIES (contd.)

2.9 Revenue & Expenses

2.9.1 Revenue

Revenue is recognized to the extent that it is probable that economic benefit will flow to the Fund and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

a. Premium Contributions

Premium Contributions are recognized when they fall due.

b. Interest Income

Interest income is recognized as the interest accrues unless future collection is in doubt.

c. Others

Gains and losses of a revenue nature on the disposal of property, plant and equipment are accounted for in the Income Statement.

All other income is recognized on an accrual basis.

2.9.2 Expenditure Recognition

All expenditure incurred in the running of the Fund and in maintaining the Property, Plant & Equipments in a state of efficiency has been charged to revenue in arriving at Net Surplus.

NOTES TO FINANCIAL STATEMENTS

(All figures in Sri Lankan Rupees)

For the for the year ended December 31,

	2008 Agrahara & Other	2008 SRCC & Tr.	2008 Total	2007
01. NET EARNED PREMIUM INCOME				
Contribution from Members	595,339,833.06	-	595,339,833.06	578,628,923
Contribution from Treasury	480,000,000.00	-	480,000,000.00	346,711,759
Premium income - Motor	130,018,979.44	-	130,018,979.44	
Premium income- Reinsurance	341,170,102.84	-	341,170,102.84	
Premium income - Parliamentary members	30,000,000.00	-	30,000,000.00	
Premium income - Foreign Employment	118,428,752.50	-	118,428,752.50	
Gross Written Premium - SRCC & Tr	-	2,317,492,759.00	2,317,492,759.00	2,178,012,010
Premium Refunds	-	(4,604,167.00)	(4,604,167.00)	
Gross Written Premium	1,694,957,667.84	2,312,888,592.00	4,007,846,259.84	3,103,352,692
Reinsurance Premium	(178,935,261.10)	(215,338,291.00)	(394,273,552.10)	(322,844,342)
Net Written Premium	1,516,022,406.74	2,097,550,301.00	3,613,572,707.74	2,780,508,350
Net Change in Reserves for unearned Premium	-	(185,622,046.00)	(185,622,046.00)	(125,605,669)
	1,516,022,406.74	1,911,928,255.00	3,427,950,661.74	2,654,902,681
02. BENEFITS LOSSES & EXPENSES				
Spectacles	140,094,899.00	-	140,094,899.00	116,023,254
Hospital Charges	122,404,017.87	-	122,404,017.87	159,807,438
Child Birth	82,353,616.00	-	82,353,616.00	45,184,773
Accidents	24,661,636.00	-	24,661,636.00	11,111,783
Medical Charges	261,629,904.05	-	261,629,904.05	50,947,235
Heart Attacks	119,824,506.00	-	119,824,506.00	62,678,516
Cancer	21,946,633.00	-	21,946,633.00	5,818,421
Normal & Accidental Death	238,245,289.00	-	238,245,289.00	86,032,765
Motor Claims	30,590,383.63	-	30,590,383.63	
Vedesharakiya Claim Expenses	10,401,500.23	-	10,401,500.23	
Reinsurance Claim Expenses	24,854,738.72	-	24,854,738.72	
Medical Insurance M P	19,268,220.00	-	19,268,220.00	-
Net Claims Incurred -SRCC & Tr.	-	79,182,967.00	79,182,967.00	425,106,776
Net Commission	-	357,797,472.00	357,797,472.00	307,533,091
Profit Commission	-	203,099,949.00	203,099,949.00	152,799,986
	1,096,275,343.50	640,080,388.00	1,736,355,731.50	1,423,044,038
03. STAFF COSTS				
Gross salary	15,423,907.56	1,619,491.00	17,043,398.56	8,882,525
EPF - 12%	1,321,151.32	134,667.00	1,455,818.32	662,462
ETF	337,307.93	28,701.00	366,008.93	181,131
Overtime and holiday pay	536,962.09	15,255.00	552,217.09	411,433
Other allowances	1,121,218.89	-	1,121,218.89	1,363,402
Casual wages	931,485.16	-	931,485.16	
	19,672,032.95	1,798,114.00	21,470,146.95	11,500,953

NOTES TO FINANCIAL STATEMENT (contd.)

(All figures in Sri Lankan Rupees)

<i>For the for the year ended December 31,</i>	2008	2008	2008	2007
	Agrahara & Other	SRCC & Tr.	Total	
04. ADMINISTRATION EXPENSES				
Traveling	278,299.00	5,431.00	283,730.00	161,129
Depreciation	5,854,436.21	829,704.00	6,684,140.21	2,863,050
Rent	2,480,253.75	-	2,480,253.75	1,880,415
Water	99,602.14	-	99,602.14	75,881
Electricity	1,263,958.44	-	1,263,958.44	628,808
Staff welfare Expenses	547,017.27	59,211.00	606,228.27	195,420
Telephone	933,412.88	84,647.00	1,018,059.88	751,181
Printing and stationary	3,814,392.75	148,509.00	3,962,901.75	1,462,434
Office maintenance	4,869,503.10	79,104.00	4,948,607.10	2,256,638
Janitorial maintenance	158,820.00	-	158,820.00	28,000
Inspection & Assessing	453,189.60	-	453,189.60	7,742
Professional fee	205,750.00	-	205,750.00	1,130,519
Meeting Expenses	111,925.00	-	111,925.00	
Consultancy fee	1,832,969.50	-	1,832,969.50	316,300
Internet & Email expenses	448,500.00	-	448,500.00	287,500
Fuel Expenses	108,990.00	-	108,990.00	26,000
Vehicle Insurance	124,241.95	119,948.00	244,189.95	196,144
Staff Training	421,041.15	-	421,041.15	94,600
Newspaper and periodicals	41,004.05	-	41,004.05	
Security Charges	175,304.00	-	175,304.00	
Postage	2,436,350.00	27,268.00	2,463,618.00	1,751,057
Vehicle Maintenance	189,331.95	62,231.00	251,562.95	30,131
	26,848,292.74	1,416,053.00	28,264,345.74	14,142,950
05. FINANCE & OTHER EXPENSES				
Bank Charges	22,810.27	181,936.00	204,746.27	166,237.27
Internal Audit Fee	339,922.00	75,000.00	414,922.00	1,322,000.00
External Audit Fee	-	1,992,000.00	1,992,000.00	72,000.00
Loss of Disposal	-	32,556.00	32,556.00	
Technical Advisory Committee Attendance fees	-	199,500.00	199,500.00	201,000.00
Working Committee Attendance fees	-	155,250.00	155,250.00	122,250.00
Technical Evaluation Committee Members fees	-	-	-	34,500.00
Inventory Item - Written -off	-	-	-	46,300.00
Miscellaneous Expenses	486,246.20	7,525.00	493,771.20	323,923.52
Advertising Expenses	1,799,789.50	87,500.00	1,887,289.50	1,096,994.50
	2,648,767.97	2,731,267.00	5,380,034.97	3,385,205

NOTES TO FINANCIAL STATEMENTS (contd.)

(All figures in Sri Lankan Rupees)

Note 6: PROPERTY PLANT AND EQUIPMENT

	Motor Vehicles	Office Equipment	Furniture & Fittings	Software	Misc. Assets	Total
<u>Cost:</u>						
Balance as at 01/01/2008	12,995,300	6,260,154	5,821,731	3,597,500	197,508	28,872,193
Additions	16,316,966	6,903,111	368,237	2,547,698		26,136,012
Disposals	-	(77,789)	-	-	-	(77,789)
Balance as at 31/12/2008	29,312,266	13,085,476	6,189,968	6,145,198	197,508	54,930,416
<u>Depreciation:</u>						
Balance as at 01/01/2008	1,845,558	791,045	427,332	527,125	40,669	3,631,728
Charge for the year	2,599,060	1,895,032	824,686	1,359,526	5,835	6,684,140
Disposals for the year	-	(45,233)	-	-	-	(45,233)
Balance as at 31/12/2008	4,444,618	2,640,844	1,252,019	1,886,651	46,503	10,270,635
Written Down Value as at 31/12/2008	24,867,648	10,444,632	4,937,949	4,258,547	151,005	44,659,781

NOTES TO FINANCIAL STATEMENTS (contd.)

<i>(All figures in Sri Lankan Rupees)</i>				
<i>As at December 31, 2008</i>	2008	2008	2008	2007
	Agrahara & Other	SRCC & Tr.	Total	
07. RECEIVABLES				
Premium receivable from BFE	14,553,052.50	-	14,553,052.50	210,483,190
Premium Receivable other	174,535,964.79	-	174,535,964.79	
Interest Receivable	20,508,614.90	17,774,953.00	38,283,567.90	47,903,056
Premium Receivable SRCC & Tr	-	381,344,808.00	381,344,808.00	404,370,185
Economic Service Charge	2,000,000.00		2,000,000.00	
Advances receivable	342,876.01	-	342,876.01	100,000
Soft Loans	-	1,374,977,411.00	1,374,977,411.00	1,557,816,372
Stationary stock		32,334.90	32,334.90	24,690
Refundable Deposit	663,132.36	-	663,132.36	
Prepaid Insurance	-	174,776.00	174,776.00	48,882
Cheque return Receivable from members	1,594,065.00	-	1,594,065.00	1,209,450
	214,197,705.56	1,774,304,282.90	1,988,501,988.46	2,221,955,826
08. CASH AND CASH EQUIVALENTS				
Cash at bank	218,046,297.72	12,738,960.00	230,785,258	153,643,499
Cash in Hand	10,000.00	-	10,000	10,000
Short term Investments		9,000,000.00	9,000,000	406,605,623
	218,056,297.72	21,738,960.00	239,795,258	560,259,122
09. ACCUMULATED FUND				
Accumulated fund	489,549,669.48	6,093,959,259.00	6,583,508,928	4,814,245,088
Prior year adjustments	-	(33,775,862.00)	(33,775,862)	(544,057)
Less: Contribution to Consolidated fund		(1,000,000,000.00)	(1,000,000,000)	
Income over expenditure	468,280,353.65	2,394,006,160.00	2,862,286,514	1,769,807,897
	957,830,023.13	7,454,189,557.00	8,412,019,580	6,583,508,928
10. UNEARNED PREMIUM				
Balance as at 31/12/2007	-	877,695,726.07	877,695,726	752,090,059
Provision for the year	-	185,622,046.00	185,622,046	125,605,669
Balance as at 31/12/2008	-	1,063,317,772.07	1,063,317,772	877,695,727

NOTES TO FINANCIAL STATEMENTS (contd.)

11. DIFFERED COMMISSION

Balance as at 31/12/2007	-	161,317,228.07	161,317,228	137,662,657
Provision for the year	-	45,682,112.00	45,682,112	23,654,572
Balance as at 31/12/2008	-	206,999,340.07	206,999,340	161,317,228

12. PROFIT COMMISSION PAYABLE

Profit Commission payable(Payable in 2010)	-	113,635,474.00	113,635,474	83,722,067
	-	113,635,474.00	113,635,474	83,722,067

13. CLAIM PAYABLES

Claims Payable	175,492,171.00	157,829,461.00	333,321,632	602,777,397
	175,492,171.00	157,829,461.00	333,321,632	602,777,397

14. OTHER PAYABLES

Accrued Expenses	9,540,928.41	187,146.00	9,728,074	937,864
Other Payables	205,146.19	9,130,086.00	9,335,232	2,726,482
Road Safety tax payable	255,097.95	-	255,098	7,285,222
Profit Commission Payable	-	180,869,259.00	180,869,259	142,636,670
Claim cheques/SLIP returned payable	1,002,411.37	-	1,002,411	
Audit fee Payable	-	1,146,000.00	1,146,000	801,000
VAT Payable	5,685,556.06	7,073,913.00	12,759,469	12,385,090
Reinsurance Payable	-	91,025,791.00	91,025,791	102,920,243
	16,689,139.98	289,432,195.00	306,121,335	269,692,571

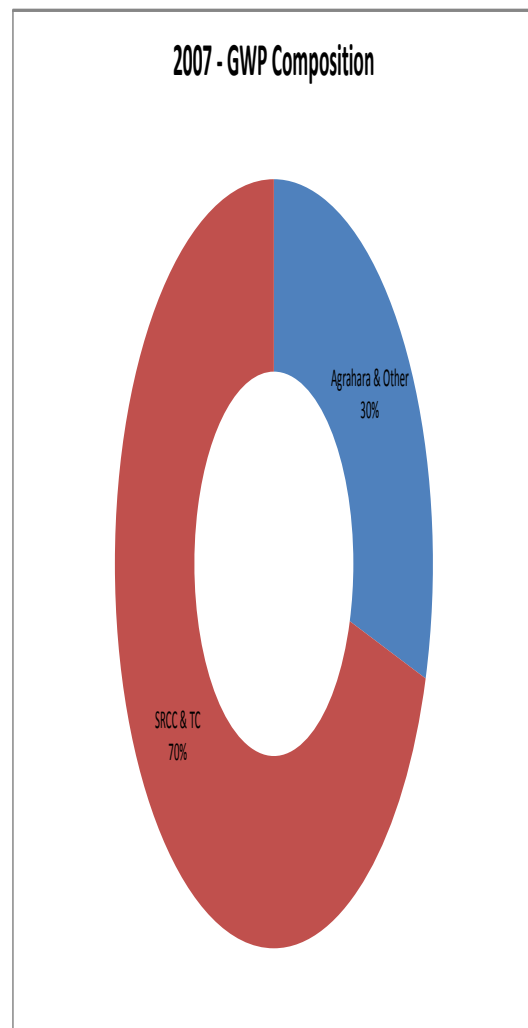
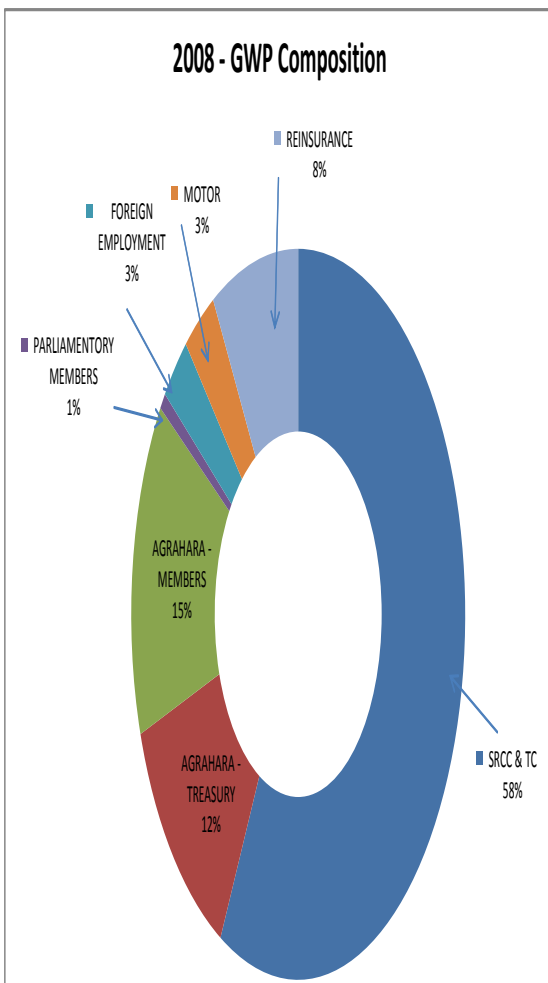
FINANCIAL

REVIEW

Gross Written Premium

	2,008
SRCC & TC	2,312,888,592.00
AGRAHARA - TREASURY	480,000,000.00
AGRAHARA - MEMBERS	595,339,833.06
PARLIAMENTARY MEMBERS	30,000,000.00
FOREIGN EMPLOYMENT	118,428,752.50
MOTOR	130,018,979.44
REINSURANCE	341,170,102.84

	2,007
Agrahara & Other	925,340,682.00
SRCC & TC	2,178,012,010.00



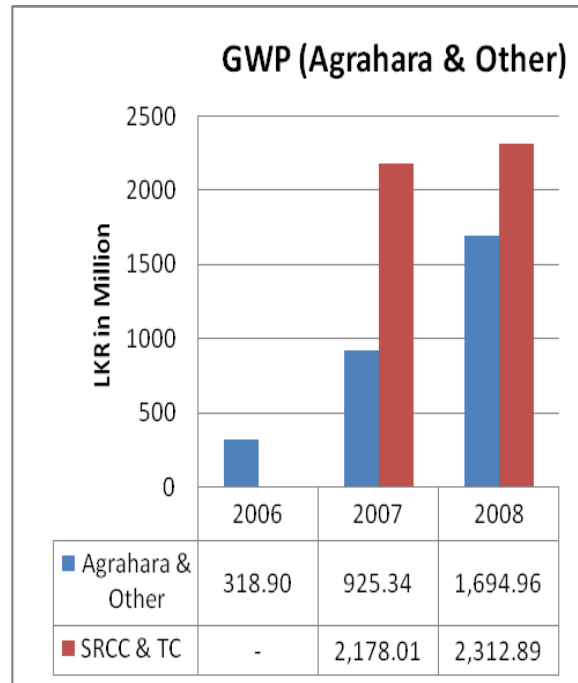
FINANCIAL

REVIEW (contd.)

During the year 2007 there were only two insurance schemes implemented in the National Insurance Trust Fund and they were the Agrahara Scheme and the Strike, Riot, Civil Commotion and Terrorism Covers. Out of the two Strikes, Riot, Civil Commotion and Terrorism Extension recorded 70 % of the total Gross Written Premium while the Agrahara scheme recorded only 30%.

But the year 2008, the businesses have expanded into Parliamentary Insurance Scheme, Motor Insurance Scheme, Reinsurance and Foreign Employment Insurance Scheme and they have recorded Rs. 30 Million, Rs. 118 Million, 130 Million, Rs. 341 Million and Rs. 118 Million respectively. While Strikes, Riot, Civil Commotion and Terrorism Extension recorded a slightly higher Rs. 2,312 Million which is 0.05% higher than the previous year. Agrahara scheme in total has recorded Rs. 1075 Million which is also slightly higher than the previous year.

Trend Analysis of Gross Written Premium

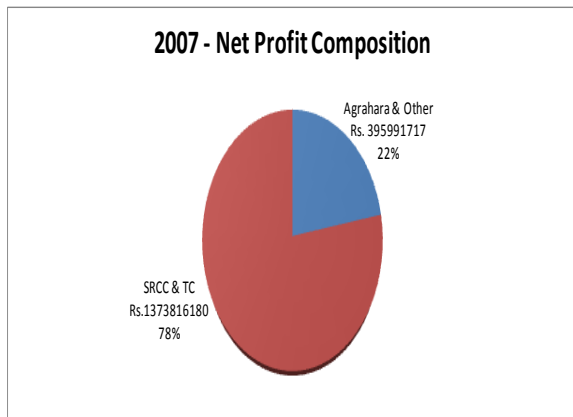
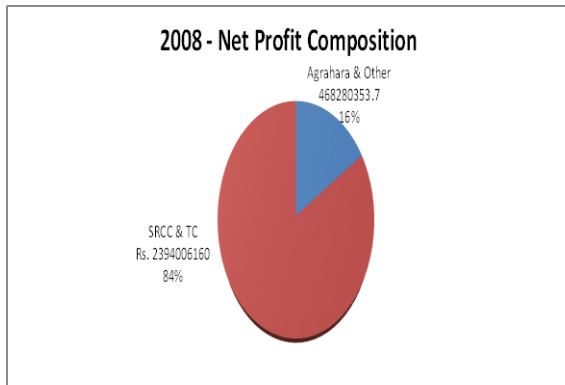


When analyzing the trend of the Gross Written Premium in the Agrahara division in total has increased substantially in both years. That is in 2007 190% and in 2008 83%. Whereas in the Strike, Riot, Civil Commotion and Terrorism Extension, the growth trend is very trivial.

FINANCIAL

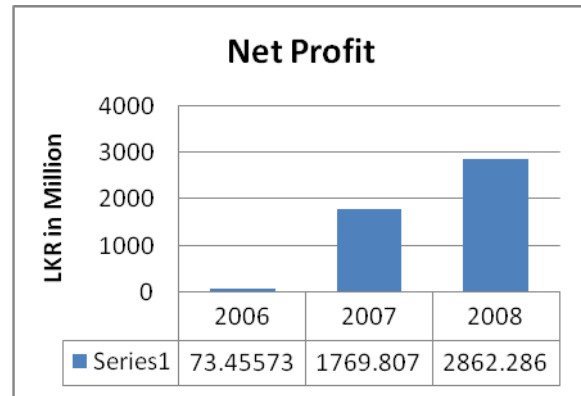
REVIEW (contd.)

Net Profit Analysis



Although from 2007 to 2008, the increase of Gross Written premium is trivial in the Strike, Riot, Civil Commotion and Terrorism division, the Net Profit has recorded an increase from Rs. 1,373,816,180 to Rs. 2,394,006,160, which is 74%. From 2007 to 2008, in the Agrahara and other divisions have shown a moderate growth of 15% from Rs. 395,991,717 to Rs. 468,280,354 which is relatively to the growth rate of Gross written

Premium. The growth of Net Profit over the three years are illustrated in the under mentioned graph.



FINANCIAL

REVIEW (contd.)

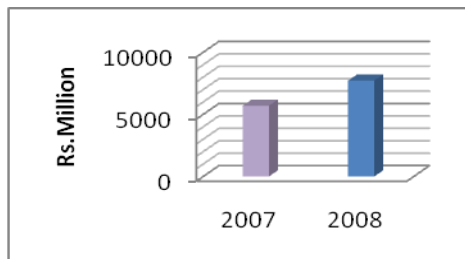
Investment

Reinsurance

Investment amount in the year 2008 was Rs.86 million and Maturity value is Rs.88 million.

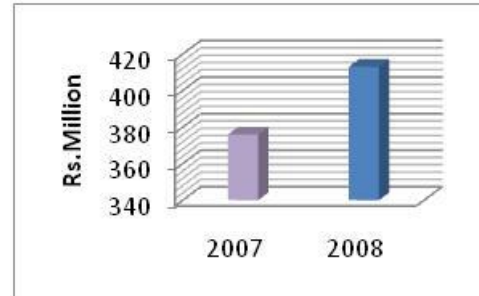
SRCC & TR FUND

The Investment amounts (T- Bills & T- Bonds) of the Fund increased from Rs. 5697 million in year 2007 to Rs. 7712 million in year 2008 representing an increase of around 35%.



Agrahara

Investment value in the year 2008, was Rs. 376 million compared to the Rs. 320 million in the year 2007. The maturity values in the year 2008 was Rs. 413 million compared to the Rs. 376



Motor

Rs. 118 million invested in the year 2008 and Rs .112 million received as maturity value.

Migrant

In the year 2008 ,Rs.127 million invested and maturity is Rs. 130 Millio million in the year 2007,representing a 10% growth.

FINANCIAL

REVIEW (contd.)

Agrahara

Insurance

Government has provided benefits to safeguard the officers in the public service against unforeseeable risks related to health, personal accident through medical scheme called “ **Agrahara**”.

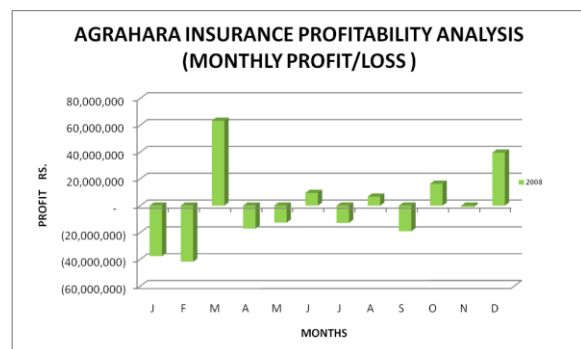
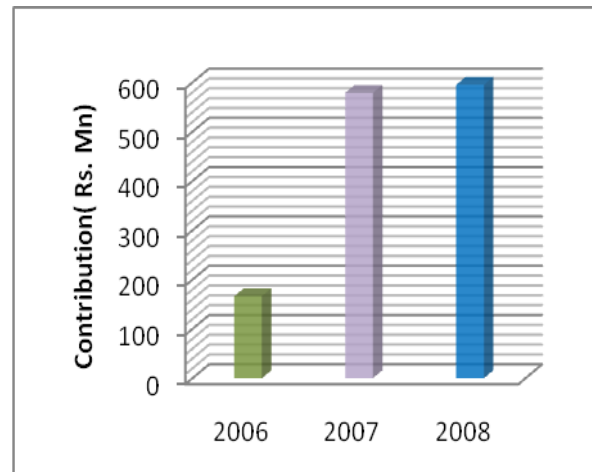
According to the public administration circular No. 12/2005, dated May 18,2005, public officers are entitled to receive benefit of the above medical insurance scheme and it is mandatory to deduct the premium of Rs. 75/- per month from the salary and contribute to National Insurance Trust Fund.

The primary function of the Revenue Division is to collect and deposit cheques which are received from the government institutions in island wide , relevant to the above mentioned scheme.

In 2008 , We introduced a paying slip system to send with the monthly recovery cheques and allocated file numbers for each and

650,000 public employees in 1750 institutions are registered under the medical insurance scheme.

Year	Contribution Amount
2006	166,095,126
2007	578,628,923
2008	595,912,608



FINANCIAL

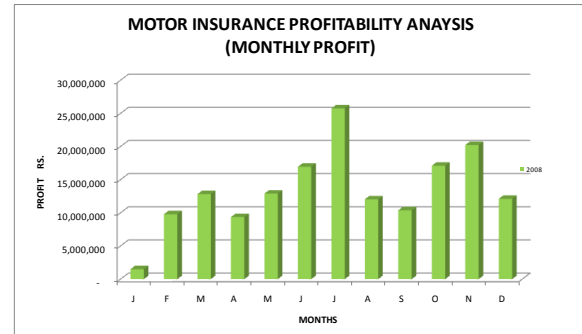
REVIEW (contd.)

Motor

Insurance

Subsequent to the establishment of the National Insurance Trust Fund, in the later part of the 2007 the Motor Insurance Scheme was introduced to insure the vehicle owned by Government institutions (Compulsory) and vehicles owned by semi Government institutions (Optional). NITF offers Motor Vehicle Insurance to Government and Semi-Government Institutions at an affordable price premium, which is estimated to be fast growing area for the NITF.

In order to facilitate effective speedier claims payment processes, a densely populated highly competent team of assessors has been employed throughout the island who promptly acts for inspections when claims intimations are made.



During the year 2008, total premium of Rs. 198,201,939 and it has made a total claims payment of Rs. 28,187,903.

FINANCIAL

REVIEW (contd.)

Re-Insurance

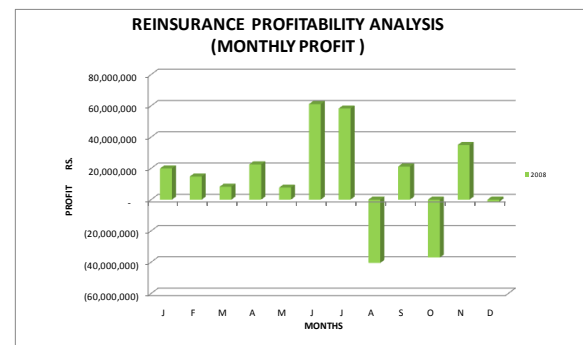
The extra ordinary gazette of Democratic Socialist Republic of Sri Lanka No: 1528 /20 dated December 19, 2007, empowers the National Insurance Trust Fund (NITF) to accept Compulsory reinsurance cession from the local general insurance market. NITF has fixed the compulsory cession at 20% of the general reinsurance program (subject to provisions to be specified) of each insurance company transacting general insurance business. NITF is also empowered to transact direct general insurance according to the Extra Ordinary Gazette No 1615/20dated 20th August 2009.

Since then NITF is the one & only authorized institution who can engage in reinsurance business in

Sri Lanka. Since 1st January 2008, the NITF is engaging in reinsurance business by accepting 20% compulsory reinsurance cession of all local general insurance companies, by retaining large portion of the foreign currency within the country.

As the Local re insurer, the NITF has protected his risk exposure with most reputed re insurers in the world with the brokerage of AON Re which is the largest reinsurance broker in the world.

The NITF retrocession arrangement is headed by GIC & BEST Re.

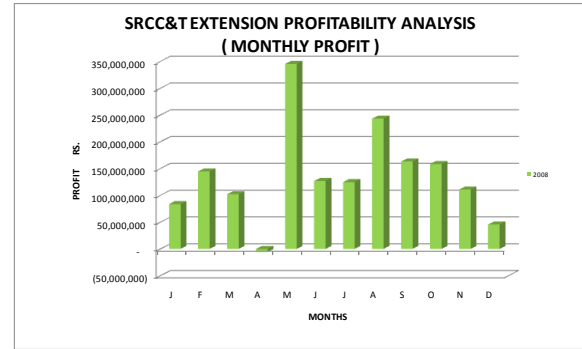


FINANCIAL**REVIEW (contd.)****Strike. Riot. Civil Commotion & Terrorism Extension**

The Strike, Riot, Civil Commotion and Terrorism Fund was administrated by a committee consisting of all the insurers and until August-2005 following the acquisition of the National Insurance Corporation Ltd. by the Janashkthi Insurance Co. Ltd. Thereafter the management of the Fund has been transferred to the Ministry of Finance & Planning.

The SRCC & T Fund was operating without any legal status until March 2007 but as per the new Act No. 28 of 2006- the National Insurance Trust Fund Act, it had been absorbed to National Insurance Trust Fund and presently the Fund under the National Insurance Trust Fund.

In the year 2008 the growth of the SRCC & T Fund has been exceptionally well recording the highest ever gross revenues from the inception of the SRCC & T Fund. The Gross Written Premium (GWP) of the Fund increased from Rs. 2,185.3 million in year 2007 to Rs. 2,314.7 million in year 2008 representing an increase of around

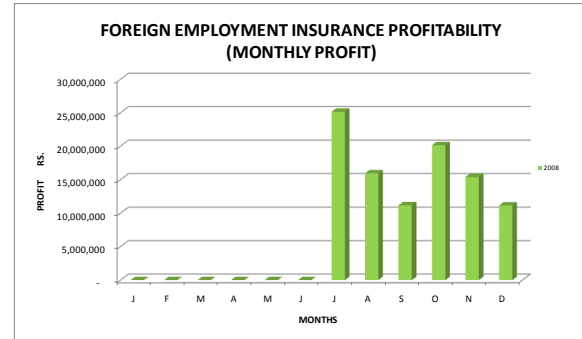


6%. The Accumulated Fund in the year 2007 was Rs. 6.09 billion. It has grown up to Rs. 7.5 billion in the year 2008. The net surplus, which is the underwriting surplus plus the investment income in the year 2008, was Rs. 1,798 million compared to the Rs. 992 million in the year 2007. The investment income in the year 2007 was Rs. 535.5 million compared to the Rs. 609.1 million in the year 2006, representing a decline of over 12% due to the transfer of proceeds to the investments into Consolidated Fund.

The total investment under the management year 2008 was Rs. 8,480 million, out of the total investment Rs. 1,424 million consisted of soft loans granted to organization affected by acts of terrorism. These loans were granted in terms of directives received from the government. No new loans have been granted during the year 2008. The total amount of claims paid from the Fund for the year 2008 was Rs. 79 million.

FINANCIAL**REVIEW (contd.)****Overseas Employment Insurance Scheme**

This Insurance Scheme was established in June 2008 according to the agreement of National Insurance Trust Fund with Sri Lanka Bureau of Foreign Employment. This policy covers the Sri Lankans who are in the range of ages of 18 to 65 years leaving Sri Lanka for foreign employment after obtaining the Insurance cover from the NITF. The premium is Rs.800+VAT for two years contracts and Rs. 850+VAT for three years contracts. The total premium collected during the year 2008 from the commencement of the scheme in July 2008 is Rs. 109,069,435 and the total claims payment in 2008 amounted to Rs. 10,401,501.



THREE YEAR SUMMERY

NATIONAL INSURANCE TRUST FUND

STATEMENT OF INCOME AND EXPENDITURE

(All figures in Sri Lankan Rupees)

	2008 Total	2007 Total	2006 Total
<u>Revenue</u>			
Net Earned Premium Income	3,427,950,661.74	2,654,902,681	318,902,642
<u>Benefits, Losses and Expenses</u>			
Insurance claims and benefits	(1,736,355,731.50)	(1,423,044,038)	(242,465,993)
	1,691,594,930.24	1,231,858,643	1,231,858,643
<u>Other Revenue</u>			
	-		
Investment Income	1,205,463,441.27	528,264,787	
Interest on Soft Loans	19,424,829.00	38,713,576	
Other income	917,840.80		
	1,225,806,111.07	1,798,837,006	1,798,837,006
<u>Expenditure</u>			
	-		
Staff related costs	21,470,146.95	11,500,953	1,333,806
Administration Expenses	28,264,345.74	14,142,950	1,508,940
Finance & Other expenses	5,380,034.97	3,385,205	138,170
Total expenditure	55,114,527.66	29,029,109	2,980,916
Income over expenditure	2,862,286,513.65	1,769,807,897	1,795,856,090

THREE YEAR SUMMERY

NATIONAL INSURANCE TRUST FUND

BALANCE SHEET

(All figures in Sri Lankan Rupees)

	Notes	2008 Total	2007 Total	2006 Total
<u>Assets</u>				
<u>Non-current assets</u>				
Property, plant and equipment	06	44,659,780.96	25,240,464.97	1,461,388.00
Investments		7,749,178,615.97	5,449,343,239.97	-
		7,793,838,396.93	5,474,583,704.94	1,461,388.00
<u>Current assets</u>				
Receivables	07	1,988,501,988.46	2,221,955,825.65	511,844,970.00
Cash and cash equivalents	08	239,795,257.72	560,259,122.00	13,357,202.00
		2,228,297,246.18	2,782,214,947.65	525,202,172.00
Total assets		10,022,135,643.11	8,256,798,652.59	526,663,560.00
<u>Equity and liability</u>				
<u>Equity</u>				
Accumulated Fund	09	8,412,019,580.13	6,583,508,928.81	94,102,009.00
Capital reserve		-	-	-
		8,412,019,580.13	6,583,508,928.81	94,102,009.00
<u>Technical Reserves</u>				
Unearned Premium	10	1,063,317,772.07	877,695,727.11	
Deferred Commission	11	(206,999,340.07)	(161,317,228.07)	
		856,318,432.00	716,378,499.04	
<u>Liability</u>				
<u>Non-Current Liabilities</u>				
Government grant		719,190.00	719,190.00	719,190.00
Profit Commission payable	12	113,635,474.00	83,722,067.00	
		114,354,664.00	84,441,257.00	719,190.00
<u>Current Liabilities</u>				
Overdraft				
Loan repayable within a year				
Claim Payable	13	333,321,632.00	602,777,397.02	-
Other payables	14	306,121,334.98	269,692,570.92	431,842,361.00
		639,442,966.98	872,469,967.94	431,842,361.00
Total equity and liability		10,022,135,643.11	8,256,798,652.79	526,663,560.00

CORPORATE INFORMATION

❖ **Name of the Institution:**

National Insurance Trust Fund

❖ **Legal Form**

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

❖ **Registered Office**

National Insurance Trust Fund

No. 70 D.R. Wijewardana Mawatha

Colombo 10

❖ **Auditors:**

External: Auditor General, Auditor General's Department

Internal: Internal Audit is done by the Internal Audit Department

❖ **Bankers:** Peoples Bank, Bank of Ceylon, National Savings Bank