



NATIONAL INSURANCE TRUST FUND

ANNUAL REPORT -2009

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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 covering all segments of society**

- ◆ **Design and manage a reinsurance scheme to capture minimum of 50% 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 maximum return 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 procedures of NITF**

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

- ◆ **Develop a mandatory natural disaster cover insurance scheme.**

- ◆ **Implement an educational center to cater to the future growing need of competent insurance staff by encouraging youth participation.**

BOARD OF DIRECTORS OF NATIONAL INSURANCE TRUST FUND

- ❖ **Mr. Senaka D. Abeygoonasekera -Present Chairman**
(Pgd, BBM (U.K.), MBA (U.S.A.), DIIR)

2009

- | | |
|--|----------------------|
| ❖ Mr. A. A. Wijepala | Chairman |
| ❖ Mr. Udaya Ranjith Senaviratne | -Board Member |
| ❖ Mr. W. H. Piyadasa | -Board Member |
| ❖ Dr. Nihal Jayathilaka | -Board Member |
| ❖ Dr. Lohitha Samarawickrama | -Board Member |
| ❖ Dr. P. W. C. Panagoda | -Board Member |
| ❖ Mr. K. A. D. Hemaratne | -Board Member |
| ❖ Mrs. Lasini Serasinghe | -Board Member |
| ❖ Mr. J. Dadellage | -Board Member |
| ❖ Mr. R. Semasinghe | -Board Member |

CHAIRMAN'S REVIEW



Presentation of the Annual Report-2009

It is with pride that I am presenting the Annual Report -2009 and the Audited Financial statements for the year ended December 31st of 2009, on behalf of the Board of Directors of the National Insurance Trust Fund.

The Economy

In spite of the much relieved ending of the thirty year old LTTE war due to the audacious leadership of H.E. the president and the undaunted effort of the security forces, the Sri Lankan economy has been dampened be-

cause of the high cost of war, global economic crisis and the Sri Lankan financial crisis. In 2009 the GDP at current market prices was Rs. 4,825 billion and GNP at current market price was Rs. 4,769 billion while the GNP growth rate was 4.8% and GDP growth rate was 3.5%. But due to the dawn of peace in Sri Lanka the recessionary condition of the Sri Lankan economy has turned into a recovery state during the later part of 2009.

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. In the year 2009 the National Insurance Trust Fund has expanded its scope of business by extending its Motor Insurance scheme into private sector and entering into General Insurance businesses such as Fire, Marine and Miscellaneous etc.

NITF's Contribution to the Nation and the Insurance Industry

During the year 2009, the National Insurance Trust Fund has donated Rs. 2.5 million to the security forces. Furthermore, National Insurance Trust Fund has also donated food and beverages to Manik farm after the forces rescued the Tamil civilians.

National Insurance Trust Fund has donated Rs. 2.25 billion to the national budget in 2009, in order to reduce the economic burden of the Government.

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 Commotion 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 National insurance Trust Fund has the strategic intent of establishing the Natural Disaster Fund to protect the country from natural disasters and to diversifying into Crop Insurance and Livestock Insurance to improve the Crop and Livestock Insurance as well as diversifying into Export Credit Insurance to improve Export and Credit Insurance. It has also the intention of expanding by acquisitions.

Financial Performance

The Net Earned Premium Income of NITF in 2009 is Rs.4,019 million as against to Rs. 3,427 million in 2008 which is an increase of 17.26%. The Net Profit of 2009 is Rs. 3,202 million in 2009 as against to Rs. 2,862 million in 2008 which is an increase of 11.88%. The financial performance of the NITF is elaborately illustrated in Financial Review section.

Appreciation

I take this opportunity to thank all our stakeholders including H.E. the President as the subject minister, Deputy Minister of Finance and Planning, Secretary to the Treasury, the staff of the Ministry of Finance and Planning, our policyholders, claimants, insurance brokers, reinsurers, reinsurance brokers, assessors, loss adjusters, intermediaries, clients, past chairmen of NITF, Technical Advisory Committee members and Working Committee members of insurance companies who participated in the Technical Advisory Committee Meetings and Working Committee Meetings 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 stakeholders 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.

Sgd.

Senaka D. Abeygoonasekera

(Pgd, 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 of representatives of the Ministry of Finance, Ministry of Health and representatives 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

General Insurance business has illustrated a negative growth rate of 3.1% with a Gross Written Premium income of Rs. 33,485 million in 2009 against the Gross Written Premium of Rs. 34,553 million in 2008. Among the many factors, the price wars due to high intensity of rivalry in insurance industry and global financial recession accompanied by the collapse of insurance and financial institutions have aggravated the negative growth rate of Gross Written Premium. The aggregate Gross Written Premium from the long term and general insurance business has recorded a value of Rs. 57,252 million in 2009 which is a reduction of 1.57% from 2008 value of Gross Written Premium of Rs. 58,166 million. The decline of the premium income growth during 2009 has resulted in a lower contribution to the GDP of 1.195% when compared with the last half of the decade.

Although, the Gross Written Premium has shown a trivial reduction, the Total Shareholder's Fund's of the insurance companies as at end of 2009 illustrated a substantial growth of 15.96% amounting to Rs. 29,053 million when compared with the previous year's value of Rs. 25,055 million. The Total Assets of all the insurance companies as at 31 December 2009 was Rs. 181,045 million which is an increase of 16.06 % when compared to the Total Assets as at the end of 2008 which is Rs. 155,994 million.

There are 15 insurance companies in operation in General Insurance in Sri Lanka at the end 2009 and most these insurance companies are owned by the private sector whereas there are 19 insurance companies which were registered under IBSL during the year of 2010. The increase in emergence of insurance firms connected to public sector in 2009, has made a strategic impact in the insurance industry in Sri Lanka. The insurance firms connected to the public sector are National Insurance Trust Fund, MBSL Insurance Co. Ltd. owned by Merchant Bank of Sri Lanka. Sri Lanka Insurance Corporation which was functioning as a private insurance firm from 2002 was transferred back to the public sector in 2009 as per the Supreme Court decision. The Peoples Insurance Co. Ltd. owned by Peoples Leasing PLC which in turn owned by Peoples Bank has also been incorporated in late 2009. The insurance industry has shown in the past four years that the Industry is recovering from the set back in 2004 due to Tsunami disaster. There are many developments and regulatory changes that are taking place in the Industry at present and one such change is the proposed amendments to the NITF Act which facilitated the National Insurance Trust Fund to enter into a wide spectrum of businesses in the General Insurance industry and expand its scope of operations from the public sector to private sector.

CORPORATE

SOCIAL

RESPONSIBILITY

National Insurance Trust Fund strives to enhance its corporate image to be a “Well Responsible Corporate Citizen” by adopting Corporate Social Responsibility through achieving a balance or integration of economic, environmental and social imperatives while at the same time addressing shareholder and stakeholder expectations.”

National Insurance Trust Fund has donated Rs. 2.25 billion to the national budget in 2009, in order to reduce the economic burden of the Government.

In the year 2009 also, 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. During the year 2009, the Strike, Riot, Civil Commotion and Terrorism Fund.

has paid a substantial value of claims for casualties related to the LTTE terrorist activities and consequently has given a helping hand to the Government to end the LTTE war by donating 2.5 million to the forces as a tribute to the undaunted effort of the security forces and the audacious leadership of H.E. the president.



National Insurance Trust Fund also has donated one day wages to relieve the casualties of the forces fighting the LTTE war.

National Insurance Trust Fund has also donated food and beverages to Manik farm after the forces rescued the Tamil civilians.



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

CORPORATE

GOVERNANCE

➔ INTRODUCTION

Enterprise governance refers to the set of responsibilities and practices exercised by the board and executive management with the goal of providing strategic direction, ensuring that objectives are achieved, ascertaining that risks are managed appropriately and verifying that the organization's resources are used responsibly

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.

Conformance is also called “corporate governance”. It covers issues such as board structures and roles and executive remuneration. It had significant coverage in recent years following the various corporate governance scandals and there will continuous developments in this area. Codes and/or standards can generally address this dimension with compliance being subject to assurance/audit. There are also well established oversight mechanisms for the board to use to ensure that good corporate governance processes are effective e.g., audit committees.

The strategic apex of National Insurance Trust Fund has recognized the importance of strong corporate governance as the critical success factor of a sound control environ-

ment which will ultimately improve operational effectiveness, efficiency and economy, enhance the brand image and maintain public confidence while adopting the salient corporate governance values such as discipline, transparency, independence, accountability, responsibility, fairness and social responsibility.

Ever since the National Insurance Trust Fund was established in 2006 under the National Insurance Trust Fund Act No. 28 of 2006, its Corporate Governance practices have been carried out giving due consideration to the relevant areas of 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.

➔ FINANCIAL ACUMEN

During the year 2009, the Board of Management's financial acumen is well fortified by the Chief Accountant of the Ministry of Finance and Planning and the Additional Secretary to the Ministry of Finance and Planning.

➔ INSURANCE ACUMEN

During the year 2009, the Board of Management's insurance acumen is well strengthened by the Director General of the Insurance Board of Sri Lanka.

➡ 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 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.

➡ THE INTERNAL CONTROL

During the year 2009, internal Audit functions including the internal audit of departments and audit of the Strike, Riot, Civil Commotion and Terrorism Fund has been carried out by the Internal Audit Department.

➡ THE AUDIT COMMITTEE

During the year 2009, the Audit Committee was established and the scope of the Audit Committee is as follows.

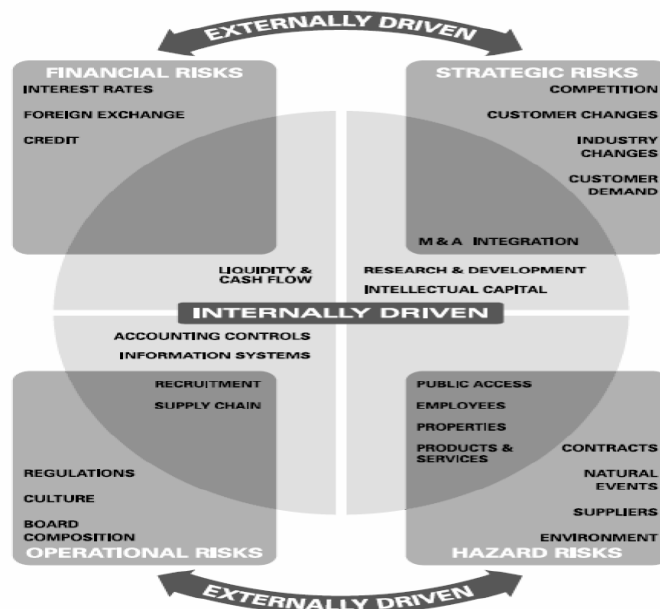
1. Determination of the responsibilities of the internal audit unit and review of the annual audit plans.
2. Review and evaluate internal control system for all activities of the entity
3. Review performance at regular intervals for cost effectiveness and to eliminate wasteful expenditure etc.
4. Liaise with external auditor and follow up with an Auditor General's/ External auditor's management letters.
5. Ascertain whether statutes, regulations, rules and circulars are complied with.
6. Review financial statements to ensure compliance with Accounting Standards
7. Review internal audit / external audit reports, Managements letters for remedial action.
8. Review implementation of recommendation / directives of the committee on public enterprises
9. Prepare report on the finding of the committee for inclusion in the Annual Report

➡ SUPPLY OF INFORMATION

The Board of directors is provided with monthly reports of performance and minute of previous Board meetings Board Papers, which are circulated a week prior to the Board meeting.

The Chairman and the Board meets on a monthly basis in order to make strategic decisions. During the year 2009 the Board met 10 occasions.

RISK MANAGEMENT



INTRODUCTION

Risk management is a central part of National Insurance Trust Fund’s strategic management. NITF’s risk management process methodically addresses the risks attached to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities. NITF has recognized that the focus of good risk management is the identification and treatment of these risks. NITF’s objective is to add maximum sustainable value to all the activities of the organization through understanding of the potential upside and downside of all those factors which can affect the organization.

The National Insurance Trust Fund has adopted the modern tactics of Enterprise Risk Management such as of internal & external environmental analysis, objective setting, event identification, risk assessment, selection of risk procedures, establishment and implementation of control activities, identification, capturing,

communication of information, monitoring and evaluation etc. 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 RESPONSIBILITY OF RISK MANAGEMENT

The Board and the Audit Committee is responsible for determining the risk management strategy as part of its responsibilities. It is also responsible for monitoring risk and internal controls and communicating the organization’s strategy to employees.

➡ R01 -STRATEGIC RISK

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

National Insurance Trust Fund has been vigilantly monitoring the political, technological, socio-cultural, economic developments in the general environment and competitor and customer dynamics in the task environment of Sri Lanka related to insurance sector which may impact the strategic intent of the National Insurance Trust Fund.

➔ R02 -INTERNATIONAL RISK

International political and socio-economic dynamics have been monitored by the National Insurance Trust Fund which has direct impact in the business of the NITF. These include specifically the monitoring of trends in the Middle-East countries in which the Sri Lankan migrant workers are concentrated in and the international business trends related to reinsurance sector of NITF.

➔ R03 -UNDERWRITING RISK

In 2009, in order to mitigate the burden from escalated claims costs due to possible occurrence of catastrophic events, the reinsurance agreements with AON-Benfield Re (who is the Global No. 1 reinsurance broker) for General Insurance, Motor Insurance and 20% Retrocession program of the National Insurance Trust Fund have been formed and for the Strike, Riot, Civil Commotion and Terrorism Fund with Willis Re has been entered with. All the reinsurers in those agreements are having credit ratings above BBB. (i.e. Fitch credit rating, Moody's credit rating, AM Best credit rating and Standard & Poor credit rating).

➔ R04 -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, Agraphara Insurance, Foreign Employment Insurance and Reinsurance etc.

➔ R05 -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.

➔ R06 -IT RISK

IT risks have also been countered by various precautionary measures. In order to prevent virus attacks Sophos anti-virus package has been installed in computers in NITF. The losses due to systems failures have been mitigated by back up storage systems and uninterrupted power systems.

➔ R07 -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.

➔ **R08 -OPERATIONAL RISK**

Operational Risk is mitigated by computerization of operations. Internal Audit function of Strike, Riot, Civil Commotion and Terrorism Fund and other departments of NITF have been 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.

➔ **R09 -CONCENTRATION RISK**

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

➔ **R10 -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.

➔ **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.

RISK ASSESSMENT MATRIX

Based on the Consequence –Frequency Analysis of the National Insurance Trust Fund’s prominent risks have been prioritized depending on the severity of the risks in the under mentioned Risk Assessment Matrix.

		Frequency				
		1	2	3	4	5
Consequence	1				R05	R08
	2				R06	
	3	R07	R10 R02			R11
	4	R09		R04		
	5	R01	R03			

AUDITOR'S REPORT

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கணக்காய்வாளர் தலைமை அறிபுதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



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எனது இல
My No. } EF/I/5/2009

මගේ අංකය
உமது இல
Your No. }

දිනය
திகதி
Date } 16 June 2011

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 2009 in terms of Section 14 (2)(c) of the Finance Act, No. 38 of 1971

The audit of financial statements of the National Insurance Trust Fund for the year ended 31 December 2009 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 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 the annual report of the Fund in terms of Section 4 (2)(c) of the Finance Act appear in this report. The detailed report in terms of Section 13 (7) (a) of the Finance Act was submitted to the Chairman of the Fund on 02 May 2011.

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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කොළඹ 07, ශ්‍රී ලංකාව

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தொலைபேசி
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කොලුමුටු 07, இலங்கை

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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 limitation 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 principles 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. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

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 2009 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 give a true and fair view of the state of affairs of the National Insurance Trust Fund as at 31 December 2009 and the financial results of its operation and cash flows for the year then ended.

2:2 Comments on Financial Statements

2:2:1 Presentation of Accounts

The following observations are made.

- (a) In terms of Section 4 of the National Insurance Trust Fund Act, No. 28 of 2006 the accounts should be presented under the caption National Insurance Trust Fund Board. Nevertheless, the accounts had been presented under the caption National Insurance Trust Fund.
- (b) Even though the accounts should be presented to Auditor General within 60 days after the close of the financial year the accounts for the year 2009 had been presented only on 18 January 2011, that is, after a delay of 11 months.

2:2:2 Accounting Deficiencies

The purchase of office equipment valued at Rs.386,440 which should be shown under the fixed assets in the financial statements had been written off to the profit for the year as expenditure on repairs. Thus the office equipment had been understated by that amount.

2:2:3 Non – compliance with Laws, Rules, Regulations

The following observations are made in this connection.

Reference to Laws, Rules, Regulations	Non - compliance
-----	-----
Financial Regulation 396 (d)	Action had not been taken to write back to income in respect of cheques valued at RS.25,347,189 lapsed for over 6 months from the issue.
Financial Regulation 786	The Boards of Survey Reports for the year under review had not been furnished to audit. The reports relating to the disposal of fixed assets valued at Rs.276,701 had also not been furnished to audit.

3. Financial and Operating Review3:1 Financial Review3:1:1 Financial Results

The operations of the Fund for the year under review had resulted in a surplus of Rs.3,202,833,204 as compared with the corresponding surplus of Rs.2,862,286,114 for the preceding year.

3:1:2 Analytical Review

According to the information made available, a summary of the financial results for the current year and the preceding year is given below.

Item	Current Year	Preceding Year	Favourable / (Adverse) Percentage as compared with preceding year
-----	-----	-----	-----
	Rs.	Rs.	%
Net Income	3,323,605,303	2,917,401,041	13.92
Total Expenditure	120,772,099	55,114,528	(119)
Net Surplus	3,202,833,204	2,862,286,114	11.9

3:2 Operating Review

3:2:1 Uneconomic Transactions

The following observations are made.

- (a) The limit of reinsurance had been increased to Rs.1,000,000,000 from the year 2008. Even though the maximum indemnity payment during the period of terrorist activities amounted only to Rs.50.8 million the basis for reinsurances for such high value even at present had not been explained.
- (b) In the procurement of buildings on rent basis for the year 2007, a sum of Rs.245,821 had been paid as rent in respect of about 2 ½ months for the ground floor of the building which had not been used for official purposes.

3:2:2 Management Inefficiencies

The following observations are made.

- (a) A sum of Rs.13,758,425 had been shown as expenditure incurred on building modernization in 11 instances in the years 2007, 2008 and 2009 in terms of Clause 07 of the lease agreement. Even though the lease agreement provides for the Sathosa to incur costs of modernization, it had been incurred by the Fund. Action had not been taken up to date to obtain a reimbursement of that amount from the Sathosa.
- (b) Monthly rent of Rs.88,808 had been paid for the ground floor from the year 2007. No action had been taken to obtain an assessment of the rent from the Department of Valuation.

4. Systems and Controls

Special attention is needed in respect of the following areas of control.

- (a) Administration of the Fund
- (b) Internal Audit
- (c) Reinsurance
- (d) Computerized Accounting
- (e) Insurance Indemnity
- (f) Collection of Income

H.A.S. Samaraweera
Acting Auditor General.

31/.

STATEMENT OF INCOME

(All figures in Sri Lankan Rupees)

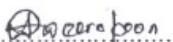
For the year ended December 31,

	Notes	2009 Agraphara & Other	2009 SRCC & Tr.	2009 Total	2008 Total
Revenue					
Net Earned Premium Income	01	1,784,327,414.43	2,235,158,805.80	4,019,486,220.23	3,427,950,662
Benefits, Losses and Expenses					
Insurance claims and benefits	02	(1,378,159,985.96)	(697,776,819.61)	(2,075,936,805.57)	(1,736,355,732)
		406,167,428.47	1,537,381,986.19	1,943,549,414.66	1,691,594,930
Other Revenue					
Investment Income		140,551,227.14	1,223,907,847.03	1,364,459,074.17	1,205,463,441
Interest on Soft Loans		-	15,125,027.42	15,125,027.42	19,424,829
Other income		471,787.13	-	471,787.13	917,841
		141,023,014.27	1,239,032,874.45	1,380,055,888.72	1,225,806,111
Expenditure					
Staff related costs	03	31,804,923.19	1,319,691.71	33,124,614.90	21,470,147
Administration Expenses	04	44,419,579.86	4,826,801.25	49,246,381.11	28,264,346
Finance & Other expenses	05	6,474,549.57	31,926,553.89	38,401,103.46	5,380,035
Total expenditure		82,699,052.62	38,073,046.85	120,772,099.47	55,114,528
Income over expenditure		464,491,390.12	2,738,341,813.79	3,202,833,203.91	2,862,286,514

BALANCE SHEET**BALANCE SHEET***(All figures in Sri Lankan Rupees)**As at December 31,*

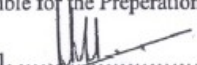
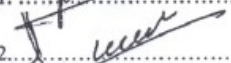
	Notes	2009 Agrahara & Other	2009 SRCC & Tr.	2009 Total	2008 Total
Assets					
Non-current assets					
Property, plant and equipment	06	29,625,193.96	13,978,310.47	43,603,504.43	44,659,780.96
Investments		1,162,413,507.08	7,387,793,213.58	8,550,206,720.66	7,749,178,615.97
		1,192,038,701.04	7,401,771,524.05	8,593,810,225.09	7,793,838,396.93
Current assets					
Receivables	07	332,368,396.89	1,747,202,021.82	2,079,570,418.71	1,988,501,988.46
Cash and cash equivalents	08	85,101,390.32	25,071,612.23	110,173,002.55	239,795,257.72
		417,469,787.21	1,772,273,634.05	2,189,743,421.26	2,228,297,246.18
Total assets		1,609,508,488.25	9,174,045,158.10	10,783,553,646.35	10,022,135,643.11
Equity and liability					
Equity					
Accumulated Fund	09	1,422,321,413.25	7,942,531,369.40	9,364,852,782.65	8,412,019,580.13
		1,422,321,413.25	7,942,531,369.40	9,364,852,782.65	8,412,019,580.13
Technical Reserves					
Unearned Premium	10	-	1,046,825,275.79	1,046,825,275.79	1,063,317,772.07
Deferred Commission	11	-	(200,139,536.24)	(200,139,536.24)	(206,999,340.07)
		-	846,685,739.55	846,685,739.55	856,318,432.00
Liability					
Non-Current Liabilities					
Government grant		719,190.00	-	719,190.00	719,190.00
Profit Commission payable	12	-	63,762,150.42	63,762,150.42	113,635,474.00
		719,190.00	63,762,150.42	64,481,340.42	114,354,664.00
Current Liabilities					
Claim Payable	13	157,481,448.00	172,018,472.88	329,499,920.88	333,321,632.00
Other payables	14	28,986,437.00	149,047,426.14	178,033,863.14	306,121,334.98
		186,467,885.00	321,065,899.02	507,533,784.02	639,442,966.98
Total equity and liability		1,609,508,488.25	9,174,045,158.39	10,783,553,646.64	10,022,135,643.11

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, 2009

	2009 Agrahara & Other	2009 SRCC & Tr.	2009 Total	2008 Total
<u>ACCUMULATED FUND</u>				
Accumulated Fund as at 31.12.2008	957,830,023.13	7,454,189,555.61	8,412,019,578.74	6,583,508,928
Prior Year Adjustment				(33,775,862)
Less: Contribution to Consolidated Fund		(2,250,000,000.00)	(2,250,000,000.00)	(1,000,000,000)
Income over Expenditure	464,491,390.12	2,738,341,813.79	3,202,833,203.91	2,862,286,514
Accumulated Fund as at 31.12.2009	1,422,321,413.25	7,942,531,369.40	9,364,852,782.65	8,412,019,580

CASHFLOW STATEMENT

(All figures in Sri Lankan Rupees)

For the year ended December 31,

	2009	2008
<u>Cash flow from operating activities</u>		
Net profit for the period	3,202,833,203.91	2,862,286,513.65
Less: Contribution to Consolidated Fund	(2,250,000,000.00)	(1,000,000,000.00)
	952,833,203.91	1,862,286,513.65
<u>Adjustments for:</u>		
Depreciation	11,190,514.66	6,684,140
Investment income	(1,364,459,074.17)	(1,205,463,441)
Unearned Premium Income	(16,492,497.25)	185,622,046
Deferred Commission	6,859,804.31	(45,682,112)
Operating profit before working capital changes	(410,068,048.54)	803,447,147
Decrease/(Increase) in receivables	(91,068,430.25)	233,453,837
Increase/(Decrease) in Profit Commission Payable	(49,873,323.58)	29,913,407
Decrease in profit due to prior year adjustment	-	(33,775,862)
Decrease in Claim payable	(3,821,711.12)	(269,501,000)
Decrease in Other payables	(128,031,264.84)	36,428,764
Net cash from operating activities	(682,862,778.33)	799,966,293
<u>Cash flows from investing activities</u>		
Purchases of property, plant and equipment	(10,190,446.22)	(26,136,012)
Investment in Government Securities	(801,028,104.69)	(2,299,835,376)
Proceeds of sale of equipment	-	77,789
Investment income	1,364,459,074.17	1,205,463,441
Net cash used in investing activities	553,240,523.26	(1,120,430,157)
Net increase/ decrease in cash and cash equivalents	(129,622,255.07)	(320,463,864)
Cash and cash equivalents at beginning of the period	239,795,257.72	560,259,122
Cash and cash equivalents at end of the period	110,173,002.65	239,795,258
<u>Analysis of cash and cash equivalents</u>		
Cash in hand and balances with banks	93,999,851.87	230,795,258
Short-term investments	16,173,150.68	9,000,000
Cash and cash equivalents	110,173,002.55	239,795,258

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 the fund has expanded its general insurance business to private sector as well in August 2009 by an extra ordinary Gazette No. 1615/20

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

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,

	2009	2009	2009	2008
	Agrahara & Other	SRCC & Tr.	Total	
01. NET EARNED PREMIUM INCOME				
Contribution from Members	573,518,509.75	-	573,518,509.75	595,339,833
Contribution from Treasury	440,380,000.00	-	440,380,000.00	480,000,000
Premium income - Motor	244,352,904.71	-	244,352,904.71	130,018,979
Premium income- Reinsurance	473,434,837.00	-	473,434,837.00	341,170,103
Premium income - Parliamentary members	15,408,459.53	-	15,408,459.53	30,000,000
Premium income - Foreign Employment	200,483,864.00	-	200,483,864.00	118,428,753
Premium income - General Insurance	194,237.13	-	194,237.13	
Gross Written Premium - SRCC & Tr	-	2,420,345,103.68	2,420,345,103.68	2,317,492,759
Premium Refunds	-	(5,956,996.54)	(5,956,996.54)	(4,604,167)
Gross Written Premium	1,947,772,812.12	2,414,388,107.14	4,362,160,919.26	4,007,846,260
Reinsurance Premium	(163,445,397.69)	(195,721,798.59)	(359,167,196.28)	(394,273,552)
Net Written Premium	1,784,327,414.43	2,218,666,308.55	4,002,993,722.98	3,613,572,708
Net Change in Reserves for unearned Premium	-	16,492,497.25	16,492,497.25	(185,622,046)
	1,784,327,414.43	2,235,158,805.80	4,019,486,220.23	3,427,950,662
02. BENEFITS LOSSES & EXPENSES				
Spectacles	176,336,549.00	-	176,336,549.00	140,094,899
Hospital Charges	449,089,973.00	-	449,089,973.00	122,404,018
Child Birth	86,719,006.00	-	86,719,006.00	82,353,616
Accidents	36,961,808.00	-	36,961,808.00	24,661,636
Medical Charges	13,832,025.37	-	13,832,025.37	261,629,904
Cardiac	125,931,246.12	-	125,931,246.12	119,824,506
Cancer	18,590,588.00	-	18,590,588.00	21,946,633
Normal & Accidental Death	177,893,355.00	-	177,893,355.00	238,245,289
Motor Claims	149,425,693.77	-	149,425,693.77	30,590,384
Vedesharakiya Claim Expenses	85,934,583.03	-	85,934,583.03	10,401,500
Reinsurance Claim Expenses	46,326,266.42	-	46,326,266.42	24,854,739
Medical Insurance Claim Paliamentory Members	11,112,229.00	-	11,112,229.00	19,268,220
Medical Insurance Claim- General Insurance	3,850.75	-	3,850.75	
Net Claims Incurred -SRCC & Tr.	-	348,788,492.66	348,788,492.66	79,182,967
Net Commission	2,812.50	421,208,431.86	421,211,244.36	357,797,472
Profit Commission	-	(72,220,104.91)	(72,220,104.91)	203,099,949
	1,378,159,985.96	697,776,819.61	2,075,936,805.57	1,736,355,732
03. STAFF COSTS				
Gross salary	25,753,225.10	1,196,656.64	26,949,881.74	17,043,399
EPF - 12%	2,356,818.07	88,906.20	2,445,724.27	1,455,818
ETF	588,721.53	21,811.05	610,532.58	366,009
Overtime and holiday pay	232,321.97	9,884.50	242,206.47	552,217
Annual Bonus	1,454,044.29	-	1,454,044.29	
Other allowances	437,395.79	2,433.32	439,829.11	1,121,219
Casual wages	982,396.44	-	982,396.44	931,485
	31,804,923.19	1,319,691.71	33,124,614.90	21,470,147

NOTES TO FINANCIAL STATEMENT (contd.)

(All figures in Sri Lankan Rupees)

For the for the year ended December 31,

	2009 Agrahara & Other	2009 SRCC & Tr.	2009 Total	2008
04. ADMINISTRATION EXPENSES				
Traveling	47,319.00	-	47,319.00	283,730
Depreciation	7,110,075.12	4,080,439.54	11,190,514.66	6,684,140
Rent	3,067,399.09	-	3,067,399.09	2,480,254
Water	212,369.58	-	212,369.58	99,602
Electricity	3,263,237.50	-	3,263,237.50	1,263,958
Staff welfare Expenses	233,313.50	-	233,313.50	606,228
Telephone	817,281.58	49,644.23	866,925.81	1,018,060
Printing and stationary	3,660,601.59	11,310.30	3,671,911.89	3,962,902
Office maintenance	14,348,620.83	12,232.83	14,360,853.66	4,948,607
Janitorial maintenance	-	-	-	158,820
Inspection & Assessing	2,528,187.50	49,750.00	2,577,937.50	453,190
Dayata Kirula Expenses	959,453.80	-	959,453.80	-
Donation	2,535,000.00	-	2,535,000.00	-
Professional fee	55,552.00	-	55,552.00	205,750
Meeting Expenses	90,377.79	-	90,377.79	111,925
Consultancy fee	453,880.00	-	453,880.00	1,832,970
Internet & Email expenses	548,021.00	-	548,021.00	448,500
Fuel Expenses	168,732.00	-	168,732.00	108,990
Vehicle Insurance	175,928.59	243,750.63	419,679.22	244,190
Staff Training	1,029,701.19	-	1,029,701.19	421,041
Newspaper and periodicals	19,789.90	-	19,789.90	41,004
Legal Expenses	10,500.00	-	10,500.00	-
Security Charges	456,000.00	-	456,000.00	175,304
Postage	2,507,095.00	51,450.00	2,558,545.00	2,463,618
Vehicle Maintenance	121,143.30	328,223.72	449,367.02	251,563
	44,419,579.86	4,826,801.25	49,246,381.11	28,264,346
05. FINANCE & OTHER EXPENSES				
Bank Charges	599,292.87	435,702.38	1,034,995.25	204,746.27
Audit Fee	13,000.00	108,008.50	121,008.50	414,922.00
Nation Building Tax Expenses	-	30,755,595.14	30,755,595.14	1,992,000.00
Stamp Duty	66,825.00	-	66,825.00	-
Loss of Disposal	-	147,393.17	147,393.17	32,556.00
Technical Advisory Committee Attendance fees	-	205,500.00	205,500.00	199,500.00
Working Committee Attendance fees	-	123,750	123,750.00	155,250.00
Exchange Loss	3,403,748.18	-	3,403,748.18	-
Pannel Attendance fee	-	22,000.00	22,000.00	-
Miscellaneous Expenses	282,530.02	9,804.70	292,334.72	493,771.20
Advertising Expenses	2,109,153.50	118,800.00	2,227,953.50	1,887,289.50
	6,474,549.57	31,926,553.89	38,401,103.46	5,380,035

NOTES TO FINANCIAL STATEMENTS (contd.)

Note 6: PROPERTY PLANT AND EQUIPMENT

(All figures in Sri Lankan Rupees)

	<u>Motor Vehicles</u>	<u>Office Equipment</u>	<u>Furniture & Fittings</u>	<u>Software</u>	<u>Misc. Assets</u>	<u>Total</u>
<u>Cost:</u>						
Balance as at 01/01/2009	29,312,266	13,085,476	6,189,968	6,145,198	197,508	54,930,416
Additions	300,750	8,770,477	997,345	121,875		10,190,446
Disposals	-	(242,020)	(34,681)	-	(9,275)	(285,976)
Balance as at 31/12/2009	29,613,016	21,613,933	7,152,631	6,267,073	188,233	64,834,886
<u>Depreciation:</u>						
Balance as at 01/01/2009	4,444,618	2,540,384	1,252,019	1,886,651	46,503	10,170,175
Charge for the year	5,867,007	2,916,399	843,873	1,557,401	5,835	11,190,515
Disposals for the year	-	(112,717)	(16,591)	-	-	(129,308)
Balance as at 31/12/2009	10,311,625	5,344,066	2,079,300	3,444,052	52,338	21,231,382
Written Down Value as at 31/12/2009	19,301,391	16,269,866	5,073,331	2,823,021	135,896	43,603,505

NOTES TO FINANCIAL STATEMENTS (contd.)

(All figures in Sri Lankan Rupees)

As at December 31,	2009 Agrahara & Other	2009 SRCC & Tr.	2009 Total	2008
07. RECEIVABLES				
Premium receivable from BFE	16,397,700.00	-	16,397,700.00	14,553,053
Receivable from Treasury	174,321,548.24	-	174,321,548.24	174,535,965
Premium Receivable other	1,361,823.27	1,500.00	1,363,323.27	-
Interest Receivable	46,888,434.08	78,930,246.31	125,818,680.39	38,283,568
Premium Receivable SRCC & Tr	-	388,014,979.26	388,014,979.26	381,344,808
Economic Service Charge	10,100,889.38	-	10,100,889.38	2,000,000
Advances receivable	465,293.51	-	465,293.51	375,210
Receivable Reinsurance Premium	79,566,098.09	-	79,566,098.09	-
Soft Loans	-	1,273,523,895.66	1,273,523,895.66	1,374,977,411
Refundable Deposit	1,317,517.61	-	1,317,517.61	663,132
Staff loans	-	6,554,500.00	6,554,500.00	-
Prepaid Insurance	-	176,900.59	176,900.59	174,776
Cheque return Receivable from members	1,949,092.71	-	1,949,092.71	1,594,065
	332,368,396.89	1,747,202,021.82	2,079,570,418.71	1,988,501,988
08. CASH AND CASH EQUIVALENTS				
Cash at bank	85,074,390.32	8,895,995.55	93,970,385.87	230,785,258
Cash in Hand	27,000.00	2,466.00	29,466.00	10,000
Short term Investments	-	16,173,150.68	16,173,150.68	9,000,000
	85,101,390.32	25,071,612.23	110,173,002.55	239,795,258
09. ACCUMULATED FUND				
Accumulated fund	957,830,023.13	7,454,189,555.61	8,412,019,578.74	6,583,508,928
Prior year adjustments	-	-	-	(33,775,862)
Less: Contribution to Consolidated fund	-	(2,250,000,000.00)	(2,250,000,000.00)	(1,000,000,000)
Income over expenditure	464,491,390.12	2,738,341,813.79	3,202,833,203.91	2,862,286,514
	1,422,321,413.25	7,942,531,369.40	9,364,852,782.65	8,412,019,580
10. UNEARNED PREMIUM				
Balance as at 31/12/2008	-	1,063,317,773.04	1,063,317,773	877,695,726
Provision for the year	-	(16,492,497.25)	(16,492,497)	185,622,046
Balance as at 31/12/2009	-	1,046,825,275.79	1,046,825,276	1,063,317,772

NOTES TO FINANCIAL STATEMENTS (contd.)

11. DIFFERED COMMISSION

Balance as at 31/12/2008	-	206,999,340.55	206,999,341	161,317,228
Provision for the year	-	(6,859,804.31)	(6,859,804)	45,682,112
Balance as at 31/12/2009	-	200,139,536.24	200,139,536	206,999,340

12. PROFIT COMMISSION PAYABLE

Profit Commission payable(Payable in 2010)	-	63,762,150.42	63,762,150.42	113,635,474
	-	63,762,150.42	63,762,150.42	113,635,474

13. CLAIM PAYABLES

Claims Payable	157,481,448.00	172,018,472.88	329,499,920.88	333,321,632
	157,481,448.00	172,018,472.88	329,499,920.88	333,321,632

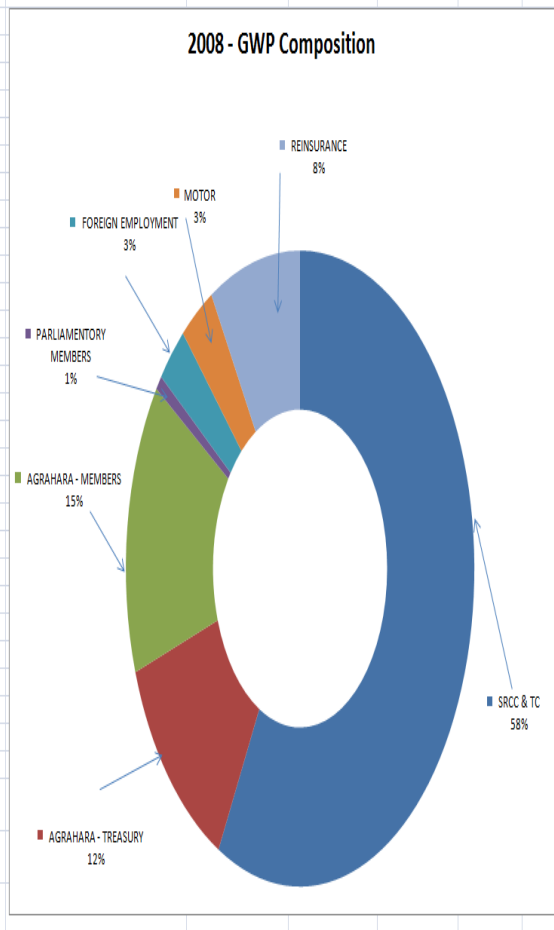
14. OTHER PAYABLES

Accrued Expenses	1,851,912.13	80,347.99	1,932,260.12	9,728,074
Other Payables	16,666.25	-	16,666.25	9,335,232
SRCC & Tr Premium payable	5,848,227.68	-	5,848,227.68	-
Road Safety tax payable	371,523.11	-	371,523.11	255,098
Premium Refund Payable	-	13,093,388.88	13,093,388.88	180,869,259
Contribution payable to welfare socieity	356,750.00	-	356,750.00	-
Claim cheques/SLIP returned payable	985,831.96	-	985,831.96	1,002,411
Audit fee Payable	-	225,000.00	225,000.00	1,146,000
VAT & NBT Payable	19,555,525.87	13,203,271.89	32,758,797.76	12,759,469
Reinsurance Payable	-	122,445,417.38	122,445,417.38	91,025,791
	28,986,437.00	149,047,426.14	178,033,863.14	306,121,335

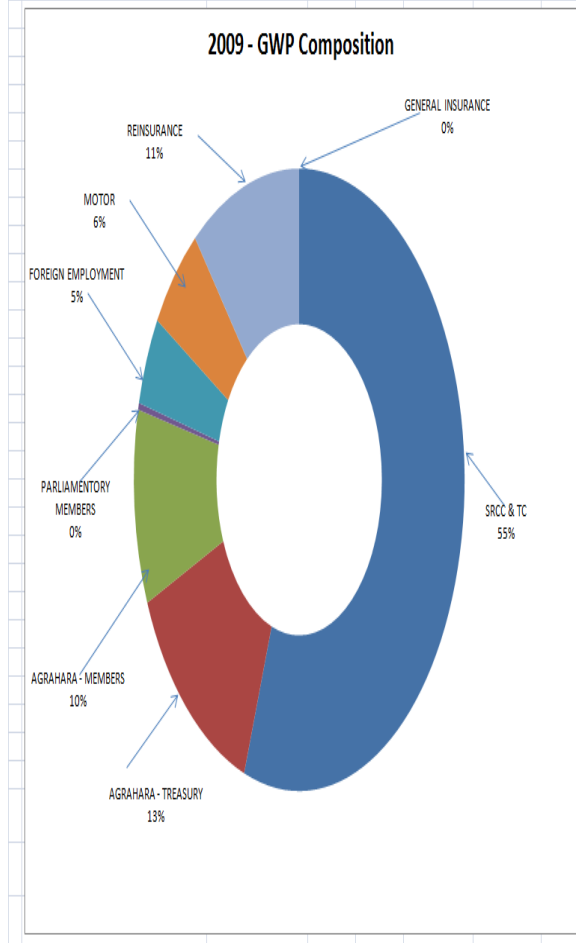
FINANCIAL REVIEW

Premium Income

	2,008
SRCC & TC	2,317,492,759.00
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



	2,009
SRCC & TC	2,420,345,103.68
AGRAHARA - TREASURY	573,518,509.75
AGRAHARA - MEMBERS	440,380,000.00
PARLIAMENTARY MEMBERS	15,408,459.53
FOREIGN EMPLOYMENT	200,483,864.00
MOTOR	244,352,904.71
REINSURANCE	473,434,837.00
GENERAL INSURANCE	193,237.13



FINANCIAL

REVIEW (contd.)

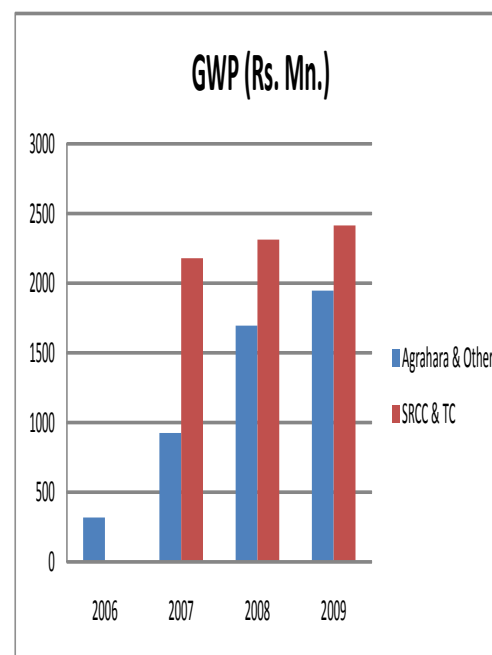
Even though during the year 2007 there were only two insurance schemes (i.e. Agrahara Scheme and the Strike, Riot, Civil Commotion and Terrorism Covers) implemented in the National Insurance Trust Fund, the during the year 2008, the businesses have expanded into Parliamentary Insurance Scheme, Motor Insurance Scheme, Reinsurance and Foreign Employment Insurance Scheme and they have recorded premium income of Rs. 30 Million, 130 Million, Rs. 341 Million and Rs. 118 Million respectively. While Strikes, Riot, Civil Commotion and Terrorism Extension recorded a slightly higher premium income of Rs. 2,317 Million Agrahara scheme in total has recorded a contribution of Rs. 1075 Million.

During the 2009, other than for Agrahara Division, all other insurance segments have illustrated a substantial improvement in premium generation. SRCC & T Fund, Agrahara – Treasury, Agrahara-Members, Parliamentary Members, Foreign Employment Insurance, Motor Insurance and Reinsurance have recorded Rs. 2,420 million (4.65% increase), Rs. 440 million (8.25% decrease), Rs. 573 million (3.65% decrease), Rs. 15 million (50% decrease), Rs. 211 million (78.62% increase), Rs. 244 million (87.94% increase), Rs. 473 million (38.77% increase) respectively. While newly established General Insurance business has recorded a premium income of Rs. 194 thousand.

Trend Analysis of Gross Written Premium

(Rs. Million)

	2006	2007	2008	2009
Agrahara & Other	318.90	925.34	1,694.96	1,947.77
SRCC & TC	-	2,178.01	2,312.89	2,414.39



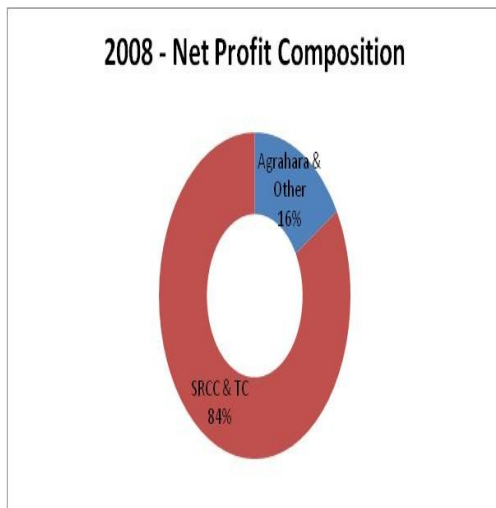
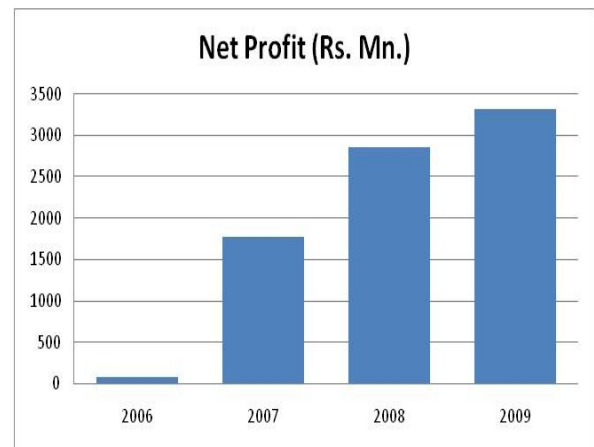
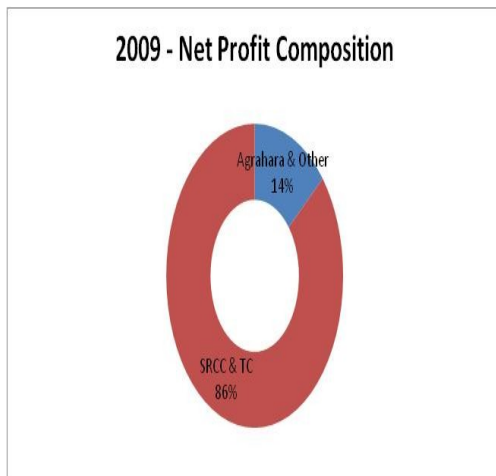
When analyzing the trend of the Gross Written Premium in total over the last four years the Gross Written Premium has increased continuously.

FINANCIAL

REVIEW (contd.)

Net Profit Analysis

When analyzing the Net Profit composition in 2008 and 2009, the contribution of the SRCC & T Fund has increased from 84% in 2008 to 86% in 2009.



The Trend Analysis of the Net Profit over the last four years has illustrated a steady growth even though the last years increase is slightly low.

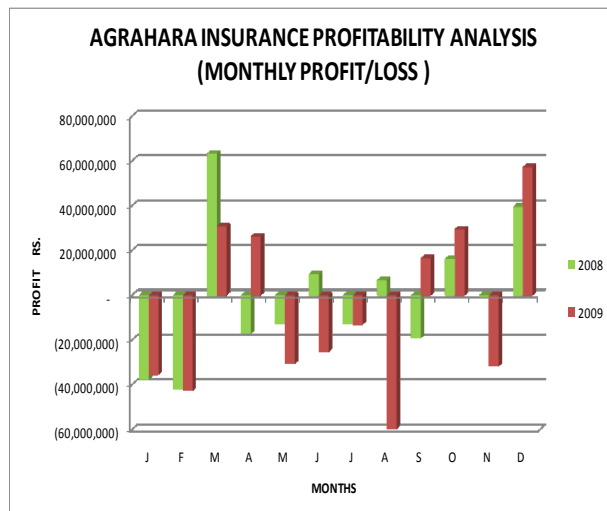
REVIEW OF THE AGRAHARA INSURANCE

The Medical Insurance Scheme established in 1997 for the benefit of Government officers, known as Agrahara Health Insurance Scheme, commenced its operations initially as a non contributory Insurance scheme . However, on a subsequent decision taken by Government in 2004, Rs. 75 per month was deducted from monthly salary from Government officers towards the Scheme. Until the Sri Lanka Insurance Corporation was privatized, the scheme was implemented by Sri Lanka Insurance Corporation. After its privatization, the Government took over the Scheme with effect from 1st January 2006 and implemented it as a separate Government Scheme under the National Insurance Trust Fund.

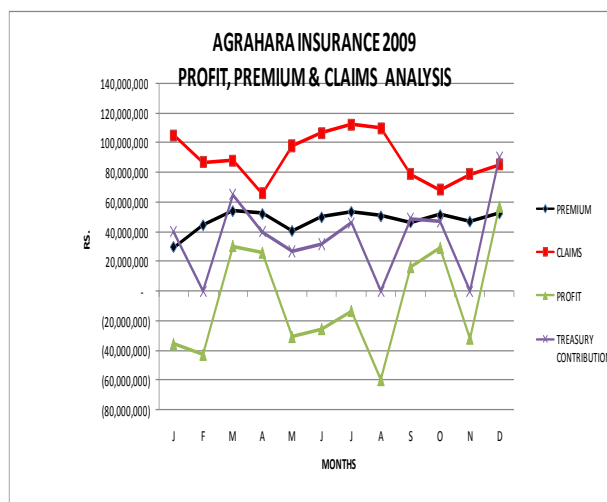
Under this scheme following insurance benefits are offered

1. Medical benefits against hospital charges
2. Purchase of Spectacles
3. Child Birth
4. "Naya Surakum" loan scheme

The monthly profitability analysis for the year 2009 for the Agrahara Insurance Scheme is as follows.



The monthly claims, premium and profit analysis for the year 2009 for the Agrahara Insurance Scheme is as follows.



The Total Annual Agrahara members contribution has decreased from Rs. 595 million in 2008 to Rs. 573 million in 2009 which is a 3.67% decrease.

The Total Annual Agrahara Treasury contribution has decreased from Rs. 480 million in 2008 to Rs. 440 million in 2009 which is a 8.25% decrease.

The Total Annual contribution for the Parliamentary member's insurance scheme has decreased from Rs. 30 million in 2008 to Rs. 15.4 million in 2009 which is a 48.6% decrease.

The Total Annual Agrahara Claims expenses has increased from Rs. 1,011 million in 2008 to Rs. 1,085 million in 2009 which is a 7% growth.

REVIEW OF THE MOTOR INSURANCE

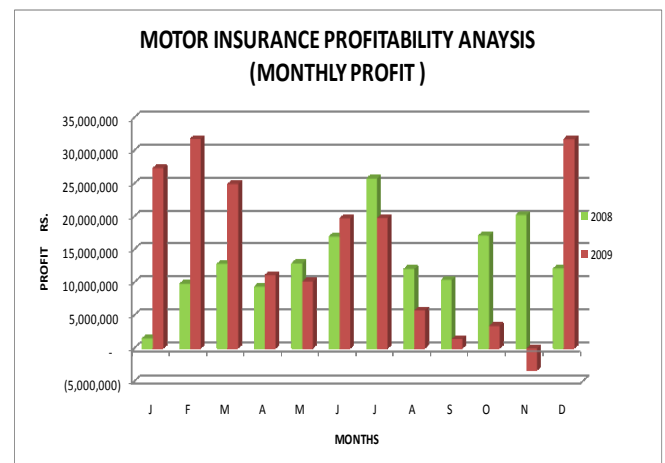
The Motor Insurance Scheme was introduced to insure the vehicles owned by Government institutions (Compulsory) and vehicles owned by semi Government institutions (Optional) after the establishment of the National Insurance Trust Fund.

The NITF offers Motor Vehicle Insurance to Government and Semi-Government Institutions at an affordable premium, which is estimated to be fast growing area for the NITF. Motor Vehicle Insurance Scheme presently has been extended to private sector and individually owned vehicles also. The motor insurance scheme provided by the NITF offers the vehicle owners complete peace of mind against almost all known perils that his/her vehicle may encounter at anytime, anywhere in Sri Lanka. In order to facilitate the claims payment process, a densely populated highly competent team of assessors has been employed throughout the island who promptly act for inspections when claims intimations are made.

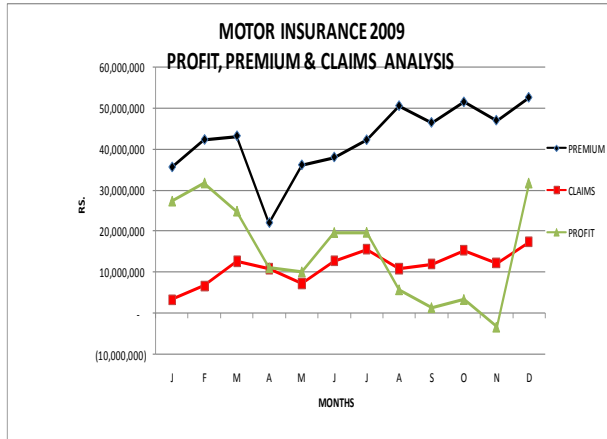
The additional covers are available under the Motor Insurance Scheme provided by the NITF are Flood, Third Party Property Damages, Per-

sonal Accident Benefit, Duty free Loading, Hire purchase, Air bag cover, Towing charges, Windscreen Cover, Learner Drivers Covers, Workmen’s Compensation for Driver/Cleaner/Attendant, Legal Liability for passengers, Personal Accident Benefit, GIT, etc.

The monthly profitability analysis for the year 2009 for the Motor Insurance Scheme is as follows.



The monthly claims, premium and profit analysis for the year 2009 for the Motor Insurance Scheme is as follows.



The Total Annual Motor Premium income has increased from Rs. 130 million in 2008 to Rs. 244 million in 2009 which is a 87.94% growth.

The Total Annual Motor Claims expenses have increased from Rs. 30.6 million in 2008 to Rs. 149.4 million in 2009 which is a 388.47% growth.

REVIEW OF THE 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 1615/20 dated 20th August 2009.

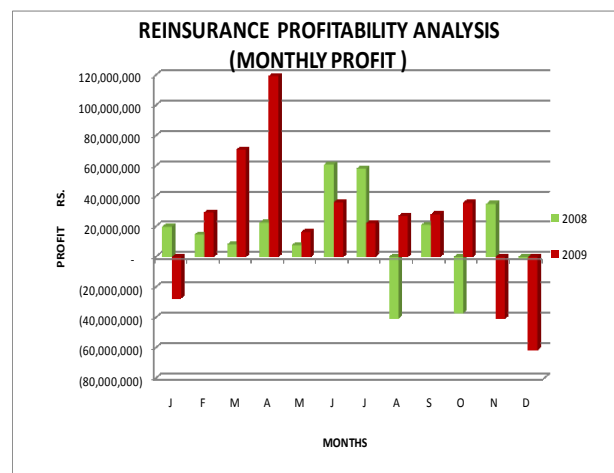
Since then NITF is the one & only authorized institution who can engage in reinsurance business in Sri Lanka. Since 1st January 2008, the NITF is engaging in reinsurance business by accepting 20% compulsory reinsurance cession of all local general insurance companies, by retaining large portion of the foreign currency within the country.

As the only local re insurer, the NITF has protected its risk exposure with most reputed re insurers in

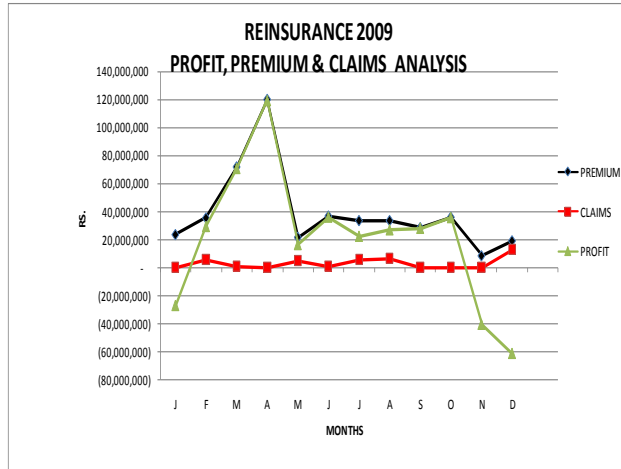
the world with the brokerage of AON Benfield Re (which is the largest reinsurance broker in the world) for the 20% retrocession program, Motor insurance and General Insurance while the brokerage of the Strike, Riot, Civil Commotion & Terrorism Fund has been given to the Willis Re.

The NITF retrocession arrangement is headed by GIC and BEST Re., General Insurance and Motor insurance are headed by GIC & BEST Re. The Strike, Riot, Civil Commotion and Terrorism Fund is headed by the ARK syndicate.

The monthly profitability analysis for the year 2009 for the Re Insurance Scheme is as follows.



The monthly claims, premium and profit analysis for the year 2009 for the Re Insurance Scheme is as follows.



The Total Annual Reinsurance Premium income has increased from Rs. 341 million in 2008 to Rs. 473 million in 2009 which is a 38.77% growth.

The Total Annual Reinsurance Claims expenses has increased from Rs. 24.8 million in 2008 to Rs. 46.3 million in 2009 which is a 86.39% growth.

REVIEW OF THE STRIKE, RI- OT, CIVIL COMMOTION & TERRORISM FUND

The Strike, Riot, Civil Commotion and Terrorism Fund was established in 1987 in terms of a decision made by the Cabinet of Ministers, with the objective of providing additional insurance cover on insurance policies, extended to cover against loss/damage to properties and or personal death/ bodily injuries occurring due to strike, riot, civil commotion and terrorist activities within the geographical limits of the Sri Lanka, issued by all members of the Fund who are licensed insurance organizations in Sri Lanka. Since 1987 the Fund has been administered by the National Insurance Corporation. From 01.08.2005 onwards, the Fund was administered by the Ministry of Finance and Planning taking over from the Janashakthi Insurance Corporation. Thereafter as per the section 18 (c) of National Insurance Trust Fund Act, The Strike, Riot, Civil Commotion and Terrorism Fund has been absorbed into the National Insurance Trust Fund in 2007. It is mandatory that all insurance companies who underwrites Non – Life Insurance policies in Sri Lanka should be members of the SRCC & T Fund. The main activities of SRCC & T Fund includes

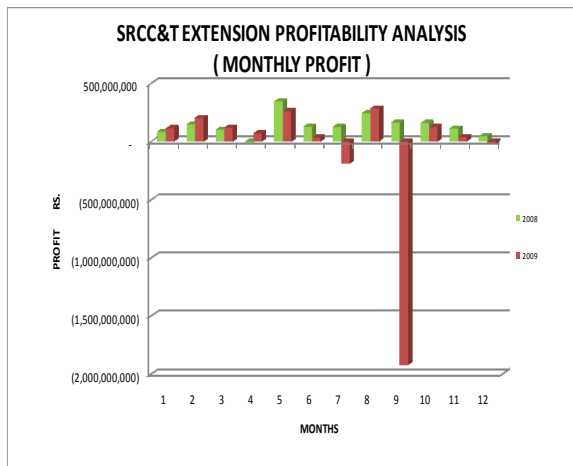
- Collection of premium through Insurance Companies and remitting to the Fund
- Claims to be paid by Insurance Companies and reimbursed by the SRCC & T Fund on the recommendation of Working Committee
- Arrangement of catastrophic excess of loss reinsurance arrangement with foreign reinsurers who have credible credit ratings in order to mitigate the occurrence of possible escalation of claim cost due catastrophic events.
- The management of the soft loans granted to the institutions damaged due to terrorist attacks which was administered by the Bank of Ceylon

The objectives of the Strike, Riot, Civil Commotion and Terrorism Fund are:

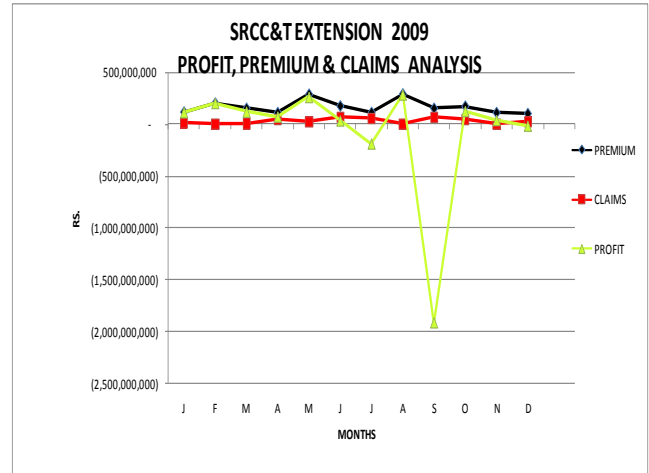
- ❖ To establish the Fund out of the Strike, Riot, Civil Commotion and Terrorism component of insurance premiums received by all the members of the Fund as defined in clause 4 on account of insurance policies extended to include the risks of Strike , Riot, Civil Commotion and Terrorism covered by the Fund.

- ❖ To afford protection against loss/damage to property / or personal injury occurring due to Strike, Riot, Civil Commotion And Terrorism activities as defined in the Insurance Policy to such risks insured and situated within the geographical limits of the Democratic Socialist Republic of Sri Lanka including those type of general insurance risk which provides for an extension of the geographical limit.
- ❖ To seek protection of the Fund by way of reinsurance at an economical level with a view to reducing the exposure to the Fund and to the Government of Sri Lanka.

The monthly profitability analysis for the year 2009 for the SRCC & T fund is as follows.



The monthly claims, premium and profit analysis for the year 2009 for the SRCC & T Fund is as follows.



The Total Annual SRCC & T Premium income has increased from Rs. 2,317 million in 2008 to Rs. 2,420 million in 2009 which is a 4.44% growth.

The Total Annual SRCC & T Net Claims incurred has increased from Rs. 79 million in 2008 to Rs. 349 million in 2009 which is a 341.7% growth.

REVIEW OF THE GENERAL INSURANCE

This insurance scheme was established in the National Insurance Trust Fund according to the gazette notification No. 16/5/20 issued on 20.08.2009.

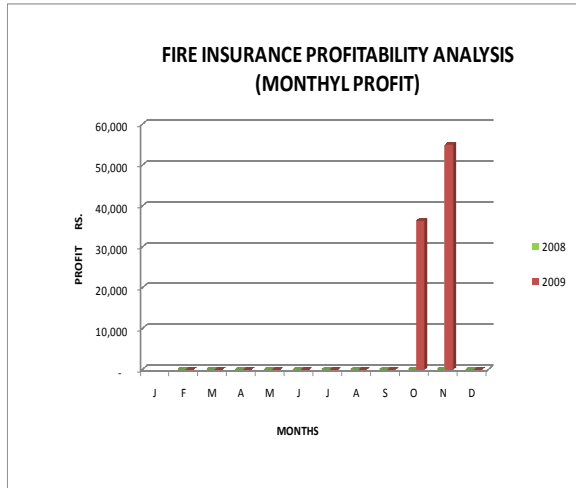
The National Insurance Trust Fund has developed insurance schemes for Marine Cargo and Air which indemnifies the Insured against loss, damage or destruction to his cargo whilst in transit (including incidental storage) across the sea, by over land, sea or air or land or locally.

The Marine (Hull) policy covers Ocean vessels, Short-sea vessels, Port and river crafts and Yachts, all types of private, leisure and commercial transport aircrafts, private gliders, helicopters hover crafts, ground equipments and other crafts and it's a form of an all risk cover which protects the ship-owner from physical loss of/damage to the vessel, the hull.

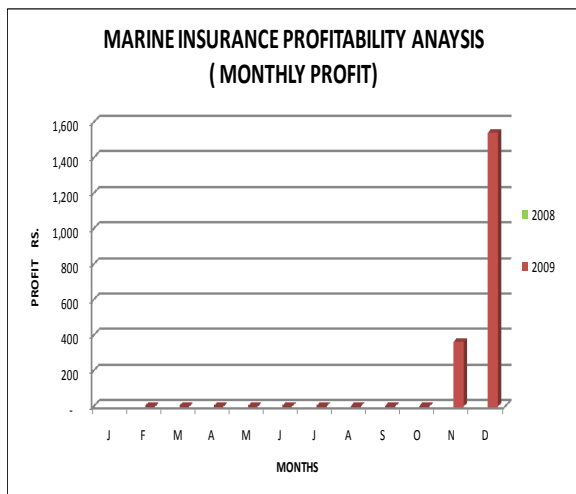
The NITF Fire Policy covers damages against Fire & Lighting which includes explosions of domestic boilers and gas installations, which could be extended to cover additional perils such as explosion, malicious damage, impact damage, aircraft damage bursting and over flowing of water tanks apparatus or pipes as well as natural perils such as flood, earth quakes, volcanic eruption, hurricane, typhoon, windstorm, thunderstorm, tornado tsunami, and tidal waves. It could also be extended to cover Strikes, Riot, Civil Commotion and Terrorism and Malicious Damages.

Under this miscellaneous class of insurance scheme it provides covers for Personal Accident Insurance, Surgical & Health Insurance, Money Insurance, Baggage Insurance, Burglary Insurance, Workmen's Compensation Insurance, Trade place Insurance, Public Liability and other miscellaneous classes of insurance.

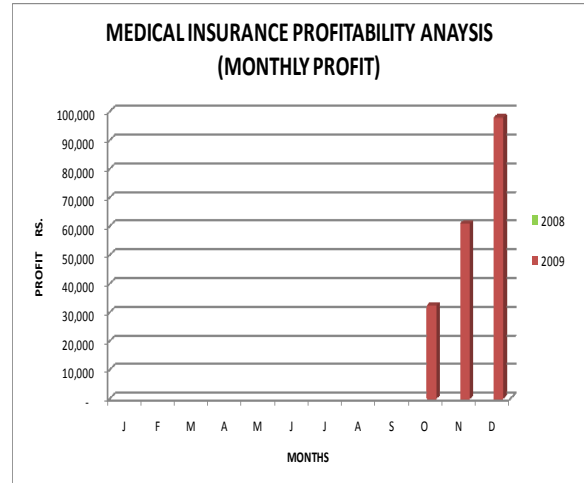
The monthly profitability analysis for the year 2009 for the Fire Insurance Scheme is as follows.



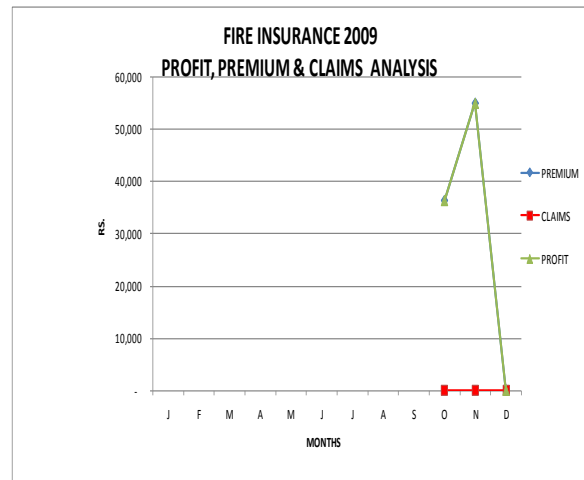
The monthly profitability analysis for the year 2009 for the Marine Insurance Scheme is as follows.



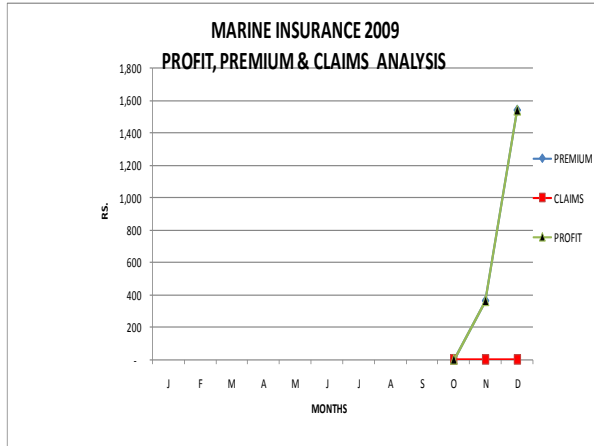
The monthly profitability analysis for the year 2009 for the Medical Insurance Scheme is as follows.



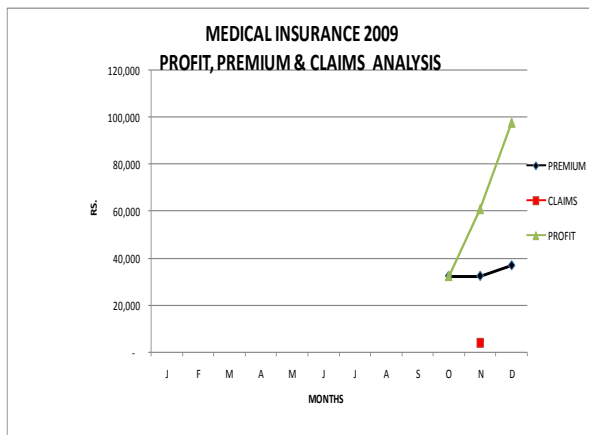
The monthly claims, premium and profit analysis for the year 2009 for the Fire Insurance Scheme is as follows.



The monthly claims, premium and profit analysis for the year 2009 for the Marine Insurance Scheme is as follows.



The monthly claims, premium and profit analysis for the year 2009 for the Medical Insurance Scheme is as follows.



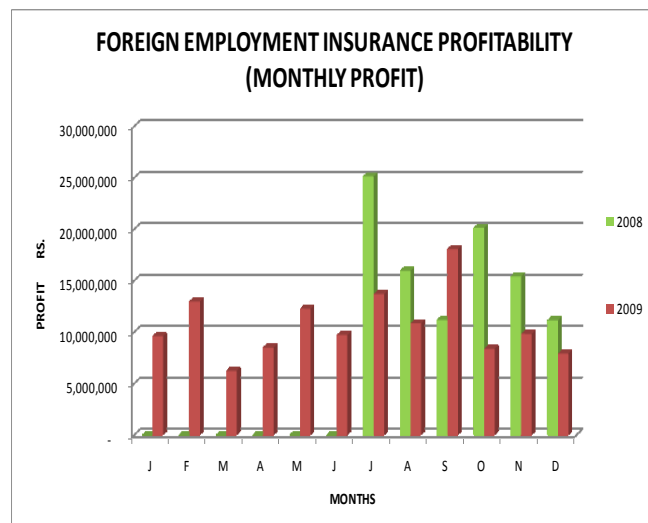
The Total Annual General Insurance Premium income in 2009 is Rs. 194,237. The Total Annual General Insurance Claim Expenses in 2009 is Rs. 3,850.

REVIEW OF THE FOREIGN (OVERSEAS) EMPLOYMENT INSURANCE

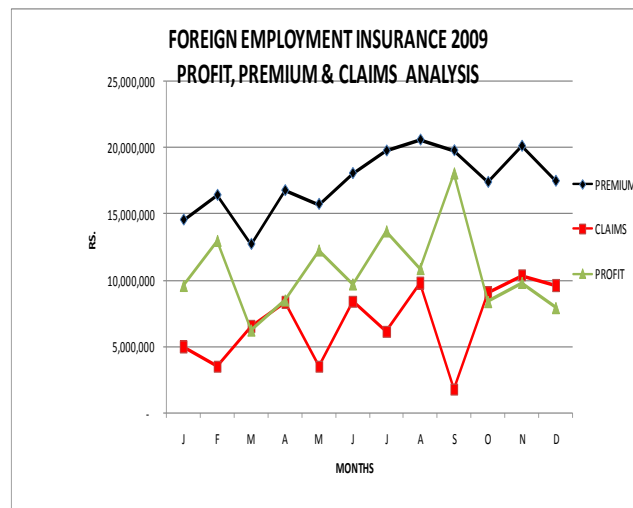
This Insurance Scheme was established in June 2008 according to the agreement of National Insurance Trust Fund with Sri Lanka Bureau of Foreign Employment. This policy covers the Sri Lankans who are in the range of ages of 18 to 65 years leaving Sri Lanka for foreign employment after obtaining the Insurance cover from the NITF. The premium is Rs.800+VAT for two years contracts and Rs. 850+VAT for three years contracts.

The “VIDESA REKIYA” overseas employment insurance policy for Sri Lankan overseas migrant workers covers the Sri Lankans who are in the age of 18 to 65 years leaving Sri Lanka for foreign employment after obtaining the insurance cover from the National Insurance Trust Fund.

The monthly profitability analysis for the year 2009 for the Overseas (Foreign) Employment Insurance Scheme is as follows.



The monthly claims, premium and profit analysis for the year 2009 for the Overseas (Foreign) Employment Insurance Scheme is as follows.



Benefits such as Compensation for Repatriation, and Death due to any cause whilst working abroad, Death in Sri Lanka within 3 months after arriving to Sri Lanka, Death due to critical illness or accident occurred whilst working

abroad during the contract period, Total Permanent Disablement occurred while working abroad during the period the contract period, Partial Permanent Disablement occurred while working aboard during the contract period, Covers for Family Members, Total Temporary Disablement occurred while working abroad during the contract period, Partial Temporary Disablement occurred while working abroad during the contract period, Special Covers (Cancer, Gastritis, Diabetics), could be obtained from this Overseas (Foreign) Employment Insurance scheme:

The Total Annual Foreign Employment Insurance Premium income has increased from Rs. 118.4 million in 2008 to Rs. 200.5 million in 2009 which is a 69.29% growth.

The Total Annual Foreign Employment Insurance Claims expenses has increased from Rs. 10.4 million in 2008 to Rs. 85.9 million in 2009 which is 726.17% growth.

FOUR YEAR SUMMARY

STATEMENT OF INCOME AND EXPENDITURE

(All figures in Sri Lankan Rupees)

	2009 Total	2008 Total	2007 Total	2006 Total
Revenue				
Net Earned Premium Income	4,019,486,220	3,427,950,662	2,654,902,681	318,902,642
Benefits, Losses and Expenses				
Insurance claims and benefits	(2,075,936,806)	(1,736,355,732)	(1,423,044,038)	(242,465,993)
	1,943,549,415	1,691,594,930	1,231,858,643	76,436,649
Other Revenue				
Investment Income	1,364,459,074	1,205,463,441	528,264,787	
Interest on Soft Loans	15,125,027	19,424,829	38,713,576	
Other income	471,787	917,841		
	1,380,055,889	1,225,806,111	1,798,837,006	76,436,649
Expenditure				
Staff related costs	33,124,615	21,470,147	11,500,953	1,333,806
Administration Expenses	49,246,381	28,264,346	14,142,950	1,508,940
Finance & Other expenses	38,401,103	5,380,035	3,385,205	138,170
Total expenditure	120,772,099	55,114,528	29,029,109	2,980,916
Income over expenditure	3,202,833,204	2,862,286,514	1,769,807,897	73,455,733

FOUR YEAR SUMMARY

BALANCE SHEET

(All figures in Sri Lankan Rupees)

As at December 31,

	2009 Total	2008 Total	2007 Total	2006 Total
Assets				
Non-current assets				
Property, plant and equipment	43,603,504	44,659,781	25,240,465	1,461,388
Investments	8,550,206,721	7,749,178,616	5,449,343,240	-
	8,593,810,225	7,793,838,397	5,474,583,705	1,461,388
Current assets				
Receivables	2,079,570,419	1,988,501,988	2,221,955,826	511,844,970
Cash and cash equivalents	110,173,003	239,795,258	560,259,122	13,357,202
	2,189,743,421	2,228,297,246	2,782,214,948	525,202,172
Total assets	10,783,553,646	10,022,135,643	8,256,798,653	526,663,560
Equity and liability				
Equity				
Accumulated Fund	9,364,852,783	8,412,019,580	6,583,508,929	94,102,009
Capital reserve	-	-	-	-
	9,364,852,783	8,412,019,580	6,583,508,929	94,102,009
Technical Reserves				
Unearned Premium	1,046,825,276	1,063,317,772	877,695,727	
Deferred Commission	(200,139,536)	(206,999,340)	(161,317,228)	
	846,685,740	856,318,432	716,378,499	
Liability				
Non-Current Liabilities				
Government grant	719,190	719,190	719,190	719,190
Profit Commission payable	63,762,150	113,635,474	83,722,067	
	64,481,340	114,354,664	84,441,257	719,190
Current Liabilities				
Overdraft				
Loan repayable within a year				
Claim Payable	329,499,921	333,321,632	602,777,397	-
Other payables	178,033,863	306,121,335	269,692,571	431,842,361
	507,533,784	639,442,967	872,469,968	431,842,361
Total equity and liability	10,783,553,646	10,022,135,643	8,256,798,653	526,663,560

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