



FINANCIAL STATEMENTS 2021



NATIONAL INSURANCE TRUST FUND BOARD
(MINISTRY OF FINANCE)



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NATIONAL INSURANCE TRUST FUND BOARD

STATEMENT OF COMPREHENSIVE INCOME

For the Period ended 31st December 2021

		2021	2020
	Notes	Rs.	Rs.
Gross written premiums	1	10,630,972,523	9,818,040,011
Contribution Received for Agrahara	1	6,283,159,919	5,469,298,738
Crop Insurance Levy Collected		2,193,825,976	1,626,851,259
Reinsurance Premiums ceded		(589,680,363)	(1,101,890,156)
Net written premiums		18,518,278,055	15,812,299,851
Net change in Reserve for unearned premium		(408,441,178)	867,768,751
Reinsurers share of change in UPR		(730,932,477)	794,959,214
Net earned premium		17,378,904,399	17,475,027,816
 Revenue from other operations			
Fees and commission income	2	1,329,693	1,935,395
Investment & Other Income	3	1,588,798,090	1,385,087,715
Other revenue		1,590,127,784	1,387,023,110
Gross benefits and claims Incurred	4	(10,147,096,018)	(7,978,035,907)
Claims ceded to reinsurers	4	-	-
Gross change in contract liabilities	4	1,176,026,553	97,522,388
Change in contract liabilities ceded to reinsurers	4	-	-
Gross change in IBNR	4	(1,790,211,581)	(74,002,744)
Net benefits and claims		(10,761,281,045)	(7,954,516,263)
Underwriting and acquisition cost (including reinsurance)	5	(1,863,920,737)	(1,614,860,946)
Other operating and administrative expenses	6.1	(392,242,269)	(409,175,576)
Finance cost & other Related Cost	6.2	(15,866,209)	(17,571,769)
Total benefits, claims and other expenses		(13,033,310,261)	(9,996,124,555)
Profit/(Loss) before tax		5,935,721,923	8,865,926,371
Income Tax for the Year		(991,504,005)	(1,339,826,929)
Profit/(Loss) After tax for the year		4,944,217,918	7,526,099,442
 Other Comprehensive Income			
Net change in available for sale financial assets		(346,028,774)	134,541,150
Actual Gain/(Loss) on retirement benefit obligation		29,237,258	(7,943,165)
Other comprehensive income for the year, net of tax		(316,791,516)	126,597,985
Total Comprehensive Income		4,627,426,402	7,652,697,427

NATIONAL INSURANCE TRUST FUND BOARD

STATEMENT OF FINANCIAL POSITION

As At 31st December 2021

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

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

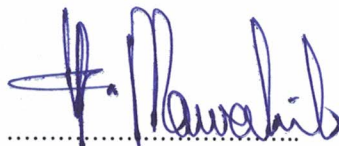


W M D K Weerakoon
Chief Financial Officer (Acting)
Assistant General Manager - Finance



P.M.K. Hettiarachchi
Chief Executive Officer

The Accounting policies and Notes on pages 5 to 43 form an integral parts of these Financial Statements. The Board of Directors are responsible for the Preparation and Presentation of Financial Statements. These Financial Statements were approved by the Board of Directors and signed on their behalf.



M M M Mowjood
Chairman



Director

25-Feb-22
Colombo

NATIONAL INSURANCE TRUST FUND BOARD

Statement Of Changes in Equity

As At 31st December 2021

	Retained earnings	Available for - Sale Financial Assets	Revaluation Reserve	Total
Balance as at 31 December 2016	7,831,705,609	(266,847,481)		7,564,858,128
Profit for the year	976,233,935			976,233,935
Net change in available for sale financial assets		208,755,171		208,755,171
Cash Transferred to the Consolidated Fund	(1,500,000,000)			(1,500,000,000)
Year End Closing Difference	(44,253,311)			(44,253,311)
Income Tax Payable 2016/2017	(97,669,225)			(97,669,225)
Amortised discounts on Bonds	26,235,147			26,235,147
Refund crop AAIB	42,871,673			42,871,673
Incentive 2016	(3,140,650)			(3,140,650)
RI Premium General	(2,921,713)			(2,921,713)
Opening - AR Control RI	(38,856,406)			(38,856,406)
Opening - AR Control Non Motor	83,109,718			83,109,718
Cheque Return	(324,575)			(324,575)
ETF 3%	305,147			305,147
Motor bike Advance & Motor Receivable	(57,582,588)			(57,582,588)
ESC	(2,068,743)			(2,068,743)
Other Previous Year Adjustment	(493,887)			(493,887)
Acturial (gain)/loss on gratuity valuation		(8,699,331)		(8,699,331)
	7,213,150,131	(66,791,641)	-	7,146,358,490
Profit for the year	3,183,238,866			3,183,238,866
Net change in available for sale financial assets		(390,587,646)		(390,587,646)
Cash Transferred to the Consolidated Fund	(2,750,000,000)			(2,750,000,000)
Revaluation of Assets			(2,102,126)	(2,102,126)
Revaluation on Dipped Motor Vehicle	6,276,415			6,276,415
Amortised discounts on Bonds	25,070,657			25,070,657
NNDIS Reinstatement & Ajustment Fee	(291,472,452)			(291,472,452)
RETRO RI Receivable Exchange loss	(3,888,779)			(3,888,779)
Settle Invoice & CN Cancellation	41,810,528			41,810,528
Missed Invoice in Opening Balance RI	10,980,047			10,980,047
NNDIS Cancel Cheque	12,682,341			12,682,341
Cheque Cancellation	2,080,928			2,080,928
Bond Coupon Interest	(8,856,250)			(8,856,250)
Salaries correction	(1,037,300)			(1,037,300)
Leave Encashment	(2,764,983)			(2,764,983)
Duplicate CN Cancellation RI	(7,458,551)			(7,458,551)
Euro USD Exchange Gain Reverse	(5,082,679)			(5,082,679)
Other Previous Year Adjustment	(83,955)			(83,955)
Acturial (gain)/loss on gratuity valuation		(9,075,505)		(9,075,505)
Balance as at 31 st December 2018	7,424,644,965	(466,454,792)	(2,102,126)	6,956,088,048
Profit for the year	3,114,086,727			3,114,086,727
Other Previous Year Adjustment	(139,165,533)			(139,165,533)
Cash Transferred to the Consolidated Fund	(3,267,970,000)			(3,267,970,000)
Amortised discounts on Bonds	11,501,557			11,501,557
Net change in available for sale financial assets		517,879,752		517,879,752
Acturial (gain)/loss on gratuity valuation		(574,033)		(574,033)
Balance as at 31 st December 2019	7,143,097,716	50,850,927	(2,102,126)	7,191,846,517
Profit for the Period	7,526,099,442			7,526,099,442
Acturial (gain)/loss on gratuity valuation		(7,943,165)		(7,943,165)
Net change in available for sale financial assets		134,541,150		134,541,150
Cash Transferred to the Consolidated Fund	(782,000,000)			(782,000,000)
	-			-
Balance as at 31st December 2020	13,887,197,157	177,448,912	(2,102,126)	14,062,543,942
Profit for the Period	4,944,217,918			4,944,217,918
Acturial (gain)/loss on gratuity valuation		29,237,258		29,237,258
Amortised discounts on Bonds	-			-
Net change in available for sale financial assets		(346,028,774)		(346,028,774)
Cash Transferred to the Consolidated Fund	(1,824,000,000)			(1,824,000,000)
	-			-
Balance as at 31st December 2021	17,007,415,075	(139,342,604)	(2,102,126)	16,865,970,344

Accounting policies and notes on pages 5 through 43 form an integral part of the Financial Statements.
Figures in bracket indicate deductions.

NATIONAL INSURANCE TRUST FUND BOARD

CASH FLOW STATEMENT

For the Period ended 31st December 2021

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

Year ended 31st December 2021

1. CORPORATE INFORMATION

1.1 Reporting Entity

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

1.2 Parent Entity and Ultimate Parent Entity

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

1.3 Principal Activities and Nature of Operations

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

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

1.4 Responsibility for Financial Statements

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

1.5 Number of Employees

The staff strength of The Board as at 31st December 2021 was 265 (2020 – 365).

1.6 Approval of financial statements by the Board of Directors

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

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

The Financial Statements include the following components:

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

NATIONAL INSURANCE TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2021

2.2 Basis of Measurement

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

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

2.3 Presentation of Financial Statements

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

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

2.4 Functional and presentation currency

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

2.5 Materiality and Aggregation

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

2.6 Reporting Period

The reporting period is from January to December 2021.

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

2.7 Significant Accounting Judgments, Estimates and Assumptions

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

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

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2021

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

2.7.1 Going concern

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

2.7.1 Fair value of financial instruments

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

2.7.2 Assessment of Impairment

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

2.7.3 Provision for Liabilities and Contingencies

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

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

2.7 Summary of significant accounting policies

2.7.1 Foreign currency translation

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

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

2.7.2 Impairment of non-financial assets

The Board assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, The Board estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted

NATIONAL INSURANCE TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2021

to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset.

2.7.3 Impairment of financial assets

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

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

• Impairment of financial assets carried at amortized cost

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

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

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

• Impairment of available-for-sale financial investments.

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

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

• Impairment of financial assets carried at cost

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

NATIONAL INSURANCE TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2021

2.7.5 Provisions and contingencies

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

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

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

2.7.6 Statement of cash flows

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

2.7.7 New standards and interpretation not yet adopted

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

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

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

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

- (i) Amendment to SLFRS 09- Fees in the "10 percent" de recognition of financial liabilities
(ii) Amendments to SLFRS 03 - Updating a reference to the Conceptual Framework
(iii) Amendment to LKAS 41- Taxation in fair value measurements.

NATIONAL INSUARANCE TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2021

3 OPERATING SEGMENTS

Operating segment is a component of an entity:

- a) That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity).
- b) Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- c) For which discrete financial information is available.

For management purposes, The Board has organized the main business into four business segments based on products and services and has four reportable segments. The segmental information reported below is used by the chief operating decision maker for the allocation of resources and assessment of performance.

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

NATIONAL INSURANCE TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2021

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

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

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

	2021							Total Rs
	Motor Rs	Non Motor Rs	NNDIS Rs	Reinsurance Rs	SRCC Rs	Health Scheme Agrahara /Mp	Crop Insurance Scheme	
Reinsurers share of change in outstanding claims								
NET CLAIMS INCURRED (D)	(202,354,942)	(237,646,705)	6,575,444	(2,379,115,147)	(36,898,979)	(6,759,391,691)	(1,152,449,025)	(10,761,281,045)
UNDERWRITING RESULT(A+B+C+D)	2,056,651	(75,322,761)	(116,812,236)	(773,859,209)	5,133,824,686	(456,231,772)	1,041,376,952	4,755,032,310

NATIONAL INSURANCE TRUST FUND BOARD
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4 REVENUE

5 GROSS WRITTEN PREMIUM

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

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

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

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

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

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

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

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

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

- 6 CHANGE IN RESERVE FOR UNEARNED PREMIUM**
Accounting policy - Change in reserve for unearned premium Unearned premium reserve represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premiums are calculated on 365th basis for General Insurance including motor & Non-Motor and Agrahara Health Scheme, 1/24th basis for SRCC and 35% on the gross premiums basis for Reinsurance in line with generally accepted insurance and reinsurance industry practices. Change in reserve for unearned insurance premium represents the net portion of the GWP transferred to the unearned premium reserve during the year to cover the unexpired period of the policies.
- 7 PREMIUM CEDED TO REINSURERS**
Accounting policy - Recognition of premium ceded to reinsurers Non-life gross reinsurance premium written comprises the total premium payable for the whole cover provided by contracts entered into the period and is recognised on the date on which the policy commences. Premium includes any adjustments arising in the accounting period in respect of reinsurance contracts commencing in prior accounting periods.
- 8 CHANGE IN RESERVE FOR UNEARNED REINSURANCE PREMIUM**
Accounting policy - Change in reserve for unearned reinsurance premium Unearned reinsurance premium is the proportion of premium written in a year that relates to periods of risk after the reporting date. unearned reinsurance premium is deferred over the term of the underlying direct insurance policies. Change in reserve for unearned reinsurance premium represents the net portion of the reinsurance premium transferred to the unearned reinsurance premium reserve during the year to cover the unexpired period of the policies.

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9 NET CLAIMS

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

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

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

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

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

10 UNDERWRITING AND NET ACQUISITION COSTS

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

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

11 OTHER OPERATING AND ADMINISTRATIVE EXPENSES

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

Staff expenses

Accounting policy - Short-term employee benefits Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans, if The Board has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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

(a) current service cost

(b) interest cost

For more details, please refer Note 40 on defined benefit obligations.

Accounting policy - Defined contribution plans A defined contribution plan is a post-employment plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to the Employees' Provident Fund (EPF) under the Employees' Provident Fund Act No. 15 of 1958 as amended and Employees' Trust Fund under the

NATIONAL INSUARANCE TRUST FUND BOARD
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Employees' Trust Fund Act No. 46 of 1980, covering all employees are recognised as an employee benefit expense in the statement of profit or loss when they are due. The Board contributes 12% and 3% of gross emoluments of employees' as employees' provident fund and trust fund contributions respectively.

12 FEE INCOME

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

13 NET FAIR VALUE GAINS

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

14 OTHER INCOME

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

15 PROFIT BEFORE TAX

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

16 INCOME TAX EXPENSE

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

INCOME TAX REVERSAL/(EXPENSE)

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

Tax Recognized in Profit & Loss
 For the Year Ended 31st December,

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

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17 INTANGIBLE ASSETS

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

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

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

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

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

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

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

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

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

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

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

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

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

17.3 Acquisition of intangible assets during the year was Rs. 21,543,462 (2020 - nil).

17.4 Assessment of impairment of intangible assets The Board of Directors has assessed the potential impairment indicators of intangible assets as at 31 December 2021. Based on the assessment, no impairment indicators were identified and therefore no impairment provision is required to be made in the financial statements as at the reporting date with respect of intangible assets.

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18 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

Plant & Machinery	Over 10 years
Furniture & Fitting	Over 13.33 years
Office Equipments	Over 13.33 Years
Motor Vehicles	Over 10 years
Name Board	Over the lease period of the building

De-recognition of property, plant and equipment

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

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

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

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

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- 18.3 Acquisition of property, plant and equipment during the year During the financial year, The Board acquired property, plant and equipment amounting to Rs. 4,272,623. (2020 - Rs. 12,433,322). were made during the year to purchase property plant and equipment.
- 18.4 Property, plant and equipment pledged as security for liabilities There were no items of property, plant and equipment pledged as securities for liabilities as at 31 December 2021 (2020 - Nil).
- 18.5 Temporarily idle property, plant and equipment There were no temporarily idle property, plant and equipment as at 31 December 2021 (2020 - Nil).
- 18.6 Assessment of impairment of Property, plant and equipment The Board of Directors has assessed the potential impairment indicators of property, plant and equipment as at 31 December 2021. Based on the assessment, no impairment indicators were identified and therefore no impairment provision is required to be made in the financial statements as at the reporting date in respect of property plant and equipment.
- 18.7 Amount of contractual commitments for the acquisition of property, plant and equipment There are no contractual commitments for the acquisition of property, plant and equipment as at the reporting date
- 18.8 Subsequent Measurement of PPE

Revaluation is performed by professionally qualified valuers using the open market value. Assets are revalued periodically and revaluation have been done in 2018. The revaluation surplus is recognized on the net carrying value of the asset and is transferred to a revaluation reserve after restating the asset at the revalued amount. The revaluation reserve is transferred to retained earnings at the point of derecognition.

19 FINANCIAL INVESTMENTS

Accounting policy - Classification of financial investments The Board initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which The Board becomes a party to the contractual provisions of the instrument. In the case of financial assets not at fair value through profit or loss, a financial asset is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

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

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

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

Accounting policy - De-recognition of financial investments The Board de-recognises financial assets when the contractual rights to the cash flows from the asset expire or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in a transferred financial asset that is created or retained by The Board is recognised as a separate asset or liability.

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

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

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

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

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

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

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

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

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

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

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

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19.3 Available-for-sale

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

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

The Board evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, The Board is unable to trade these financial assets due to inactive markets, The Board may elect to reclassify these financial assets, if management has the ability and intention to hold the assets for the foreseeable future or until maturity. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to held to maturity investments is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

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

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

20 REINSURANCE RECEIVABLES

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

Ceded reinsurance arrangements do not relieve The Board from its obligations to policyholders. Reinsurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable.

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

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that The Board may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that The Board will receive from the reinsurer. The impairment loss is recorded in the statement of profit or loss.

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21 INSURANCE RECEIVABLES

Insurance receivables Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Subsequent to the initial recognition, insurance receivables are measured at amortised cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit or loss.

Insurance receivables are de-recognised, when the de-recognition criteria for financial assets have been met. According to the Premium Payment warranty (PPW) directive issued by the Insurance Regulatory Commission of Sri Lanka (IRC SL), all General Insurance policies are issued subject to PPW and cancellable upon the expiry of 60 days if not settled. However, premium receivables from the government institutions and for compulsory insurance schemes such as RI and SRCC will not be cancelled/provided after expiry of 60 days as the recovery is certain from these parties.

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

50% will be provided - > 60 Days < 90 Days
 100% will be provided - > 90 Days

REINSURANCE

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

MOTOR

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

NON MOTOR

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

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Year ended 31st December 2021

22 DEFERRED EXPENSES

Acquisition expenses Costs of acquiring new businesses, including commission, underwriting, marketing and policy issuance expenses, which vary with and directly related to production of new businesses are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred. Subsequent to initial recognition, Deferred Acquisition Costs (DAC) are amortized over the period on the basis unearned premium is amortized. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in an accounting estimate.

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

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

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

23 OTHER ASSETS

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

Staff loans

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

Soft loans

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

Tax recoverables

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

24 CASH AND BANK BALANCES

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

Cash and Cash equivalents

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

NATIONAL INSURANCE TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2021

25 **RETAINED EARNINGS**

26 **AVAILABLE-FOR-SALE RESERVES**

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

27 **Other reserves**

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

28 **INSURANCE CONTRACT LIABILITIES**

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

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

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

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

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

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

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

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such,

NATIONAL INSURANCE TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2021

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

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

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

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

- 28.1 Insurance contract liabilities
- 28.2 Provision for net unearned premium
- 28.3 Provision for gross outstanding claims
- 28.4 Provision for gross IBNR claims
- 28.5 Reconciliation between insurance provision and technical reserves
- 28.6 Liability adequacy test A Liability Adequacy Test (LAT) was performed by NMG Financial Services Consulting Pte Limited, a firm of professional actuaries as at 31 December 2021 as required by SLFRS 4 - Insurance Contracts in order to assess the adequacy of the carrying amount of the provision for unearned premiums. The valuation is based on internationally accepted actuarial methods and is performed on a quarterly basis. According to the report issued by NMG Financial Services Consulting Pte Limited, the liability carried forward by the Board was adequate. Hence, no provision was made for premium deficiency for the year ended 31 December 2021 (2020 - Nil).
- 28.7 Valuation of IBNR and IBNER The incurred but not reported claims reserve has been actuarially computed by NMG Financial Services Consulting Pte Limited as at 31 December 2021.
- 28.8 Changes in assumptions There were no material estimation changes from the previous valuation done for the balance as at 31 December 2021.

29 EMPLOYEE DEFINED BENEFIT OBLIGATIONS

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

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

NATIONAL INSURANCE TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2021

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

Principal actuarial assumptions used.

<u>Actuarial information</u>	2021	2020
a) Discount Rate	10.10%	9.09%
b) Salary increase	5.00%	9.00%
d) Mortality rates	Permanent Assurances, males, combined - A1967-70	
e) Disability rates	No disability rates we assumed	
c) Withdrawal rate		
<i>Age band</i>		
0 - 20	0.0%	0.0%
20 - 25	0.0%	0.0%
25 - 30	3.6%	2.9%
30 - 35	2.8%	1.8%
35 - 40	3.2%	1.9%
40 - 45	0.0%	0.0%
45 - 50	0.0%	0.0%
50 - 55	0.0%	0.0%
55 - 100	0.0%	0.0%
<u>Employee Information</u>		
a) Average age	36.3	35.3
b) Average service period(years)	8.6	7.6
c) Expected future lifetime (years)	13.15	15.58
d) Number of Employees	227	234

30 **OTHER FINANCIAL LIABILITIES**

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

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

Derecognition of other financial liabilities A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by

NATIONAL INSURANCE TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2021

another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

31 OTHER LIABILITIES

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

32 REINSURANCE PAYABLES

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

33 INCOME TAX PAYABLE

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

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

34 BANK OVERDRAFTS

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

35 EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

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

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

NATIONAL INSURANCE TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2021

36 LEASES - SLFRS 16

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

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

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

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

For the Period ended 31st December 2021

1 Gross Written Premium

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

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

1.2 Contribution collected for Agrahara medical Insurance Scheme

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

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

For the Period ended 31st December 2021

	2021 Rs.	2020 Rs.
2. FEES AND COMMISSION INCOME		
Policyholder administration fees	1,329,693	1,935,395
Total fees and commission income	<u>1,329,693</u>	<u>1,935,395</u>
3. INVESTMENT & OTHER INCOME		
3.1 Loans and receivables interest income		
Interest income from Repurchase Agreement	263,336,827	389,025,674
Interest income from Debentures		
	<u>263,336,827</u>	<u>389,025,674</u>
3.2 Available for sales interest income		
Interest income from Treasury Bills	679,303,883	308,025,889
Interest income from Treasury Bonds	439,289,833	604,225,897
	<u>1,118,593,716</u>	<u>912,251,786</u>
3.3 Held to maturity interest income		
Interest income from SLBD	42,765,733	33,287,993
	<u>42,765,733</u>	<u>33,287,993</u>
Total Investment Income	<u>1,424,696,277</u>	<u>1,334,565,453</u>
3.4 Other Income		
Interest on Savings Account	10,573,189	8,882,278
Interest on Soft Loans	-	20,576
Interest on Staff Distress Loans	2,052,343	1,785,186
Disposal of Fixed Assets	-	-
Exchange Gain / loss	134,210,278	33,162,446
Other	17,266,004	6,671,775
Total Other Income	<u>164,101,813</u>	<u>50,522,262</u>
Total Income	<u>1,588,798,090</u>	<u>1,385,087,715</u>

NATIONAL INSURANCE TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Period ended 31st December 2021

4	NET BENEFITS AND CLAIMS	2021 Rs.	2020 Rs.
	(a) Gross benefits and claims paid		
	Reinsurance	(2,920,425,570)	(1,690,493,892)
	SRCC & Tr	(2,039,823)	(2,036,000)
	General Insurance - Motor	(146,839,942)	(169,250,954)
	General Insurance - Medical & Other	(218,546,666)	(156,059,649)
	Crop Insurance	(470,444,974)	(1,692,380,813)
	National Natural Disaster Scheme (NNDIS)	(8,526,333)	(94,403,615)
	Agrahara medical Insurance Scheme	(6,380,272,709)	(4,173,410,985)
		<u>(10,147,096,018)</u>	<u>(7,978,035,907)</u>
	(a.1) Agrahara medical Insurance Scheme		
	Paid Claims		
	Pension	(284,382,325)	(159,173,816)
	Semi Government	(470,430,844)	(319,522,769)
	Agrahara Parliament	(17,360,525)	(8,948,637)
	Agrahara Normal	(721,883,191)	(800,856,874)
	Agrahara Silver	(165,605,256)	(143,045,092)
	Agrahara Gold	(4,720,610,568)	(2,741,863,797)
		<u>(6,380,272,709)</u>	<u>(4,173,410,985)</u>
	(b) Claims ceded to reinsurers		
	Reinsurance Retro	-	-
	National Natural Disaster Scheme (NNDIS)	-	-
		<u>-</u>	<u>-</u>
	(c) Gross change in contract liabilities		
	Reinsurance	806,071,679	86,200,706
	SRCC & Tr	-	-
	General Insurance - Motor	(46,424,514)	(57,648,910)
	General Insurance - Medical & Other	25,150,265	(50,886,987)
	Crop Insurance	145,371,060	293,940,911
	National Natural Disaster Scheme (NNDIS)	(490,000)	642,444,580
	Agrahara medical Insurance Scheme	246,348,063	(816,527,912)
		<u>1,176,026,553</u>	<u>97,522,388</u>
	(d) Change in contract liabilities ceded to reinsurers		
	Reinsurance	-	-
	National Natural Disaster Scheme (NNDIS)	-	-
		<u>-</u>	<u>-</u>
	(e) Gross change in IBNR		
	Reinsurance	(264,761,256)	98,821,419
	SRCC & Tr	(34,859,156)	16,417,739
	General Insurance - Motor	(9,090,486)	(8,618,552)
	General Insurance - Medical & Other	(44,250,304)	12,034,400
	Crop Insurance	(827,375,110)	(336,313,348)
	National Natural Disaster Scheme (NNDIS)	15,591,777	121,880,420
	Agrahara medical Insurance Scheme	(625,467,045)	21,775,178
		<u>(1,790,211,581)</u>	<u>(74,002,744)</u>
	Net benefits and claims	<u>(10,761,281,045)</u>	<u>(7,954,516,263)</u>

NATIONAL INSURANCE TRUST FUND BOARD
STATEMENT OF COMPREHENSIVE INCOME

For the Period ended 31st December 2021

5	UNDERWRITING AND ACQUISITION COST	2021 Rs.	2020 Rs.
	Acquisition Cost - Insurance Companies	(1,807,653,657)	(1,685,763,896)
	Profit Commission Expenses	(115,032,536)	118,308,118
	Broker Commission Fee	(6,081,818)	(16,374,604)
	Change unearned commission reserve - SRCC	58,862,926	-
	Change unearned commission reserve - General	(16,865)	(1,508,879)
	Change unearned commission reserve - Reinsurance	6,001,212	(29,521,684)
		(1,863,920,737)	(1,614,860,946)
		2021	2020
		Rs.	Rs.
6.1	OTHER OPERATING AND ADMINISTRATIVE EXPENSES		
	Auditors Remuneration	939,000	686,800
	Employee Benefit Expenses	225,142,248	225,797,476
	Administration and establishment Expenses	109,341,589	132,492,191
	Advertisement & Promotion Expenses	816,025	786,124
	Depreciation of Property Plant and Equipment	9,049,428	10,704,723
	Depreciation of Right of Use Assets	37,717,009	36,139,441
	Amortisation of Intangible Assets	7,868,701	2,149,221
	Legal Fees	1,368,270	419,600
	Sponsorship	-	-
	Total other operating and administrative expenses	392,242,269	409,175,576
6.1.1	Employee Benefit Expenses		
	Wages and salaries including bonus & incentives	167,070,799	163,995,179
	Contributions to defined contributions plans	-	-
	Employees' Provident Fund	19,148,452	18,412,121
	Employees' Trust Fund	4,787,113	4,580,361
	Other personal cost	24,144,892	30,595,271
	Retirement benefit cost	9,990,992	8,214,544
	Total employee benefits expense	225,142,248.28	225,797,476
6.1.2	Administration and establishment Expenses		
	Professional fees	8,960,771	2,619,072
	Electricity	5,957,624	4,679,008
	Telephone	3,363,517	3,431,633
	Printing & Stationary	5,195,167	6,444,326
	Postage	1,626,093	1,691,532
	Office Rent	4,659,960	2,737,262
	Nation building tax expense	-	35,967,319
	Inspection & Assessing	6,427,124	8,100,593
	Annual Fee & Cess To IBSL	20,180,014	19,552,385
	Travelling	1,607,820	1,939,434
	Soft ware Maintenance	2,733,809	1,586,722
	Internet & E -Mail Chargers	7,380,353	5,829,552
	Fuel	2,104,520	1,743,370
	Office Repaires and Maintenance	14,553,953	21,017,837
	Other administration & establishment expenses	24,590,863	15,152,146
	Total administration and establishment expenses	109,341,589	132,492,191
6.2	FINANCE COST & OTHER RELATED COST		
		2021	2020
		Rs.	Rs.
	Lease Expenses	15,866,209	17,571,769
	Total Finance Cost & Other Related Cost	15,866,209	17,571,769

NATIONAL INSURANCE TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2021

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

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

As at 31th December 2021	2021	2020
	Rs.	Rs.
Software	7,067,073	7,067,073

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2021

8 PROPERTY, PLANT & EQUIPMENT

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

Fully depreciated Property, Plant & Equipments in Use

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

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

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

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

Lease Hold Asset Building

9 RIGHT OF USE LEASE ASSETS

	Motor Vehicles Rs.	SRCC	NITF Rs.	Total Rs.
Cost/Valuation Motor Vehicles				
As at 1st January 2021	13,798,021	151,237,301	1,358,917	166,394,239
Adjustments				
Additions		5,351,298		5,351,298
As at 31th December 2021	13,798,021	156,588,599	1,358,917	171,745,537
Accumulated Depreciation Motor Vehicles				
As at 1st January 2021	9,399,700	61,520,258	962,572	71,882,530
Depreciation on Lease Vehicle	3,295,335	34,025,329	396,345	37,717,009
As at 31th December 2021	12,695,035	95,545,587	1,358,917	109,599,539
Carrying amount	1,102,986	61,043,012	0	62,145,998

NATIONAL INSURANCE TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2021

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

NATIONAL INSURANCE TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2021

11	REINSURANCE RECEIVABLES	Notes	2021 Rs.	2020 Rs.
11.1	Reinsurance Receivable			
	Reinsurance Receivable Retro		1,082,148,701	1,082,148,701
	Reinsurance Receivable NNIDS		19,993,473	19,993,473
			<u>1,102,142,174</u>	<u>1,102,142,174</u>
12	PREMIUM RECEIVABLES			
12.1	Premium Receivable from :			
	Parliamentary Members insurance		-	15,000,000
	Pension Agrahara		588,200	19,111,800
	Semi Agrahara		16,651,100	24,620,800
	Primary Insurance SRCC		2,171,519,417	1,469,955,271
	Inward Reinsurance		1,590,481,053	1,267,806,451
	General Insurance Motor	12.1.1	10,182,006	6,541,063
	General Insurance Non motor	12.1.1	1,843,853	46,446,787
			<u>3,791,265,630</u>	<u>2,849,482,173</u>
12.1.1	Premium Receivable Impairment			
	General Insurance Motor		18,760,206	10,606,165
	Impairment Provision - Motor		(8,578,200)	(4,065,102)
			<u>10,182,006</u>	<u>6,541,063</u>
	General Insurance Non motor		28,737,568	70,468,558
	Impairment Provision - Non Motor		(26,893,715)	(24,021,771)
			<u>1,843,853</u>	<u>46,446,787</u>
			<u>12,025,859</u>	<u>52,987,850</u>
13	SOFT LOANS		<u>2,726,557</u>	<u>2,726,557</u>
14	OTHER NON-FINANCIAL ASSETS		2021 Rs.	2020 Rs.
	Advances & Prepayments		3,088,482	3,161,603
	Refundable Deposits		43,982,724	44,137,724
	Staff Distress Loans		47,326,145	54,274,121
	other receivable		4,614,792	6,462,631
	Cheque Return Receivable		633,115	594,229
	General Insurance Motor		973,009	973,009
	Agrahara Department - NITF		2,489,102	2,489,102
	Receivable from Treasury		-	-
			<u>103,107,368</u>	<u>112,092,419</u>
15	DEFERRED COMMISSION			
	As at 1st January 2021		713,547,137	758,831,301
	Provision made /(released) during the year		64,847,273	(45,284,164)
	As at 31th December 2021		<u>778,394,410</u>	<u>713,547,137</u>
16	CASH AND CASH EQUIVALENTS			
	Petty Cash		351,664	329,532
	Cash at bank		715,282,043	769,185,402
	Cash in hand and at bank		<u>715,633,708</u>	<u>769,514,934</u>
	Bank overdraft		-	-
	Total cash and cash equivalents		<u>715,633,708</u>	<u>769,514,934</u>

NATIONAL INSURANCE TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2021

17	OTHER LIABILITIES	Notes	2021 Rs.	2020 Rs.
	Other financial liabilities		1,869,486,274	1,986,839,830
	Other non financial liabilities		1,133,104,280	1,319,954,993
			3,002,590,554	3,306,794,823
17.1	Other financial liabilities			
	Claim cheques/SLIPS returned payable		11,498,735	13,015,761
	Unpresanted Cheque Payable		62,335,536	68,214,058
	Commission payable - Reinsurance		42,434,299	42,434,299
	Reinsurance Premium payable		1,563,867,022	1,658,509,743
	Annual fee and Cess payable		6,260,720	2,249,574
	Refund Payable		5,506,319	5,376,420
	Accrued expenses		23,680,993	14,910,084
	Profit Commission Payable		142,802,845	142,787,719
	Other payables		11,099,804	39,342,172
			1,869,486,274	1,986,839,830
17.2	Other non financial liabilities			
	Government Levies		141,600,273	99,512,241
	Income Tax Payable		991,504,007	1,220,442,752
			1,133,104,280	1,319,954,993

NATIONAL INSURANCE TRUST FUND BOARD
STATEMENT OF COMPREHENSIVE INCOME
For the Period ended 31st December 2021

18 SEGMENT INFORMATION

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

	2021						Total Rs
	Motor Rs	Non Motor Rs	NNDIS Rs	Reinsurance Rs	SRCC Rs	Health Scheme Agrahara /Mp	
PREMIUMS							
Gross written premiums	175,571,681	132,482,523	-	3,548,784,649	6,754,133,669	20,000,000	10,630,972,523
Contribution Received for Agrahara						6,283,159,919	6,283,159,919
Crop Insurance Levy Collected							2,193,825,976
Reinsurance Premiums ceded			(123,387,679)	(466,292,684)			(589,680,363)
Ceded to SRCC & Tr Fund							
Net written premiums	175,571,681	132,482,523	(123,387,679)	3,082,491,965	6,754,133,669	6,303,159,919	18,518,278,055
Gross change in UPR	27,580,952	35,869,369	-	(109,658,643)	(362,232,857)	-	(408,441,178)
Reinsurers share of change in UPR				(653,409,837)	(77,522,640)		(730,932,477)
Net change in Reserve for unearned Premium	27,580,952	35,869,369	-	(763,068,480)	(439,755,497)	-	(1,139,373,655)
NET PREMIUMS EARNED (A)	203,152,634	168,351,892	(123,387,679)	2,319,423,485	6,314,378,172	6,303,159,919	17,378,904,399
Fee income (B)	1,306,795	22,898					1,329,693
TOTAL UNDERWRITING INCOME (A + B)	204,459,429	168,374,790	(123,387,679)	2,319,423,485	6,314,378,172	6,303,159,919	17,380,234,093
Acquisition costs	(47,836)	(6,033,981)		(720,168,759)	(1,087,484,898)		(1,813,735,475)
Profit Commission Expenses					(115,032,536)		(115,032,536)
Change in deferred acquisition costs		(16,865)		6,001,212	58,862,926		64,847,273
Net acquisition costs (C)	(47,836)	(6,050,846)	-	(714,167,547)	(1,143,654,508)	-	(1,863,920,737)
Gross claims incurred	(193,264,456)	(193,396,401)	(9,016,333)	(2,114,333,891)	(2,039,823)	(6,133,924,646)	(8,971,069,465)
Reinsurance recoveries							
Changing of IBNR	(9,090,486)	(44,250,304)	15,591,777	(264,761,256)	(34,859,156)	(625,467,045)	(827,375,110)
Net claims paid	(202,354,942)	(237,646,705)	6,575,444	(2,379,115,147)	(36,898,979)	(6,759,391,691)	(10,761,281,045)
Reinsurers share of change in outstanding claims							
NET CLAIMS INCURRED (D)	(202,354,942)	(237,646,705)	6,575,444	(2,379,115,147)	(36,898,979)	(6,759,391,691)	(10,761,281,045)
UNDERWRITING RESULT(A+B-C+D)	2,056,651	(75,322,761)	(116,812,236)	(773,859,209)	5,133,824,686	(456,231,772)	4,755,032,310
Administrative expenses (E)							(408,108,478)
TOTAL EXPENSES (C+D+E)							(13,033,310,261)
Investment & Other income for the year							4,346,923,832
Profit before tax							1,588,798,090
Income tax expense							5,935,721,923
Profit after tax							(991,504,005)
							4,944,217,918

NATIONAL INSURANCE TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS
As At 31st December 2021

19 INSURANCE CONTRACT LIABILITIES

As at 31th December 2021

(a) Insurance contract liabilities	Note	Motor Rs.	Non Motor Rs.	NNDIS Rs.	Reinsurance Rs.	SRCC Rs.	Health Insurance		Total Rs.
							Agrahara /MP Rs.	Crop Insurance Rs.	
Outstanding claims provision	19.1	320,111,745	54,735,043	1,050,000	2,623,829,593	32,076,607	953,651,937	-	3,985,454,926
Provision for unearned premiums	19.2	74,567,166	22,988,026	-	1,184,632,005	3,314,630,186	13,315,068	-	4,610,132,451
Provision for claims IBNR	19.3	120,298,323	64,527,432	43,172	518,849,339	36,855,745	1,080,853,662	1,163,688,458	2,985,116,131
Total Insurance contract liabilities		514,977,234	142,250,501	1,093,172	4,327,310,938	3,383,562,538	2,047,820,667	1,163,688,458	11,580,703,508
19.1 Outstanding claims provision									
As at 1st January 2021		273,687,232	79,885,308	560,000	3,429,901,272	30,522,784	1,200,000,000	145,371,060	5,159,927,656
Increase / Decrease in Provision		46,424,514	(25,150,265)	490,000	(806,071,679)	1,553,823	(246,348,063)	(145,371,060)	(1,174,472,730)
As at 31th December 2021		320,111,745	54,735,043	1,050,000	2,623,829,593	32,076,607	953,651,937	-	3,985,454,926
19.2 Provision for unearned premiums									
As at 1st January 2021		102,148,118	58,857,395	-	1,132,415,985	2,958,981,443	13,315,068	-	4,265,718,010
Increase / Decrease in Provision		(27,580,952)	(35,869,369)	-	109,658,643	362,232,857	-	-	408,441,178
As at 31th December 2021		74,567,166	22,988,026	-	1,242,074,627	3,321,214,300	13,315,068	-	4,674,159,187
Reinsurance UPR									
As at 1st January 2021		-	-	-	710,852,459	84,106,755	0	-	794,959,214
Increase / Decrease in Provision		-	-	-	653,409,837	77,522,640	-	-	(730,932,477)
As at 31th December 2021		-	-	-	57,442,622	6,584,115	-	-	64,026,737
Provision for Unearned Changers									
As at 1st January 2021		74,567,166	22,988,026	-	1,184,632,005	3,314,630,186	13,315,068	-	4,610,132,451
Increase / Decrease in Provision		111,207,837	20,277,128	15,634,949	254,088,083	1,996,589	455,386,617	336,313,348	1,194,904,550
As at 31th December 2021		9,090,486	44,250,304	(15,591,777)	264,761,256	34,859,156	625,467,045	827,375,110	1,790,211,581
As at 31th December 2021		120,298,323	64,527,432	43,172	518,849,339	36,855,745	1,080,853,662	1,163,688,458	2,985,116,131

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2021

20 RETIRING BENEFIT OBLIGATION

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

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

20.1 Retiring Gratuity Expense

Current service cost	5,488,131	4,545,517
Past Services (Gains)/Cost	-	-
Interest cost	4,502,861	3,669,027
Actuarial (gain)/loss	(29,237,258)	7,943,165
	<u>(19,246,266)</u>	<u>16,157,709</u>

21 LEASE CREDITOR

	Motor Vehicles Rs.	Lease Hold Asset -Building SRCC	NITF Rs.	Total Rs.
As at 1st January 2021				
Adjustments	5,001,835	107,826,748	435,031	113,263,614
Interest Expense recognised in Income Statement		5,351,298		5,351,298
Settlement through lease payment	401,721	15,444,519	19,969	15,866,209
As at 31st December 2021	<u>(4,065,000)</u>	<u>(44,253,000)</u>	<u>(455,000)</u>	<u>(48,773,000)</u>
	1,338,555	84,369,566	0	85,708,121

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

19. RISK MANAGEMENT

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

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

INSURANCE AND FINANCIAL RISK

(a) Insurance risk

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

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

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

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

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

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

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

Frequency and Severity of Claims

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

Property

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

Engineering

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

Motor

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

Miscellaneous Accident

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

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

Marine

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

Medical and Personal Accident

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

Geographical concentration of risks

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

(b) Financial Risk

i. Credit risk

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

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

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

ii. Liquidity risk

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

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

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

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

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

iii. Market risk

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

a) Interest rate risk

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

b) Foreign currency risk

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

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