

Every day  
We're getting

# Closer to you



ANNUAL REPORT 2021

**കൗൺസൽ**  
**General**  
சனச ஜெனரல் இன்சூரன்ஸ்  
SANASA GENERAL INSURANCE



22 Million, That's the number of Sri Lankans we hope to protect and serve.

03 Years, That's how long it has taken us to reach where we stand today.

386, That is our family who always strive to provide an excellent service to our customers

2021, is the year where you'll witness our dedication towards our vision.

**"Everyday, We are getting closer to you"**

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## ABOUT US

Sanasa General Insurance Company Limited is one of the rapidly growing Short Term Insurers in Sri Lanka, with a history of over 15 years in the Insurance Industry as a Composite Insurer. Sanasa General Insurance commenced its operations as an independent Short Term Insurer on the 01st of July 2019 as a subsidized company of Sanasa Life Insurance Company PLC.

Sanasa General Insurance offers a diverse product portfolio which supports individuals & businesses to hedge their risks in today's volatile environment, throughout our widespread branch network, societies & brokers to ensure that we reach out to our customers far & wide, whilst being the pioneer in providing micro insurance to those, in the underserved market in Sri Lanka. "Integrity" has been a Key Component of our business, and SGIC has built a stable business with a strong risk management profile to achieve our vision of being the strongest General Insurance Company with the Largest Customer base in Sri Lanka.

**CUSTOMER  
BASE**  
**366,255**

**NUMBER OF  
EMPLOYEES**  
**386**

**CLAIMS  
SETTLEMENTS**  
**Rs. 269 Mn**



### OUR VISION

"To become the strongest General Insurance Company with the largest Customer base in Sri Lanka"



### OUR MISSION

"To offer an excellent service to our clients to improve their livelihood and to develop the society as a whole by introducing platform of Risk Management".



### OUR VALUES



**SPEED**

We make thoughtful decisions quickly, execute them with intensity and simplify where we can.



**GOODWILL**

Establish reputation of the business as a qualifiable asset.



**INTEGRITY**

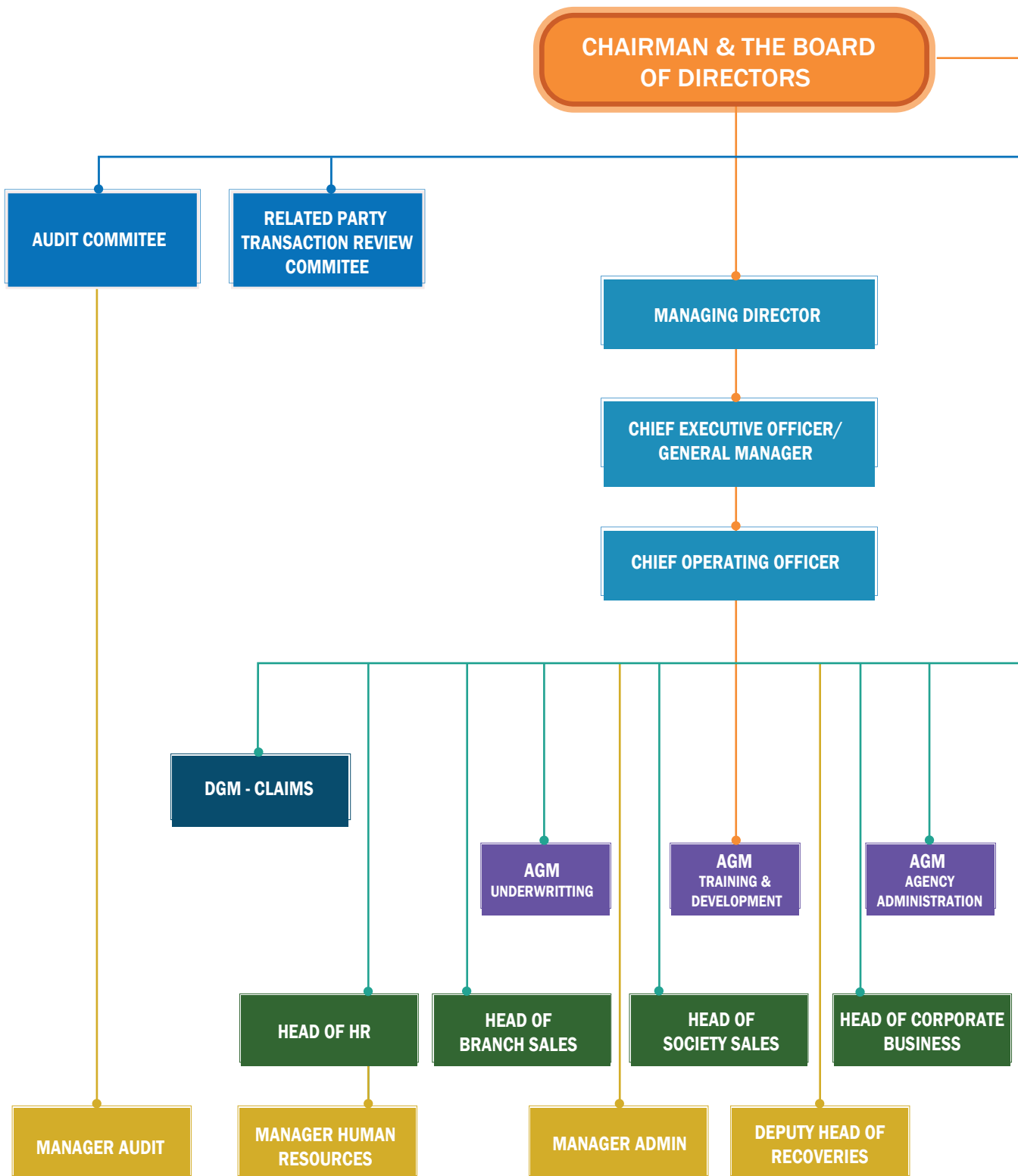
Our word is our bond; we will always deliver on a promise.

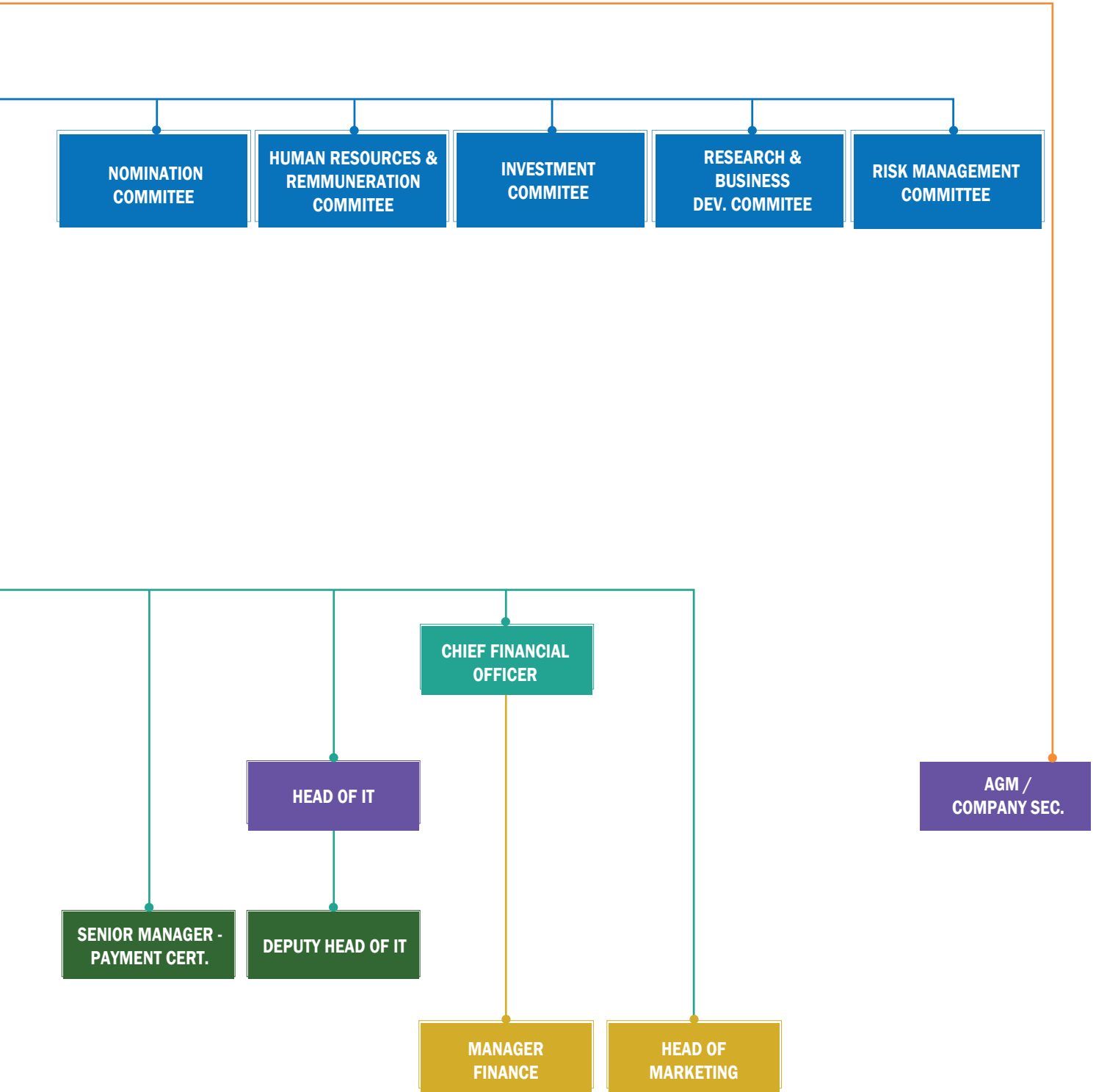


**CARE**

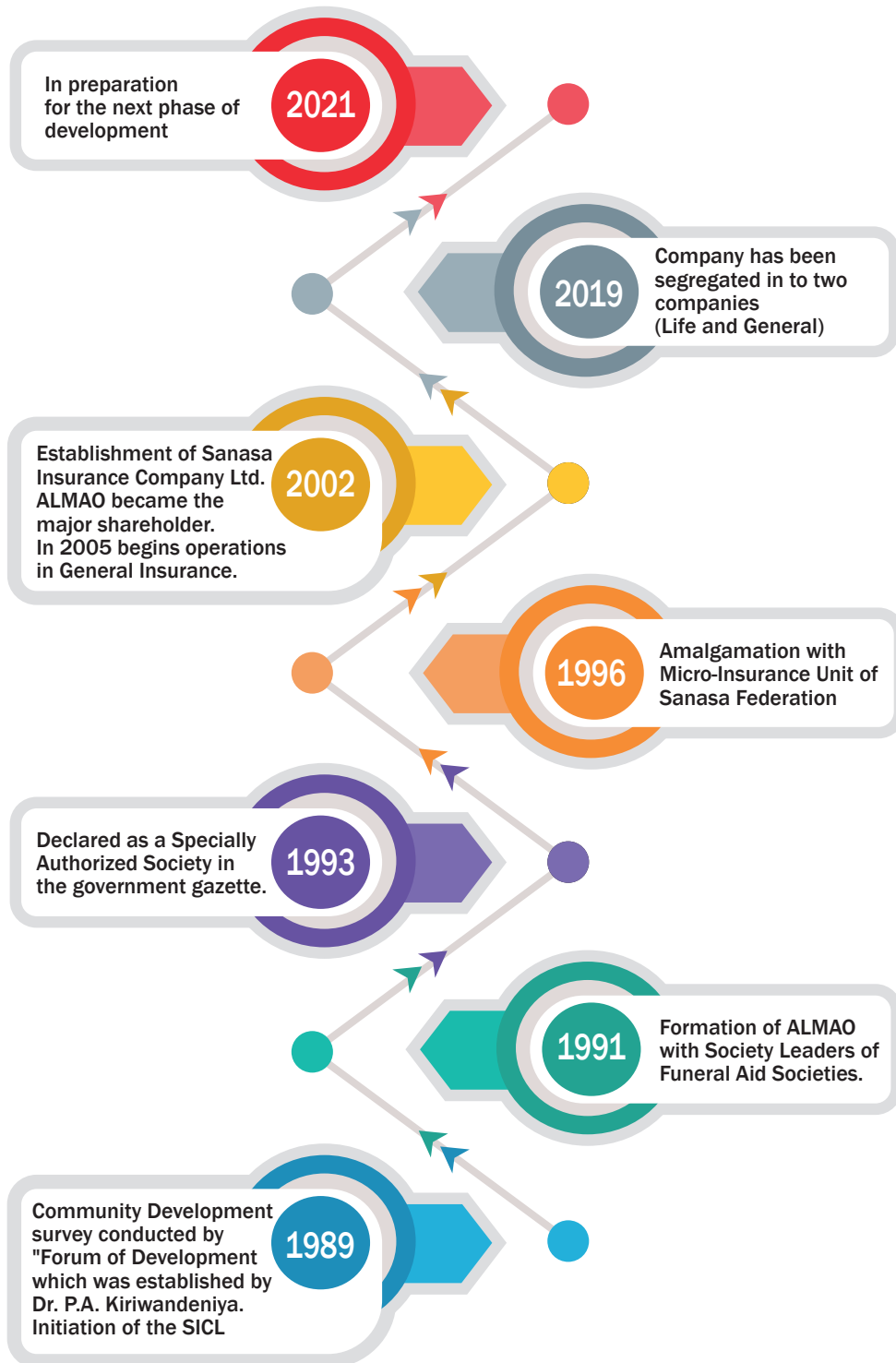
We value our customers as the partners of our success

## ORGANIZATIONAL STRUCTURE





## SGIC MILLSTONES







## ABOUT THE REPORT



### SCOPE AND BOUNDARY

This report comprises both the financial and non-financial performance of Sanasa General Insurance Company Limited for the financial year ended 31st December 2021. The last Annual Report was for the twelve month period ended 31st December 2020.



### OUR READERS

While this report is primarily prepared for our Shareholders, it contains relevant information for other stakeholders including customers, employees, business partners, regulators and the community.



### REPORTING FRAMEWORKS

#### FINANCIAL REPORTING

- Companies Act, No.7 of 2007
- Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- Regulations and Directions issued by the Insurance Regulatory Commission of Sri Lanka (IRC SL)
- Regulations of Insurance Industry Act, No. 43 of 2000 and the subsequent amendments

#### CORPORATE GOVERNANCE

- Code of Best Practices on Corporate Governance 2017 issued by CA Sri Lanka
- Corporate Governance Framework for Insurers issued by the Insurance Regulatory Commission of Sri Lanka
- Companies Act, No. 07 of 2007



## ASSURANCE

Assurance of the report content is provided through a combination of internal and external sources. The content included in this Integrated Report has been reviewed by the respective business heads and reviewed by the CEO and the Audit Committee prior to submission to the Board of Directors for approval.

An independent review of the Company's Financial Statements has been carried out by external auditors, M/S Ernst & Young Chartered Accountants. Their report is on page.....



## RELIABILITY AND COMPLETENESS

The report presents an unbiased view of all material matters. Independent actuaries have confirmed the technical reserves and liability adequacy. Information provided have been verified by the Board of Directors, Audit Committee, Other Board Sub-Committees and Management Committees as applicable. Forward-looking statements included in the report are based on future prospects and expectations of the industry and environment. However actual results may materially differ from such statements made.



## CONSISTENCY AND COMPARABILITY

Unless stated otherwise all reporting concepts remain consistent with the most recent published report. Comparative information is provided where relevant and any change made to be consistent with the current year's presentation have been reported.



## BOARD RESPONSIBILITY

The Board of Directors of Sanasa General Insurance Company Limited acknowledges its responsibility for ensuring the completeness, accuracy and integrity of this report. The Board confirms that it collectively reviewed the contents of the report in conjunction with the assurance reports obtained from our various internal and external assurance providers, including assessments on risk and internal controls. On this basis, the Board is satisfied that the Integrated Report for FY 2021 addresses all the issues that are material to its ability to create value and thereby provides an accurate assessment of the Company's performance for the financial year ended 31st December 2021.



## FEEDBACK

We welcome your questions and your suggestions to help improve the quality of our reporting process and request that all feedback be directed to:

Name : Duleeka Vidanapathirana  
 Address : No. 172, Elvitigala Mawatha,  
 Colombo 08  
 Telephone/Fax : 0112003000  
 E-mail : duleeka@sgic.lk

# OUR PRODUCTS

## PERSONAL



**MOTOR**



**HOME (PACKAGE)**



**PERSONAL ACCIDENT**



**MEDICAL EXPENSES**

## BUSINESS



**FIRE & ALLIED PERILS**



**BURGLARY**



**MONEY**



**PLATE GLASS**



**GOODS IN TRANSIT**



**MOTOR**



**MARINE CARGO**



**GROUP PERSONAL ACCIDENT**



**GROUP MEDICAL EXPENSES**



**PUBLIC LIABILITY**



**PRODUCT LIABILITY**



**WORKMEN COMPENSATION**



**CONTRACTORS ALL RISK**



**MACHINERY**



**ERECTION ALL RISK**



**ELECTRONIC EQUIPMENT**



**CROP**



**LIVE STOCK**



**BANKERS INDEMNITY**



**SHOP INSURANCE (PACKAGE)**



# OUR ISLAND WIDE NETWORK 57



AMBALANTHOTA	BADULLA
SOORIYAWEWA	NUWARAEIYA
GALLE	DIGANA
PITIGALA	DAMBULLA
MAPALAGAMA	KADUWELA
MATARA	MAHARAGAMA
WELIGAMA	HOMAGAMA
DICKWELLA	RATHMALANA
AKURESSA	GAMPAHA
EMBILIPITIYA	DELGODA
RATNAPURA	DIULAPITIYA
MONARAGALA	MINUWANGODA
CHILAW	NEGAMBO
PUTTALAM	KALUTARA
WENNAPPUWA	MATUGAMA
ANURADHAPURA	HORANA
THAMBUTHHEGAMA	JAFFNA
KULIYAPITIYA	KILINCHCHI
NIKAWERATIYA	MANNER
POLGAHAWELA	VAVUNIA
POLPITHIGAMA	TRINCOMALEE
POLONNARUWA	KURUNEGALA
HINGURAKGODA	KALMUNAI
DEHIATHTHAKANDIYA	BATTICOLA
KEGALLE	AMPARA
WARAKAPOLA	BADALGAMA
RUWANWELLA	MAHO
KANDY	WARIYAPOLA
	RIKILLAGASKADA

## OPERATIONAL STRATEGY REPORT



### TOP-LINE GROWTH

During the year under review we continued to focus on growing our top line in a sustainable manner. Our strategy, on one hand was to secure more business through sources such as financial institutions from whom we were already receiving a share of business and to secure the renewals. On the other hand we sought to secure a greater share of business through the Sanasa Societies.

During this period we took steps to reinforce our ties with the financial institutions, packaging our insurance solutions to meet their needs. By the end of the year established two independent sales units, namely Society Channel and Open-market Channel.

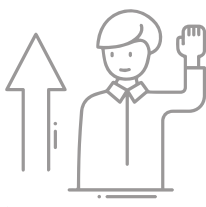
Throughout this period there were travel restrictions due to the pandemic situation. Also financial institutions had curtailed new facilities. In the circumstances we had a modest top-line growth from Rs 871.09 m to Rs. 890.11 Mn.



### UNDERWRITING AND CLAIMS HANDLING

Moving together with our top-line growth strategy, we were concerned in our efforts to sustain prudent pricing and efficient pricing and claims management. This is to ensure to uphold a positive underwriting result. To this end we identified the need to have a team with due technical capabilities who can identify and account for the risks involved. On the other hand we had to fight against a fat cost structure in securing the business. We were also diligent in our efforts to be disciplined in managing claims to curtail any leakages. We have employed a team of assessors for motor insurance damage assessments.

During the year we have taken steps to improve efficiency in both underwriting and claims handling. Claims incurred was Rs. 312.56 Mn. in 2020 and Rs. 269.96 Mn in 2021.



### EMPLOYEE DEVELOPMENT

During the year we curtailed new recruitments. We focused on improving the technical skills as well as soft skills of the staff empowering them to face the challenges of our business environment. We also encourage our employees to take up further professional studies under our education cost reimbursement scheme.

Number of permanent staff was increased from 344 to 366.



### GOVERNANCE COMPLIANCE AND RISK MANAGEMENT

Adopting good governance measures – seeking to minimise any gaps in complying with regulations and standards prescribed by the regulators and other relevant statutory bodies well attuned to our company values.

We also gave much thought to our risk management and internal controls. In the year under review we strengthened the internal audit function by recruiting a new manager. We also maintained reinsurance with international reinsurers with ratings approved by the IRCSL. We are prudent in our provisioning, particularly when accounting for claims incurred but not reported (IBNR).



### SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

As a responsible insurer and in keeping with our company values and Cooperative Principles we remain steadfast in our efforts to balance our commercial operations with sustainability facets. We seek to engage communities, particularly in areas where we operate to seek to support communities in need with philanthropic initiatives. We also stand committed to move towards 'greener' operations-seeking to reduce our carbon footprint.

## FOUNDER OF SANASA MOVEMENT

### Message

We are living at a critical juncture in our country's history. The economic crisis we are facing today is unprecedented—devastating and pitiful. The economic mismanagement is stark, with shortages and queues for essential goods, rising cost of living, rupee depreciation, unemployment and pay-cuts along with the depletion of foreign reserves. Although precipitated by the coronavirus pandemic, this unfortunate situation has been brewing for a long time. Yet, as a nation, we, the citizens were all oblivious, opting not to see the impending abyss. Instead, we carried on unrestrained with consumeristic enthusiasm. Our aim was merely to live for the day, building our lives around imported luxuries, doing very little to look inward and ignite our home-grown economy.

The leadership given to the citizens since independence has been broadly uninspiring. With short-term thinking, the political class continued to indulge in ad-hoc spending on borrowed money. Corruption was rampant at the expense of the common man. The investments undertaken were largely unplanned and impractical, bearing very little fruit to pay-back the loans. Today, our nation is indebted and in a state of disintegration. The implications are far-reaching—violating the sovereignty of the country, denying the citizen's right to an adequate standard of living, and compromising the future of the generations to come.

Yet, none of us can absolve ourselves from the sorry plight that we are in. From the ruling class, opposition, to the citizen, it is our collective responsibility to find solutions to keep this nation in-tact and realise our potential to achieve sustainable development. It is crucial that we adopt a futuristic plan, following a scientific approach; giving due precedence to governance with meritocracy where competency, integrity, accountability and justice will prevail.



Founded on cooperative principles, Sanasa Insurance, both life and non-life businesses, has a profound role to play in today's context. Engaging a large network of Sanasa societies along with their vast membership, the Sanasa Insurance Group is deeply rooted within the micro market segment, especially within the rural Sri Lanka. Relentless in our efforts, we have been striving over the years, to inculcate values of thrift amongst the grass-root masses, much needed in the times we live in. Our aim is to guide and support these vulnerable communities to be responsible about their future, safeguarding their lives from day-to-day perils, to secure their long-term wellbeing.

It is indeed heartening to note that the young and talented management and their teams across Sanasa Insurance have taken pragmatic steps to balance cooperatives values with the present-day market dynamics. I commend Sanasa General, our subsidiary company, for delivering a discerning strategy within a short span, post demerger—to achieve a strong positioning in a competitive industry. My sincere appreciation is extended to the dynamic Chairman, the Board and the young men and women who work tirelessly with great dedication, to uphold the Sanasa Mission.

My best wishes to Sansa General to reach for higher goals in a decisive future.

**Dr. P A Kiriwadeniya**

Founder of SANASA Movement

31<sup>st</sup> May 2022

# CHAIRMAN'S

## Message

Amidst an intensely challenging year 2021, Sanasa General Insurance Company Limited (SGIC) stood well poised and committed to deliver its mission of serving the grass-root communities, especially in rural Sri Lanka. Managing the many adversities that we faced in our business environment, we made significant strides in positioning our organisation as a foremost micro insurer in the non-life insurance industry.

It is my privilege, on behalf of the Board, to welcome you to the 8<sup>th</sup> Annual General Meeting and present our Annual Report together with the audited financial statements and related notes for the financial year ended 31st December 2021. I take this opportunity to share my thoughts on our organisation's performance in the year, whilst setting forth our aspirations for the future years.

### Industry Landscape

The COVID-19 pandemic continued to dominate the year under review. Nations across the world had to contend with the serious knock-on effect on their economies. The recovery was sluggish and uneven. Our island nation was seriously impacted, leading up to critical macroeconomic challenges including excessive inflationary pressures, external sector imbalances and foreign exchange crisis.

Our non-life insurance industry stood highly susceptible to the dire economic conditions that prevailed in the year. The industry, led by the motor segment, grappled to defend, and gain market share in a red-ocean business landscape. With the continuation of import restrictions on motor vehicles, market growth was stagnant, with insurers resorting to unethical pricing strategies to keep up their shareholder returns. The pandemic-led lower disposable incomes of the masses further stepped up the intensity of the competition in the marketplace. In this backdrop, it is crucial that all insurers understand the present challenges and work collectively and ethically to keep the industry from collapsing in the medium to long term.

### Market Strategy

Responding well in a complex and competitive marketplace, we at Sansa General continued to be agile and resilient in our strategic delivery. We had already made key structural changes to our organisation, strengthened our team, and established our point of differentiation, even prior to the pandemic, which stood us in good stead in meeting the present-day market demands. We have successfully shifted from the stagnant motor insurance to blue ocean products including agri-insurance. We have a strong captive base within the cooperative network, backed by Sanasa Societies. Our outreach is vast across the island, covering rural communities including over 20,000 village-level farmers. This presence is our edge, setting us apart from the competition in the industry.





## Company Performance

Our organisation recorded a creditable performance, considering the industry complexities in the year under review. Our topline and bottom results were strong, although lower than the results recorded in the preceding year. Net profits after taxation stood at Rs. 47 million, a drop of 48%. Our return on investment was healthy at 7.5% whilst our capital adequacy ratio of 257% were well above the minimum stipulated. As sanctioned by our regulator, we declared a 10% dividend for our valued shareholders on our net profits earned during the previous year—above the market interest rates.

## Values and Governance

Our strong bonds with our stakeholders are a hallmark of our organisation. This year too, our employees came first. We ensured due and timely compensation, bonuses and extending best of training opportunities, inter alia, which underpinned our success amidst distressing industry conditions. We also supported the Sanasa network and our team with COVID-19 relief.

Well in line with the regulatory requirements, our Board stands committed to uphold best governance practices—fitting to an organization such as ours. As envisioned by our founder, we have in place a strong and a versatile Board to give direction to business decision-making and oversight. We have a good blend of directors—both, multi-disciplined professionals from the corporate world and representatives of the Sanasa network. The Board has three independent directors including my self. I together with our Chief Financial Officer conducted two training sessions for our directors—on best governance practices and code of conduct including on the director's liability.

## Future Years

The path ahead is volatile. Protracted impact of the pandemic and the macroeconomic instability may very well continue into the medium term. Our role in such a backdrop will assume greater significance. This is more so, given the low level of insurance penetration in the country, with immense potential to expand our operations. The onus is now on us to build trust and confidence within our target market; and understand their risks; and in turn, offer suitable insurance solutions. Emerging from a peoples' movement and with solid values nurtured over the years, our organisation has what it takes to grow the outreach and gain share in different market segments.

Our business mandate, however, is not merely to make profits; but, to ensure that we create value with a greater societal impact. Thus, notwithstanding the lower profit margins, we will continue to serve the microinsurance market. Our ties with Sanasa Societies along with their members will no doubt support our aspirations in this regard. We will also pursue business opportunities in profitable market segments like the corporate and the retail sectors, which in effect will give us a good platform to maintain our social objectives.

We are grateful to have the blessing of our shareholders and we in turn, will stand committed to ensure our organisation's financial stability, solvency and sustainability. Our strong links with well-established bi-lateral and multi-lateral agencies will give us further strategic support to act on our mandate.

### Appreciation

I wish to extend my sincere appreciation and gratitude to our Founder/Group Chairman, Dr. Kiriwandeniya. His charisma has paved the way for us to build trust and confidence with the Sanasa network, our main captive market segment. But more so, his visionary outlook has carved out a unique culture across the Sansa Group, bringing in a sense of humanity to blend in with our corporate work values. For this, I am ever grateful. I extend my appreciation to my colleagues on the Board, for their professionalism and foresight in guiding our organisation to succeed in an intensely competitive business environment. I thank our dynamic Sanasa General team, led by our Managing Director, Chief Executive Officer, and the Chief Operating Officer. It is their unstinted dedication and hard work that have paved the way to raise our bar and succeed in delivering our mission goals.

To all stakeholders, thank you.



**S.M.Tishan H. Subasinghe**

Chairman

Sanasa General Insurance Company Limited

31<sup>st</sup> May 2022

# MANAGING DIRECTOR'S REVIEW

Nearly three years after being independent from the parent company, Sanasa General is now well positioned on a solid foundation of cooperative values, to face today's business challenges. Following a well-focused strategy in the year 2021, we were able to deliver healthy financial results in a complex marketplace, whilst pursuing our social goals to serve communities at the grass root level. My review herein, seeks to outline our strategy, performance highlights for the reporting year along with an overview of our future prospects for long-term financial stability and sustainability.

## Business Environment

The COVID-19 pandemic along with its several mutations, continued to dominate the world economy in the year 2021, with ripple effect implications across nations. The economic recovery was unsteady with a myriad of challenges from supply chain disruptions, inflationary pressures, rising energy prices and financial market volatilities. Geopolitical issues and climate change further added to the world despairs.

The Sri Lankan economy turned around from a contraction in the previous year. Yet, the economic recovery was marred with adversities on the macroeconomic and socio-political fronts. The higher inflationary impact, fiscal imbalances, external sector crisis and mounting debt, seriously hindered the country's economic activities. Several policy changes came into force including a tight monetary policy, import restrictions and exchange rate intervention to balance the intense volatilities.

## Industry Performance

Notwithstanding the pandemic and the grave macroeconomic challenges, the overall performance of the insurance industry progressed well in the reporting year. Agile and proactive, the industry recorded a growth, although lower than its potential. Unlike life insurance results, the non-life sector recorded a modest performance over the previous year—because of the hit on the motor sub-sector due to import restrictions for almost two years. As per the available data up to third quarter of 2021, the non-life sector gross written premium recorded a contraction over the corresponding period in the previous year. Despite lower claims, profit before tax declined whilst the asset position of the sector saw a marginal decline.

## Strategic Direction

As a responsible and a trusted micro insurer, we continued in the year to align our operations to best-fit the industry dynamics. We had to strategically look at how we were going to compete in a stagnant motor market. In this light, it was crucial that we pursued our differentiation strategy—positioning the organisation with blue-ocean insurance solutions to gain market share against intense competition in the marketplace.

We relied on the Sanasa brand and group synergies in terms of the distribution channels to secure market links across the Sanasa Societies and their members, whilst seeking to tap into the non-captive open market—focusing on corporates and the retail sector. We also looked into bringing in greater efficiency to our underwriting function as well as to claims and cost management. We invested strongly in strengthening our cadre with right recruitment and training opportunities to balance our skills gap. We expanded our branch and window office network and continued to adopt greater level of digitalisation to streamline our work processes and cater to modern demands, especially in this pandemic era.

In keeping with the Sanasa values, we continued to advocate ethical and professional way of doing business across the organisation. We were focused in strengthening our internal controls, risk management, governance structure and financial discipline to meet the regulatory and institutional requirements of our industry.

## Corporate Performance

Navigating a complex business backdrop, we sought in the year under review, to grow and balance our portfolio in different market segments to achieve both our business and social objectives. Even against the difficulties, we were able to record a creditable portfolio performance. Our gross premium income stood at Rs. 890 million, a low-level growth of 2% year-on-year. With lower claims in the year complemented by a perceptive investment strategy, we were able to post a healthy net profit after tax of Rs.47 million. The annualised return on equity stood at 6%. Our financial position as at the year-end was sound with an asset growth of 3% percent. We were also able to maintain our capitalisation levels under the Risk Based Capital framework. Our total available capital reached Rs. 598 million; the capital adequacy ratio of 257% was over the minimum prescribed by our regulator.

## Future Prospects

Our nation has much potential to achieve greater economic prosperity. Yet, we have to be mindful of the challenges at hand, especially the ongoing pandemic combined with tense socio-political and macroeconomic conditions. As an industry, we have much to gain in this burgeoning landscape especially in the medium to long term. However, it is significant that we work in concert to reduce rivalry amongst the industry players and adopt ethical practices to manage the limitations of the non-life marketplace, particularly, within the limited motor market segment.

With a principled business philosophy, our organisation has a unique business model to respond to the present operating environment. Our presence in the underserved niche market and the diversified product portfolio including agriculture-oriented insurance solutions, have given us a differentiated edge against the competition. Our brand strength of Sanasa; synergies within the group; automated and digitalised modern business processes; along with a dynamic and youthful team, truly complement our ability to create meaningful value to all our stakeholders.



## Appreciation

Within just a short-span, we have strived to make a mark as a niche insurance provider in the non-life insurance domain. In our endeavours, we have always had our stakeholders' confidence and support for which we are ever grateful.

I wish to extend my appreciation to our Group Chairman, Chairman and my colleagues on the Board for their strategic leadership and direction in taking our organisation forward amidst a complex industry landscape. My appreciation and commendation to our Chief Executive Officer and our Chief Operating Officer along with their talented team, for a job well done in the year under review. Their sheer perseverance and spirited team effort paved the way to accomplish our mission goals. I am confident and hopeful that they will continue to work hard to reach for better prospects in the coming year.

I wish to thank the Sanasa Societies and their members, village leaders, strategic partners and our regulators for their support and confidence.

**Indika Kiriwadeniya**  
Managing Director  
Sanasa General Insurance Company Limited

31<sup>st</sup> May 2022



## BOARD OF DIRECTORS





# BOARD OF DIRECTORS

01

## Mr. S.M. Tishan H. Subasinghe

(FCA, CPFA (UK), ACMA,  
CISA (USA)MBA(Fin - Col), LL.B

**Non-executive Independent Director  
Chairman**



Mr. S.M. Tishan H. Subasinghe has assumed duty as the Chairman of Sanasa General Insurance Company Ltd from 7th March 2019. Initially he joined Sanasa Life Insurance in 2009 as a Non Executive Independent Director and was appointed as a Director of Sanasa General Insurance in 2014.

Mr. S. M. Tishan H. Subasinghe is a senior fellow and a Council member of the Institute of Chartered Accountants of Sri Lanka. Mr. Subasinghe has been graduated with LL.B from Buckinghamshire New University in England and obtained his MBA Specialised in finance from the University of Colombo and a gold medallist on the same.

At present he is working as the Managing Director of Moore Stephens Consulting (Pvt) Ltd. And also he serves as a Council Member of the University of Moratuwa , Non- executive Independent Director of Amana Bank PLC and Kapruka Holdings Ltd.

Furthermore he has gained much experience in his career by working as a senior partner of BDO Partners, a firm of Chartered Accountants for 10 years. In addition to that he has worked for PricewaterhouseCoopers in Sothern African region as well as in the USA.

02

## Mr. Indika Kariyawasam Kiriwandeniya

[MBA (Aus.), PGD (AIB), Dip. Insurance],  
(CII) , (MABE-UK)" , CIM-UK, (CMA-AUS).

**Managing Director**



Mr. Indika Kariyawasam Kiriwandeniya, was appointed to "Sanasa General Insurance Company Limited" as the "Managing Director" in 2014., Mr. Kiriwandeniya an Old Boy of "Nalanda College Colombo" is an Insurance Career Professional with over 21 Years' Experience in the Insurance Industry with experience in both Life & General Insurance sectors. He commenced his Insurance Career in the year 1998 at "Micro Insurance Brokers Company" which was affiliated to "All Lanka Mutual Assurance Organization" also known as "ALMAO" which was subsequently established as "Sanasa Insurance Company Limited", after which he was appointed as a Manager. He holds a "Diploma in Insurance" from the "Institute of Insurance Management" after which he underwent practical training in Insurance & Settlement of Claims in the United Kingdom, & thereafter he was appointed as "Assistant General Manager – Marketing" in 2004 & as "Deputy General Manager – Operations & Marketing" in 2010 for his outstanding contribution towards the development of the Organization.

Thereafter Mr. Indika Kariyawasam Kiriwandeniya was appointed as the "General Manager" of "Sanasa Insurance Company Limited" in 2011 where he took upon himself the responsibility of transforming "Sanasa Insurance Company Limited", as the "only Insurance Company in the island serving the underprivileged community of Sri Lanka". He holds a "Masters in Business Administration [MBA – Aus.]", "Postgraduate Diploma Holder in Business Administration [AIB]", Advanced Diploma in Insurance at Chartered Insurance Institute (CII) , Postgraduate Diploma in Professional Marketing at Chartered Institute of Marketing (CIM-UK) and Graduate Management Accountant at Institute of Management Accountants (CMA-AUS).

He is a Member of the "Association of Business Executives UK (MABE-UK)" , Member of "CMA " and Member of " CII" & " Fellow Member of CIM" . Presently Mr. Kiriwandeniya continues on his journey in the Insurance Industry as the "Chief Executive Officer/General Manager" of "Sanasa Life Insurance Company PLC".

03

## Dr. T. Senthilvel

**Non-Executive Director**



Dr. T. Senthilvel serves as a Non-Executive Director (Non Independent) since 5th May, 2017 of the Company.

Dr. Senthilvel serves as a non-Executive Director of Sanasa Life Insurance Company PLC since 2015.

He counts over five decades of active engagement in manufacturing, trading, land development, power and energy sectors, industrial turnkey projections, construction and management. He currently serves on the Boards of several public listed and private companies.

04

## Prof. Udith K. Jayasinghe

B.Sc(Agric.)(First Class Hons)[ Peradeniya],  
M.Sc( Agric.Econ.)[PGIA,Peradeniya],  
PhD(Guelph,Canada)

**Non- Executive Director**



Prof. Udith K. Jayasinghe serves as Non- Executive Director (Non Independent) and appointed to the board on 7th March 2019 by representing the holding company.

Prof. Jayasinghe serves to Sanasa Life Insurance Company as an Independent Director from 24/08/2013 to date.

He is a Senior Professor and the Chair of Agric. Econ & Business Management of Wayamba University of Sri Lanka. He holds a Bachelor's Degree in Agriculture and Master's Degree from the University of Peradeniya. He earned Doctor of Philosophy Degree from the Senate of the University of Guelph, Canada.



05

**Mr. Keerthi Kumara Weerakkody**  
**Non- Executive Director**



Mr. Keerthi Kumara Weerakkody serves as Non- Executive Director (Non Independent) and appointed to the board on 7th March 2019 by representing the holding company.

Mr. Weerakkody serves to Sanasa Life Insurance Company as a Non-Executive / Non Independent Director from 25/06/2016 to date.

He serves as the chairman of Kesbewa Sanasa Shareholders Trust Company and Undurugoda Sanasa Society. And also he served as a director of Colombo District Sanasa Society Union Limited and as an executive committee member of Sri Lanka Foot Wear & Leather Products Manufactures Association. And he is the Proprietor of Kasun Enterprise.

Furthermore, he is a council member of the Sri Lanka Economic Association and AAT Sri Lanka and a member of the Sri Lanka Institute of Directors.

He has over 12 years of experience in the Manufacturing, Agriculture, Trading, Service, and Apparel industries, in the streams of Accounting & Finance, Taxation, and External & Internal Auditing. He carries extensive experience in Strategic Management, Financial management. Marketing management, operational management, Lean and six sigma practices & digital transformation.

Presently Mr Jayasinghe holds the position of Chief Operating Officer at St. Anthony's Industries Group.

06

**Mr. J. M. D. Ananda Wishwakeerthi**  
**Non- Executive Director**



Mr. J. M. D. Ananda Wishwakeerthi serves as Non- Executive Director (Non Independent) and appointed to the board on 7th March 2019 by representing the holding company.

Mr. Wishwakeerthi served as a Non-Executive / Non Independent Director of Sanasa Life Insurance Company from 25/06/2018 to 09/04/2021.

He serves as the General Manager of Kuliypitiya DTCCS Union.

08

**Mrs. D. Prasadika Senadheera**  
*Attorney-at-Law & Notary Public, MBA (UK)*  
**Non- Executive Director**



Mrs. Prasadika Senadheera was appointed to the board in May 2020, as an Non Executive / Non Independent director representing the holding company. She serves as the Deputy General Manager / Company Secretary of the Sanasa Life Insurance Company PLC. She also serves as the company secretary of Sanasa Media Networks (pvt) Ltd, Sanasa Security services (pvt) Ltd and Small Medium Wealth Management Ltd. She has served as the Legal officer of Bartleet Finance plc. She holds a MBA (University of Bedfordshire, U.K.) and she is an Attorney – at Law & Notary public having over 17 year experience.

07

**Mr. J.A. Lahiru S. Jayasinghe**

*MBA(PIM), BSc, Bus Admin (Sp), FCA, ACIM, ACMA, ACPM, CLSSBB*

**Non – executive Independent Director**



Mr Lahiru Jayasinghe serves as Non – executive Independent Director and appointed to the board on 2nd May 2019.

Lahiru Jayasinghe, is a graduate from the University of Sri Jayewardenepura and holds a Master's degree in the field of Business Administration from Postgraduate Institute of Management. He is also an Associate member of The Institute of Chartered Accountants of Sri Lanka (CASL), Associate Member of Chartered Institute of Marketing (CIM UK) and Associate Member of The Institute of Certified Management Accountants of Sri Lanka (CMA) & Holds Lean six sigma black belts (CLSSBB) as well. Mr. Jayasinghe joined the Board of Directors of the Sanasa General Insurance as a Non-Executive Independent Director in 2019. He is currently Serving as the Chairman of its Audit Committee.

09

**Mr. W. Denzil Indrajith Perera**

*MBA-PIM(Merit), B.Sc.*

*(MarketingSpecial) Hons, CIM-UK, MSLIM*

**Non – executive Independent Director**



Mr Denzil Perera serves as Non – executive Independent Director and appointed to the board on 1st December 2020.

Denzil Perera obtained his MBA (Merit) from PIM, B.Sc. -Marketing (Hons) from the University of Sri Jayewardenepura and Postgraduate Diploma in Marketing from CIM (UK). He is a Brand and Business Strategist/Consultant. He is a senior lecturer (part-time) at the Sri Lanka Institute of Marketing for Strategic Brand Management and a visiting lecturer for Universities of Colombo, Kelaniya and Sri Jayewardenepura for Strategic Marketing. Denzil has served in the fields of Marketing, Branding and Sales at Sri Lanka Insurance, Union Assurance, Hemas Consumer Brands, Marina Foods, ACL Cables and Heyleys group during his career of 17 years which he started as a Brand Executive and reached the level of General Manager. Currently he serves as a Director of the National Design Center and as an external board member of the Management Faculty of the University of Uwa Wellassa. Also he's the Chairman on Lanka Salusala Ltd.

# Chief Executive Officer's Review

**Operating as a separate entity since 2019, Sanasa General marked a decisive year in 2021,**

moving on to the next phase as a leading micro insurer within non-life insurance industry. Managing a complex business environment, we delivered our corporate strategy, whilst staying true to our cooperative work ethics and values. Our operational and financial performance for the reporting year was creditable, considering the business dynamics. In my review, I wish to elaborate on our strategy, performance, milestones achieved and our journey in the ensuing years.

## Strategy Outline

The year 2021 witnessed intense challenges. The pandemic with resultant movement restrictions and health protocols continued to pose serious socio-economic repercussions around the world. Internally, our macroeconomic problems intensified. Navigating these market adversities, we continued to build and nurture a solid platform with best corporate practices, to drive for a higher market share and secure our topline performance. To this end, we pursued a stronger market presence within the Sanasa network, whilst looking for growth opportunities in the open market. Expanding our delivery channel; developing our team; and digitalising our product and work processes, warranted our strategic focus and investments.

Concurrently, we looked at strengthening our underwriting practices. Yet, we had to be mindful about managing the soft pricing pressures amidst industry competition, mainly due to extended import restrictions in the motor market segment. We also remained focused in monitoring our claims settlement process, thus, cushioning our claims ratio. Our investment portfolio was carefully evaluated and balanced for risk-returns, in response to the market changes experienced during the year.

## Risk Management

Whilst delivering our strategy with resoluteness, we continued in the reporting year, to reinforce an effective and an integrated risk management culture across the organisation. We sought to upgrade our risk management practices, standards, internal controls, infrastructure and regulatory compliance, in line with our overall corporate goals. We maintained a hands-on approach to internalise these practices. Accordingly, we ensured that the Board, management to officers are well aware of the need; and more so, accountable to exercise precautionary measures aligned to best practices, in their strategic decision-making and rolling out their action plans.

## Financial Results

During the year under review, we closely managed to keep our performance results broadly in line with our budgetary targets and perform within the industry averages. Our topline result was modest, given the demanding market pressures. Premium income improved by 2% year-on-year to Rs.890 million. Claim ratio was healthy leading up to a positive underwriting result. Investment income also improved, although we provided for



unrealised gains/losses on account of some of our equity investments. Our bottom-line profit after tax closed at Rs. 47 million, corresponding to a decline of 48% against the previous year. Our return on equity stood at 6%. Our financial position was sound, with our assets exceeding the liability position. Our capital and solvency results are well in line with the prescribed limits

### HR Practices

Our cadre of 368 employees remained as our greatest asset. As an equal opportunity employer, we respected them and their diversity. Our commitment to nurture an energetic work-place with positive engagement remained steadfast. Our focus in the year was to build our team to best fit the present-day emerging industry trends.

On one hand, we followed through a coherent recruitment strategy to attract right-fit talent to the organisation. On the other hand, we strengthened our training initiatives to upskill our team, boost their work values and team spirit. This year, our dedicated training officers extended well-structured training to strengthen technical skills, on regulations and compliance, and soft skills including outbound training.

Furthermore, we advocated a performance-oriented work culture. Accordingly, nearly 72% of the cadre was assessed for performance through our performance evaluation scheme. Our top performing employees were commended with due rewards, recognition and promotions. This year under review, our investment in human resources stood at Rs. 290 million including compensation, benefits, welfare rewards and training expenses which was an increase of 15% percent when compared to the preceding year.

### Digitalisation Initiatives

In keeping with current industry trends, we focused on improving our IT capabilities to ensure clarity, convenience and speed to our operational processes. Our IT resource team looked at strengthening our online and mobile insurance platforms to extend a better service to our customers. We also initiated a comprehensive Enterprise Resource Planning system to automate, digitalise and integrate the organisation functions on a 360-degree basis. Our investments in the reporting year on digitalisation initiatives reached Rs 4.2 million.

## Journey Ahead

Although confronted with grave challenges posed by the macroeconomic environment and the ongoing pandemic, we look forward to the opportunities to expand our business. We have to be conscious of our drive towards higher growth goals, which will be against the strong competition and volatilities in the marketplace. Amidst such dynamics, our strategy will have to critically assess opportunities in all classes of business.

Seeking to improve our outreach, we intend to expand our branch network, with new window units and fully-fledged branches in selected and strategic locations in the ensuing years. All necessary improvements will be made to strengthen our business channels through Sanasa Societies, as well as within the open market including corporates. We will further look at our product offer, seeking to tailor our insurance solutions to better suit the emerging trends and requirements of our customers. Our plans to bring in greater product innovation and process enhancements will be significant and warranted. We will also continue to step-up and improve our practices in governance, compliance and risk management with dedicated resources; although we are now well poised to operate under the Risk Based Capital regulatory framework as mandated.

As we expand our presence, it will be imperative that we ensure that there will be no shortage of qualified, competent and motivated talent. Therefore, we will continue to facilitate systemic personal development, focusing not only on professional qualifications, but on developing well-rounded skills to bring in a better sense of customer care, work ethics and professionalism. This will encompass all staff categories across the organisation. It is our firm belief that as we grow in strength, our employees in turn, will benefit, be motivated and confident in excelling in their job roles, as well as achieving career development.

## In Closing

It is with sincere gratitude that I record, on behalf of my team, our appreciation to our Group Chairman, Chairman, Managing Director and the Board of Directors for their farsightedness and guidance in taking Sanasa General on a path of sustainable growth. My deep appreciation is extended to my young team for their efforts and commitment. I also wish to commend the Insurance Regulatory Commission of Sri Lanka for their continued efforts in shaping the industry, in alignment with international best practices.

To our partners in this business; clients, intermediaries, reinsurers, suppliers and all other stakeholders, thank you, for the confidence placed and continuous support given over 2021. Your needs and interests lie at the heart of our service philosophy. As we step into 2022, I am confident of Sanasa General's sustainable success in growing and serving the country.



**Nimal Perera**

Chief Executive Officer

Sanasa General Insurance Company Limited

31<sup>st</sup> May 2022

# CHIEF OPERATING OFFICER'S REVIEW

Managing a challenging year, we at Sanasa General sought to strengthen our presence as a leading micro insurer within the non-life insurance industry. Built on a solid platform of ethical business values and practices, we stood resilient and proactive in implementing our strategy and action plans to meet our corporate goals. In this backdrop, I am pleased to present my review for the financial year 2021, highlighting our strategy, performance results along with our future plans for greater success.

## Corporate Goals

We strived in the reporting year to build trust and confidence amongst our wide customer base in a demanding business landscape. Our aim was to increase our market share and secure a quality top-line against a complex industry setting. Both Sanasa Societies and our open market operations, targeting corporates and the retail sector, remained significant and therefore, warranted our strategic focus. It was important that we were smart and skilful to handle the intense competition that prevailed in the marketplace. Yet, we did not give in to unethical business practices. We ensured that we were fair in pricing our products and in claim settlements.

## Operational Highlights

In our drive for greater accessibility, we invested well in our distribution channels in strategic locations across the island. We planned to expand customer reach by opening more window offices. However due to the pandemic situation we postponed this to year 2022. We drew on synergies with our parent, Sanasa Life, in sharing space for a wider outreach. Our branches in western and North Western provinces posted a strong performance, taking up nearly 55% of our portfolio.

We recruited 118 new officers on a permanent basis to our marketing team totalling to 60. Most of these recruitments were directly sourced through Sanasa Societies to secure stronger bonds with the membership, in turn, strengthening our market opportunities. We also have a wide agent and broker network to support our marketing efforts.

We sought in the year to ensure high level of customer service standards with improvements to our call centre facilities and online and mobile payment options. We duly invested in streamlining our systems and processes; and on team development, empowerment and ensuring their wellbeing. We continued to give corona virus related quarantine/lockdown support for our customers as well as our staff and their family members. We distributed dry rations and extended funding support to obtain rapid antigen testing. We also joined our parent company to organise our annual religious ceremony in Anuradhapura—'Nelum Mal Pujawa'—which was well received by our customers as well as our staff members.

## Financial Performance

Notwithstanding the tough market conditions, we posted a creditable performance in the year under review. With our portfolio of 366,255 active policies, the gross written premium income touched Rs. 890 million, reflecting a marginal improvement of 2% year-on-year. Net earned premium, after adjusting for reinsurance and unearned premiums, declined by 12% to Rs 757 million.

The pandemic-induced lower disposable income of our customers adversely affected our motor class segment performance. Our leasing-oriented motor insurance policyholders opted to downgrade their motor policies from comprehensive to third party insurance at the end of their leasing tenures. Hence, motor class premium income, this year, saw a decline of 21% compared to the preceding year. However, non-motor segment, mainly focusing on the blue ocean product, agri-insurance, posted better results. The non-motor premium income registered an increase of 180%.

Following travel restrictions and lockdowns during the year, claim settlements declined by 14%. However, higher cost of spare parts due to currency depreciation, had a bearing on our claim expenses. Our net claims ratio stood at 36%, representing the same ratio recorded in the previous year. Despite higher operating costs, our net combined ratio was commendable at 119%. Henceforth, our underwriting result was positive at Rs. 414 million, albeit, a 11% drop as against the previous year.

Under this pandemic situation we were able to maintain existing investment portfolio. However, as a prudent measure, we provided for market value of unrealised gains and losses for our equity investments, mainly within our banking and finance sector portfolio. Our net profit after tax posted a drop of 48% to Rs. 47million.

## Financial Stability

Our financial position was healthy throughout the year. As at 31st December 2021, we maintained an asset position of Rs. 1,336 million. Our financial investments of Rs. 785 million took up 59% of our asset base. We were timely and responsive in managing the investment climate, making optimum investment decisions. Majority of our investments were skewed towards government securities, debentures and fixed deposits. Our liability position stood at Rs. 596 million as at the year-end, sufficiently covered by our assets. Our total available capital stood at Rs. 598 million and capital adequacy ratio at 257%. Both capital and solvency requirements met the mandated level.

## Future Plans

Our nation has much potential to achieve higher economic prospects in the medium to long term. Operating within this emerging economic backdrop, we have a solid future ahead with great potential to grow our market share both within motor and non-motor segments. We will leverage on our unique business model to achieve both our corporate goals with social responsibility. Our strategy encompasses a four-pronged approach: market expansion, diversification, process improvement and team development.

We will aggressively follow market opportunities both within the open market as well as across Sanasa Societies including its vast membership. In this regard, further investments will be warranted to strengthen our distribution through our links with Sanasa network, branch sales in the retail segment and corporate sector. We have a dedicated marketing team in place to aggressively canvass for more business.





Reducing our dependence on the stagnant motor market, we will pursue on marketing our blue ocean product portfolio, whilst ensuring that we excel in customer service. We will also continue to make further investments in digitalisation of our work processes. The new comprehensive 360-degree enterprise resource planning (ERP) system which will be completed and launched in the ensuing year, will no doubt bring in greater efficiency to our operations and give us a strong competitive edge in the marketplace. The six-sigma and lean management programme which we have initiated recently, will also strengthen the efficiency and effectiveness of our business processes. We will also be working towards compliance with the IFRS 17 standard as prescribed by the International Accounting Standards Board before the effective date in January 2023.

It will be important to strengthen our cadre, both with a right recruitment strategy to attract young professionals in the industry; as well as addressing the staff skills gap with strategic training opportunities. This includes technical as well as soft skills and team building initiatives to excel in managing the 'new normal' in this pandemic era. Our training department with dedicated officers, will play a pivotal role in this regard.

### In Gratitude

My team and I wish to extend our sincere appreciation to our Group Chairman, Chairman, Managing Director, the Board of Directors and our Chief Executive Officer—for their far-sighted guidance in upholding a sustainable business in an intensely complex business environment. I am grateful to my talented team for their dedication and effort to achieve our corporate goals. I earnestly hope that they will continue to give their best in delivering their work goals in the ensuing year. I am grateful and place my appreciation to Sanasa societies, reinsurers, regulator, suppliers and all other stakeholders, for their continuous support and trust.

**Wasantha Perera**

Chief Operating Officer

Sanasa General Insurance Company Limited

31<sup>st</sup> May 2022

## CORPORATE MANAGEMENT TEAM



**Mr. Nimal Ranjith Perera**

*FCII (Lon.)*

**Chief Executive Officer/General Manager (Acting)**

Mr. Perera, joins Sanasa General Insurance in 2021. He counts over 50 years of experience in the industry having held senior positions at insurance companies in Sri Lanka and abroad. He is a Fellow of the Chartered Insurance Institute. Presently he serves the company as the Chief Executive Officer/ General Manager



**L. Wasantha Premalal Perera**

*ACA, MBA (UOC)*

**Chief Operation Officer**

Mr. Perera, joined Sanasa Insurance Company Limited in 2010 as Senior Manager Finance and was appointed to Sanasa General Insurance in 2020. Counts over 18 years Experience in accounting & internal auditing. He has held senior managerial positions during his tenure and is Associate Member of the Institute of Chartered Accountants of Sri Lanka (ICASL). Presently he serves the Company in the capacity of Chief Operating Officer



**Mrs. Chandralatha Mudalige**

*Chartered Accountant, B,sc (Accountancy) Special*

**Chief Finance Officer / Compliance Officer**

Mrs. Mudalige joined SANASA Insurance in 2011, and is a Associate member of the Institute of CA Sri Lanka (ICASL). She is equipped with ten years of experience, in Internal Audit, of which more than eight years of experience in the Insurance Industry. At present she serves in the capacity of Chief Finance Officer.



**Mr. N. G. Wanasingha**

**Deputy General Manager/Head of Claims**

Mr. Wanasinghe joined Sanasa Insurance in 2005 and was subsequently appointed to Sanasa General Insurance Company Limited has Assistant General Manager - Motor Claim in 2015. Counts over 18 Years experience in handling Motor Underwriting/Claims the Insurance Industry. Presently he serves the company as the Deputy General Manager/Head of Claims





### **Mr. Kapila Mangala Rajapaksha**

*Dip. in Insurance (NIBM), Dip. in Human Resource Management  
(Institute of Co-operative Management)*

#### **Assistant General Manager - Agency Administration**

Mr. Rajapaksha joins the All Lanka Mutual Assurance Organization (ALMAO) which was then the Insurance arm of the Sanasa Movement, Later to Sanasa Insurance in 2005 and subsequently appointed to Sanasa General Insurance in 2015. He possess over 15 years experience holding Senior Managerial Positions during his tenure. He presently serves the company as the Assistant General Manager - Agency Administration



### **Ms. Duleeka Vidanapathirana**

*LLB.,Attorney-at-Law, PQHRM*

#### **Assistant General Manager - Company Secretary**

Ms. Vidanapathirana is a Attorney at Law by proffesion. She joins Sanasa Insurance Company Limited as Legal Officer in 2013 and subsequently appointed to Sanasa General Insurance as the Company Secretary in 2015. Presently she serves the company in the Capacity of Assistant General Manager/Company Secretary.



### **Mr. H. M. Ravinda Mangala Herath**

*MBA,B.Sc. Agri, Post Grad. Dip. in Mgt.,*

*Dip. in Busi. Mgt. Dip. in Insurance*

#### **Assistant General Manager - Training & Development**

Mr. Herath counts over 9 years of experience in International Relations, Project Management. He joins Sanasa Insurance Company Limited as Manager International Relations in 2011 and subsequently appointed to Sanasa General Insurance as the Asst. General Manager Training and Development in 2020. He holds an MBA from the University of Bolton.



### **Mr. A.N.C. Mendis**

*B.Sc. Agri. Technology & Mgt.*

#### **Assistant General Manager/Head of Underwriting**

Mr. Mendis Joing Sanasa General Insurance In 2010. He holds a bachelors degree in Agriculture Technology and management from the University of Peradeniya. He counts over 11 years In the Insurance industry and has held managerial/senior managerial positions during his tenure at SGIC. He presently serves the company as the Assistant General Manager/Head of Underwriting

## SENIOR MANAGEMENT TEAM



**Mrs. Manel Peiris**  
Consultant (Motor)



**Mr. Wasantha Aponsu**  
Senior Manager Underwriting



**Mr. Shanaka Waidyawansa**  
Senior Manager Motor Claims



**Mr. Madusanka Widanagamage**  
Head of Human Resources



**Mr. Suyama Senarath**  
Deputy Head of IT



**Mrs. Kumuduni Jayasinghe**  
**Senior Manager Payment Certification**



**Mr. Dilan Gunarathne**  
**Head of Branch Sales**



**Mr. Pradeep Basnayaka**  
**Head of Society Business**



**Mrs. Kelaniyan Godage Yamuna**  
**Consultant (Non Motor)**



**Mr. Aruna Wickramage**  
**Head of Corporate Sales**

## MANAGEMENT TEAM



**Mr. Withanapathirana Upasena**  
**Consultant**



**Mr. Upali Nandasiri**  
**Manager Call Center**



**Mrs. Rathika Wijerathne**  
**Manager Underwriting**



**Mr. Sadeesha Abeysooriya**  
**Manager Underwriting**



**Mrs. Anusha Pushpakumari**  
**Manager Non Motor Claims**



**Mr. Wasantha Abeyrathna**  
**Manager - Recoveries & Renewals**



**Mr. Dimuthu Chamara**  
**Manager Motor Claims**



**Mr. Mahesh Wickramatunga**  
**Manager - Marketing**



**Mr. Dan De Silva**  
**Manager - Human Resources**



**Mr. Srimal Amarasinghe**  
**Manager - Administration**





**Mr. Dinesh Wijerathne**  
**Senior Divisional Head of Application Support**



**Mr. Nuwan Thilakarathna**  
**Manager Finance**



**Mr. Aruna Prasad**  
**Regional Manager**



**Mr. Suresh Nayanajith**  
**Third Party Product Owner**



**Mr. Thilina Madusanka**  
**Manager Audit**



**Mr. Kalhara Premathilaka**  
**Manager-**  
**Corporate Business Development**



**Mr. Roshan Gunathilaka**  
**Manager-**  
**Corporate Business Development**



**Mr. Seenithambi Rajarathnam**  
**Regional Manager**





# MANAGEMENT **DISCUSSION & ANALYSIS**

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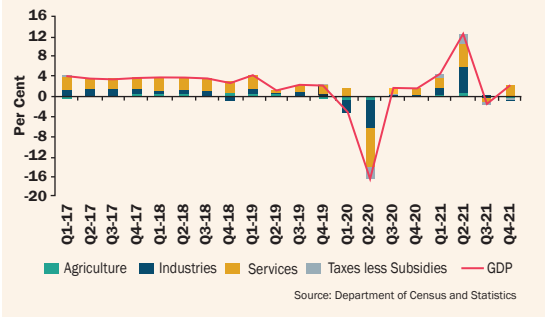


# OUR OPERATING ENVIRONMENT

## OUR ECONOMY

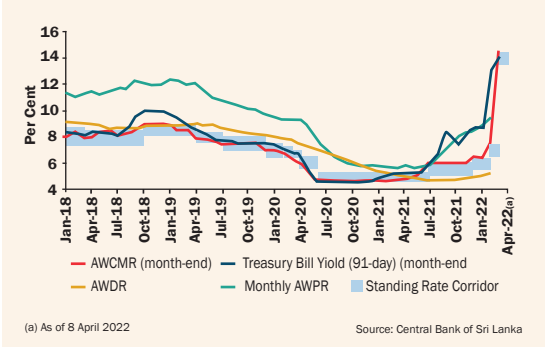
The Sri Lankan economy recovered in 2021 from the pandemic induced contraction in 2020, albeit with several deeply entrenched structural problems and vulnerabilities inherited over several decades. The economy was already in a fragile state lacking the necessary buffers to withstand shocks, when it was hit by the COVID-19 pandemic and other multifaceted headwinds that emanated from the global and domestic fronts. Sri Lanka was not an exception in the world in deploying countermeasures to face the pandemic and safeguard the economy to forestall a lasting economic fallout and scarring effects on livelihoods. However, amidst of all above Sri Lanka's macroeconomic performance has shown an increase in 2021. Sri Lanka's real GDP growth during 2021 to 3.7 percent, from the negative growth of 3.6 percent recorded in 2020.

Activity-wise Contribution to GDP Growth



The Central Bank, which continued to provide unprecedented monetary stimulus since the onset of the pandemic to support economic activity and the government cash flow, commenced tightening its monetary policy stance since August 2021 with the aim of preempting the build-up of excessive inflationary pressures beyond desired levels in the economy and addressing imbalances in the external sector and financial markets.

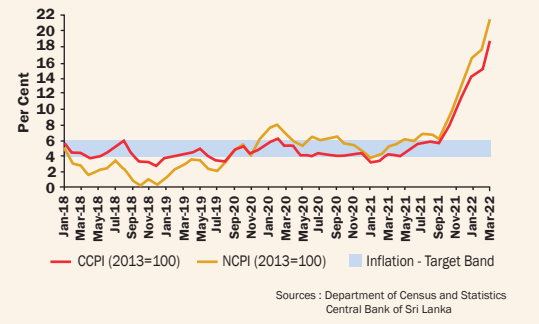
Standing Rate Corridor and Selected Market Interest Rates



Headline inflation accelerated in 2021 driven mainly by global and domestic supply side disturbances, the surge in global commodity prices, upward revisions to administered prices, while also reflecting gradually firmed up demand pressures amidst increased disposable incomes.

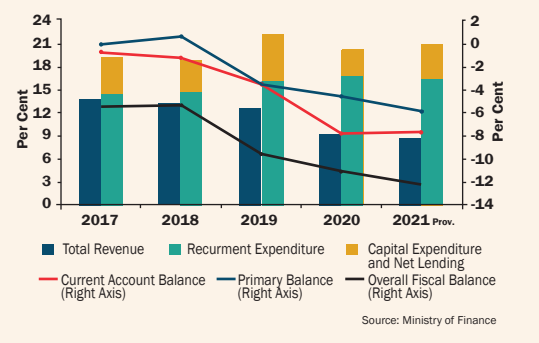
Yields on government securities, which declined notably during 2020, recorded a significant increase during 2021 in view of the increased borrowing requirement of the Government, amidst the change in the monetary policy stance and the removal of maximum yield rates for acceptance at primary auctions of government securities.

Headline Inflation (Year-on-Year)

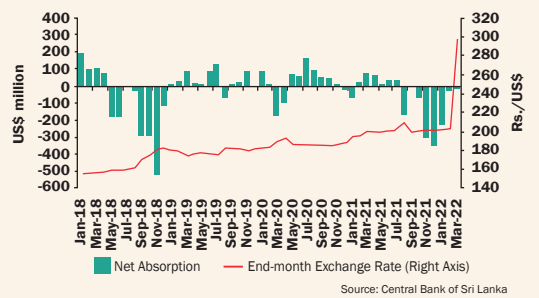


Sri Lanka's external sector continues to face numerous challenges, including a sharp widening of the current account deficit, limited inflows to the financial account, depletion of gross official reserves (GOR) as a result of large debt servicing requirements and significant depreciation of the Sri Lanka rupee. The Central Bank allowed flexibility in the exchange rate, yet intending to keep the rate of depreciation at a certain level.

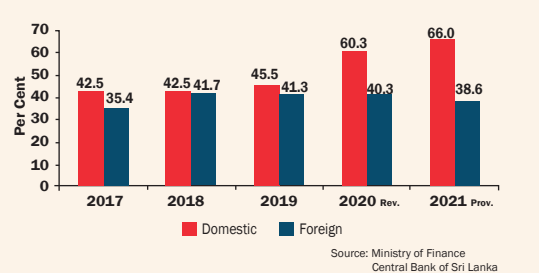
Summary of Fiscal Sector Performance (as a percentage of GDP)



Exchange Rate and Central Bank Intervention in the Domestic Foreign Exchange Market



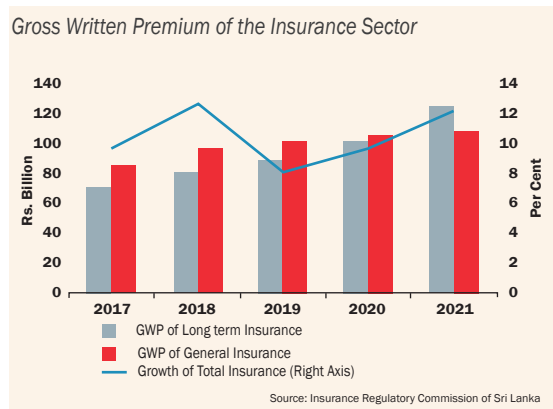
Outstanding Central Government Debt (as a percentage of GDP)



## OUR INDUSTRY

The insurance sector reported a modest growth in its asset base in 2021. The total assets of the insurance sector grew by 11.4 percent by end 2021 on a year-on-year basis and reached Rs. 879.8 billion. The asset base of the general insurance subsector increased by 9.2 percent and reached Rs. 246.8 billion at end 2021. The share of general insurance subsector assets over total assets declined to 28.1 percent by end 2021 from 28.6 percent recorded at end 2020.

Gross written premium of the insurance sector grew by 12.2 percent to Rs. 233.8 billion at end 2021 from Rs. 208.2 billion at end 2020. Gross written premium of the general insurance subsector increased by 3.6 percent during the period under consideration. The general insurance subsector mainly focused on motor insurance and represented 55.9 percent share of general insurance at end 2021. The gross written premium of the motor insurance subsector decreased marginally by 0.3 percent at end 2021.



Profitability of the insurance sector decreased during 2021, reporting a decrease of 4.9 percent in profits before tax. Profits before tax of the general insurance subsector profits before tax reported a decrease of 20.7 percent during 2021 due to increased claims in 2021. Meanwhile, the underwriting profits of the sector also decreased by 22.1 percent at end 2021.

Claims from the insurance sector increased by 17.8 percent and recorded Rs. 94.7 billion at end 2021. Claims of general insurance subsectors increased by 13.8 percent at end 2021.

Return on Asset (ROA) and Return on Equity (ROE) of the general insurance subsector declined during the year under review compared to 2020. ROA of the general insurance subsector decreased to 7.8 percent by end 2021, whereas the ROE of the general insurance subsector declined to 15.5 percent by end 2021 from 22.7 percent recorded at end 2020.

Capital to total assets of the general insurance subsector increased to 50.4 percent by end 2021 from 48.3 percent reported at end 2020.

The investments made by the insurance sector continued to be highly concentrated on government securities. The share of general insurance subsector assets on government securities increased to 45.7 percent at end 2021 compared to 40.7 percent at end 2020. However, the share of investments on equity of the general insurance subsector increased to 8 percent at end 2021 from 7.6 percent at end 2020.

### Performance of the Insurance Sector

ITEM	Rs. Billion	
	2020 (a)	2021 (b)
<b>Total Assets</b>	<b>789.7</b>	<b>879.8</b>
<b>Government Securities</b>	<b>309.3</b>	<b>337.1</b>
<b>Equities</b>	<b>44.8</b>	<b>53.8</b>
<b>Cash &amp; Deposits</b>	<b>1176.3</b>	<b>132.5</b>
<b>Gross Premium</b>	<b>208.2</b>	<b>233.8</b>
<b>Total Income</b>	<b>264.3</b>	<b>298.6</b>
<b>Premium Income</b>	<b>208.2</b>	<b>233.8</b>
<b>Investment Income</b>	<b>56.1</b>	<b>64.9</b>
<b>Profit Before Tax</b>	<b>40.4</b>	<b>38.4</b>
<b>Capital Adequacy Ratio (%)</b>		
- Long-term Insurance	<b>352.0</b>	<b>384.0</b>
- General Insurance	<b>272.0</b>	<b>224.0</b>
<b>Retention Ratio (%)</b>		
- Long-term Insurance	<b>95.4</b>	<b>96.0</b>
- General Insurance	<b>82.4</b>	<b>76.2</b>
<b>Claims Ratio (%)</b>		
- Long-term Insurance	<b>38.6</b>	<b>38.7</b>
- General Insurance	<b>49.2</b>	<b>55.8</b>
<b>Combined Operating Ratio (%)</b>		
- Long-term Insurance	<b>82.7</b>	<b>81.2</b>
- General Insurance	<b>88.6</b>	<b>94.9</b>
<b>Return on Assets (ROA) (%)</b>		
- Long-term Insurance	<b>3.3</b>	<b>3.4</b>
- General Insurance	<b>10.7</b>	<b>7.8</b>
<b>Return on Equity (ROA) (%)</b>		
- Long-term Insurance	<b>14.5</b>	<b>15.7</b>
- General Insurance	<b>22.7</b>	<b>15.5</b>
<b>Underwriting Ratio (%)</b>		
- General Insurance	<b>32.6</b>	<b>25.3</b>

(a) Revised

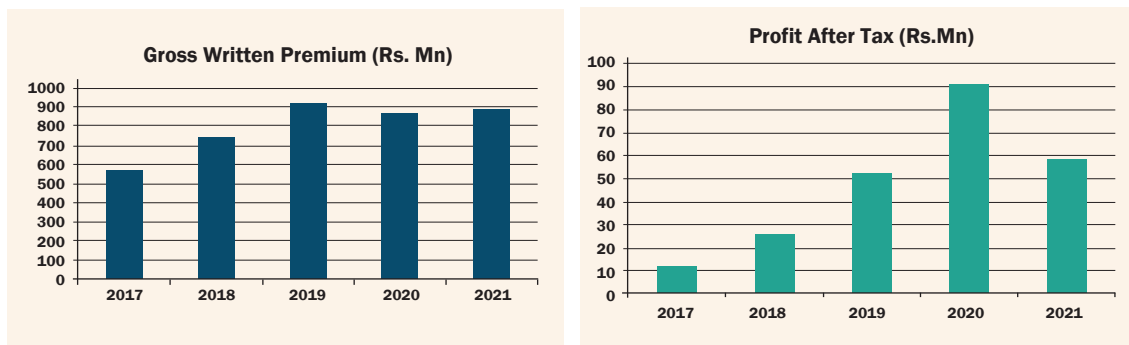
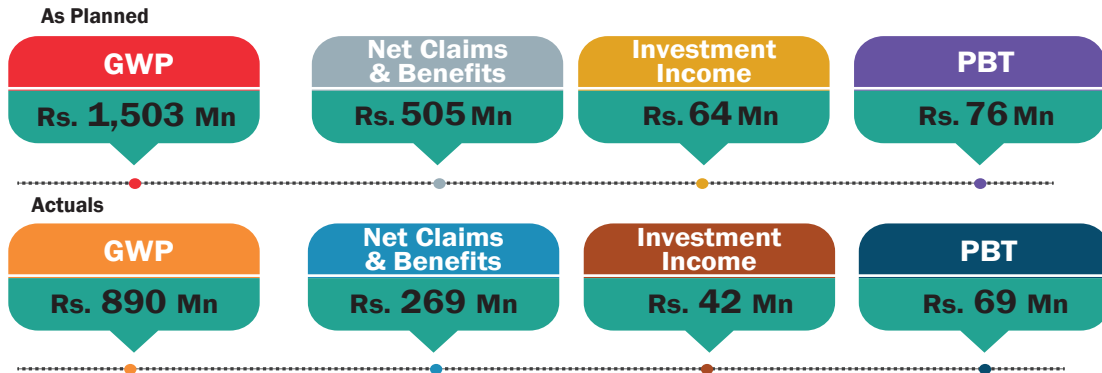
(b) Provisional

Source: Insurance Regulatory Commission of Sri Lanka

\* Information excluding the National Insurance Trust Fund

## FINANCIAL CAPITAL

Managing financial resources effectively is imperative to improving growth, profitability and efficiencies within the Group. During the year, SGIC focused on a strategy of innovation, digitization and cost management enabling the Group to deliver long-term value to our stakeholders. Our financial position remained strong while our performance was resilient despite external market adversities.

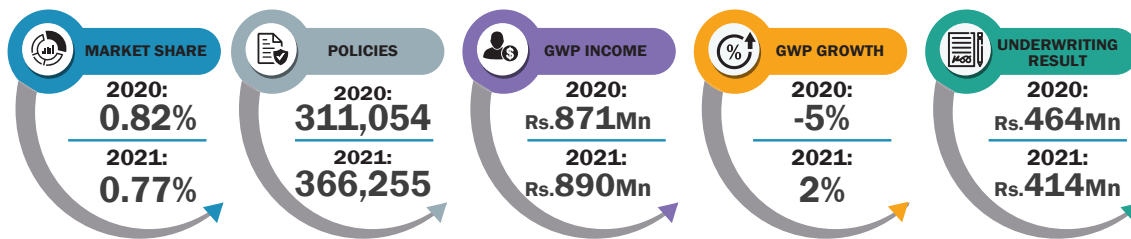


### Performance During the Year

#### Policies & Gross Written Premium (GWP)

Managing financial resources effectively is imperative to improving growth, profitability and efficiencies within the Group. During the year, SGIC focused on a strategy of innovation, digitization and cost management enabling the Group to deliver long-term value to our stakeholders. Our financial position remained strong while our performance was resilient despite external market adversities.

#### KEY INDICATORS



In an intensely competitive backdrop, our company portfolio gained 191,403 new policies along with 174,852 renewals, taking the total portfolio to 366,255 policies in the year under review. The company recorded a GWP of Rs. 890 Million compared to Rs. 871 Million in 2020. This was a 2% growth, as opposed to the negative growth of 5% shown in 2020. The company was pursuing greater growth in 2021, however the developments in macroeconomic environmental factors compelled the Group to revise the targets for the year. The predicted drop in GWP growth was compensated through changes to strategy and short-term plans to sustain the value created to our Shareholders. The growth was driven by the 180% increase in GWP from the Non-Motor segment during the year while the Motor segment declined by 21%.

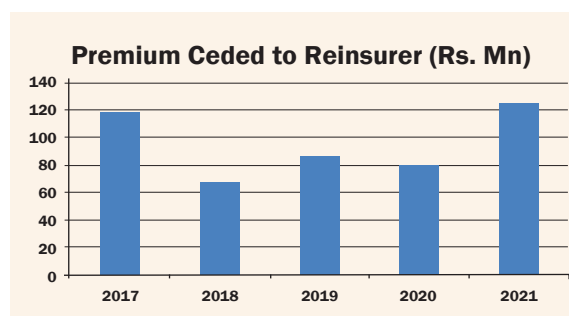
The underwriting result remained positive, declined by 11 percent to Rs. 414 million in the year under review.

Please refer the table below for more information.

	2021 Rs. Mn	2020 Rs. Mn	Growth	Contribution
Motor	609	771	- 21%	68%
Fire and Engineering	20	19	6%	2%
Miscellaneous	261	82	220%	29%
<b>Total</b>	<b>890</b>	<b>871</b>	<b>2%</b>	<b>100%</b>

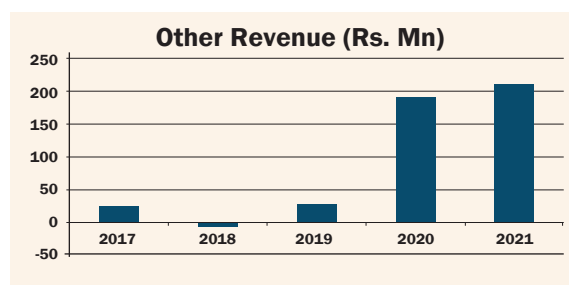
### Premium Ceded to Reinsurers (RI)

Premium ceded to Reinsurers increased by 56% recording a value of Rs. 124 Million compared to Rs. 80 Million in 2020. The Reinsurance Expense/GWP ratio came to 14% (2020: 9%).



### Other Revenue

Other revenue which comprises Investment and Other Income of the company grew by 9% to Rs. 211 Million compared to Rs.194 Million in 2020. Investment Income slim down by 20%, mainly driven by the market value changes in the share market transactions. Despite the decrease in investment income, Gain obtained from Share market trading increased by 8738%. Fee and commission income grew by 19% mainly contributed by Policy Fees.



### Net Benefits, Claims, and Expenses indicated negative growth

Affected by the volatility in the external environment Continuous monitoring, forecasting and implementation of corrective action enabled the company to maintain NCE growth lower than the growth of Net Income. Yet again macroeconomic factors had a significant impact on this category.

### Net Benefits & claims

During 2021, the Net Claims and Benefits incurred declined by 14% to a value of Rs. 270 Million against the Rs. 312 Million reported the previous year. The decline was mainly driven by the reduction in the Claims Expense. This reduction was mainly driven by the 37% decrease in the claims cost of the Motor insurance class, the largest contributor of Claims. SGIC continued to maintain internal pricing guidelines to manage claims at a desirable level. In addition, restrictions imposed by the Government on movements and nationwide lock-downs reduced road accidents, which influenced the decrease of total claims.

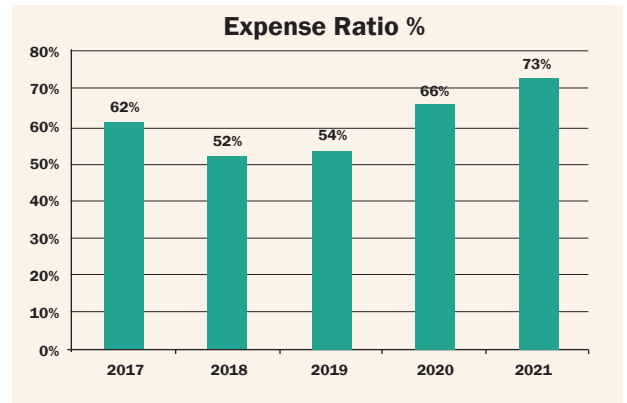
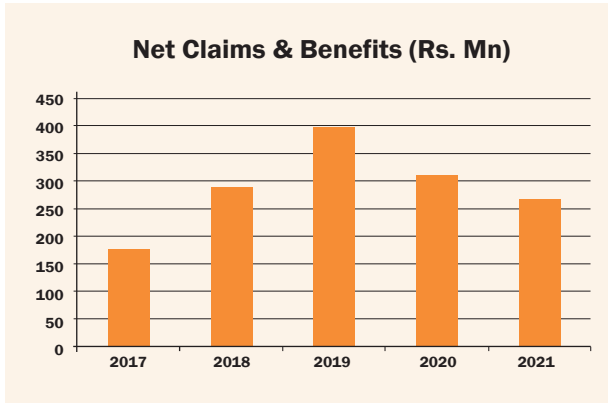
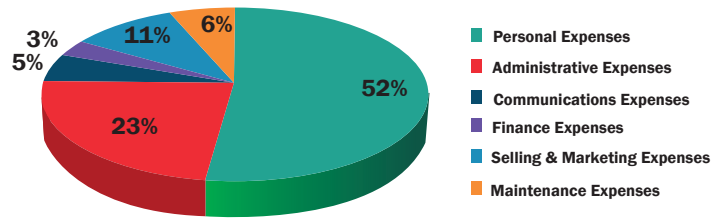
	2021	2020
<b>Motor Claims Ratio</b>	<b>32%</b>	<b>35%</b>
<b>Non-Motor Claims Ratio</b>	<b>48%</b>	<b>55%</b>
<b>Claim Ratio</b>	<b>36%</b>	<b>36%</b>

### Total Expenses

Total Expenses of the company represented by Personnel, Administration, Marketing, Finance and Other Insurance Related Costs increased marginally by 6% during the year recording Rs. 556 Million compared to Rs. 522 Million in 2020.

Fixed Administration Expenses including Staff Expenses increased by 15%. One reason being the company's stand on honoring commitments to staff as we believe in investing in people.

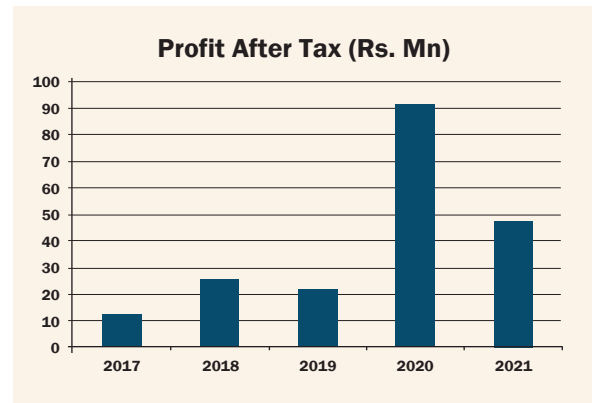
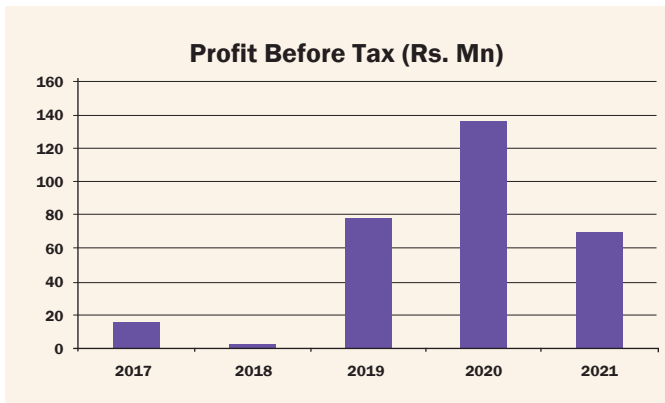
### Expenses Contribution Ratio



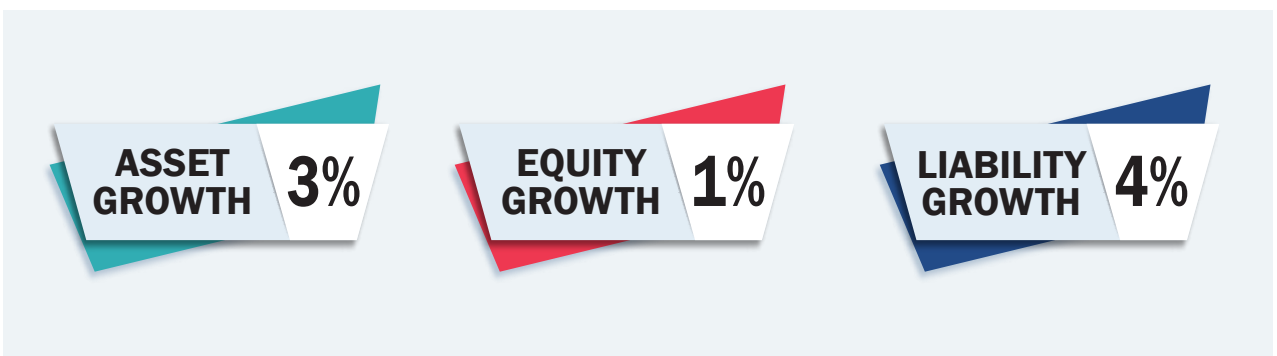
### Profit for the Period

Amidst all challenges, the Group managed to achieve the profit for the year 2021 by recording a Profit Before Tax (PBT) of Rs. 69 Million compared to Rs. 136 Million recorded in 2020.

The Company recorded a Profit After Tax of Rs. 47 Million compared to Rs. 91 Million in 2020 marking a dip of 47%. Restrictions imposed due to COVID-19 and decreased interest rates are the primary reason for the drop in profitability.



### Financial Position of the Group





## Financial Position – Assets

### Strong assets base demonstrates stability

Total Assets of the Company increased by 3% during the year reaching a value of Rs. 1.33 Billion compared to Rs. 1.30 Billion in 2020. Financial Investments accounted to 59% of the Total Asset base of the Company and amounted to Rs. 785 Million.

### Financial Investments

Financial Investments comprising of Loans and Receivables and Fair Value Through Profit and Loss instruments increased by 2% in 2021 recording a value of Rs. 785 Million compared to Rs. 771 Million in 2020. The growth in Financial Assets were mainly driven by the increase in investments in equity share in CSE.

### Loans and Receivables

Loans and Receivables of the company mark a dip by 1% to Rs. 669 Million from Rs. 677 Million in 2020. Investments made in Debentures were increased during the year and Repos, Term Deposits were declined due to the lower interest rates offered in the market.

### Fair Value Through Profit and Loss

Investments made in this category consist of Investments made in Equity shares grew by 22% during the year reaching Rs. 116 Million compared to Rs. 94 Million in 2020.

## Composition of Financial Investments



### Other Assets

Property, Plant and Equipment (PPE), Investment Property (IP), Right of Use Asset, Premium Receivables, Reinsurance Receivables, and Cash and cash equivalents are the key contributors to our asset base other than Financial Investments. Premium Receivables increased by 9% to Rs. 151 Million while Reinsurance Receivables grew by 76% to Rs. 37 Million. Gain on IP valuation of Rs 9.5 Mn has led the IP value to increase by 15%.

## Financial Position – Equity and Liabilities (E&L)

### Equity Attributable to Shareholders

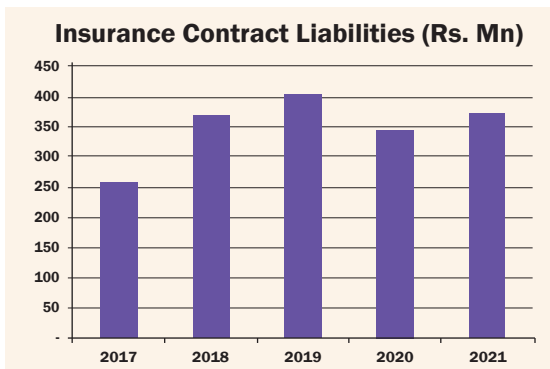
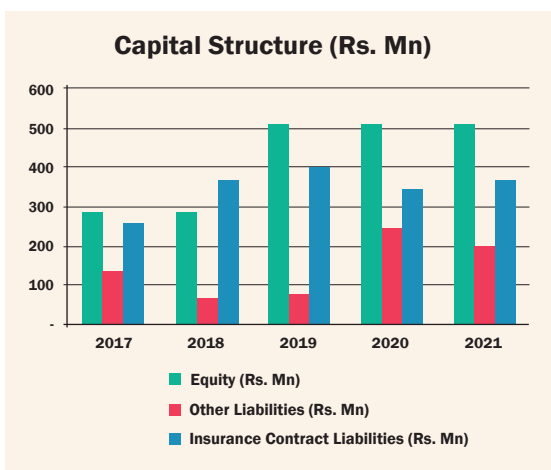
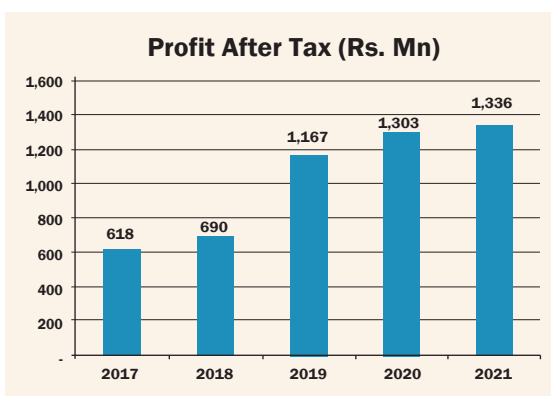
Shareholder Equity grew by 1% reaching Rs. 740 Million against Rs. 732 Million recorded previous year. Demonstrating sustainable utilization of Shareholder Equity to generate return, Company Return on Equity was maintained at 8%, despite the unprecedented market conditions.

### Liabilities

Total Liabilities of the Group increased by 4% reaching a value of Rs. 595 Million in 2021 compared to Rs. 570 Million recorded previous year. The increase was mainly driven by the 249% increase in Reinsurance payable.

### Insurance Contract Liabilities

Insurance Contract Liabilities comprise Claims Outstanding Reserve, Unearned Premium (UEP), Incurred But Not Reported Reserve (IBNR) and Incurred But Not Enough Reported Reserve (IBNER). An increase of 8% in Contract Liabilities was witnessed in 2021 which recorded a value of Rs. 372 Million compared to Rs. 346 Million in previous year. Our ability to meet Policyholder obligations are yet again proven with the sufficiency in maintaining reserves. The valuation report of the consultant actuary Mr. Mathew Tiong of NMG Consulting can be read on page 190.



### Liquidity Position

The unprecedented effects of COVID-19 reiterated that cash is king. Cash and liquidity position was trust in to spotlight with the sudden restriction on generating business during the nation-wide lock-down. The inflows of the company experienced pressure as corporate and individual customers sought to reduce their expenditure, cutting down on all but the essential costs, and relief given to Policyholders as per regulatory direction resulted in pressure on Premiums. Fixed cash outflows such as payroll costs, rent and utilities, etc. and claims and benefits for customers needed to be incurred and immediate attention was given to scrutinize our cash management strategies. Cashflow forecasting, cost optimization, expense management strategies and the lower claims experience aided the company in a smooth to tide over. With the guidance of the Board of Directors, the company successfully honoured all commitments to customers, employees and suppliers on time and continued to meet profitability targets for the year.

### Financial Strength

The industry experienced a greater scrutiny by the regulator with the effects of the pandemic starting to impact insurers. In addition to the directions on Policyholder reliefs and other restrictions, all insurance companies were required to report their Solvency positions and Approved Asset positions on a monthly basis. SGIC met the stipulated standards throughout the year.

### Solvency Margin & Approved Assets

SGIC comfortably met the requirements of Section 25 of Insurance Regulatory Act, No. 43 of 2000, of maintaining Approved Assets are equivalent to 100% of Technical Reserve. Reported Solvency Margins were well above the regulatory requirement of 120%. The Solvency and Approved Asset position were reported according to the Determination 1 issued by the IRCSL.

The Company was able to maintain a healthy Capital Adequacy Ratio (CAR) and Total Available Capital (TAC) well above the regulatory requirement throughout the year. While the downward movement in risk-free rates had a positive impact on the CAR due to the nature of our policy portfolio, the growth in business, profitability and prudent investment management strategies also supported our strong solvency position.

### Value Created to Shareholders

SGIC continued to deliver value to shareholders regardless of the challenges thrown its way by numerous and unprecedented external factors during 2021.

<b>SOLVENCY</b>	<b>2021</b>	<b>2020</b>
<b>Total Available Capital (TAC) (Rs. Mn)</b>	<b>598,080</b>	<b>628,444</b>
<b>Formula Risk-based Capital Required (RCR) (Rs. Mn)</b>	<b>232,577</b>	<b>247,000</b>
<b>Risk-based Capital Adequacy Ratio (CAR)</b>	<b>257%</b>	<b>254%</b>

## MANUFACTURED CAPITAL

Manufactured capitals refer to material goods and instructor owned leased or controlled by an organization that contribute to production or service provision.

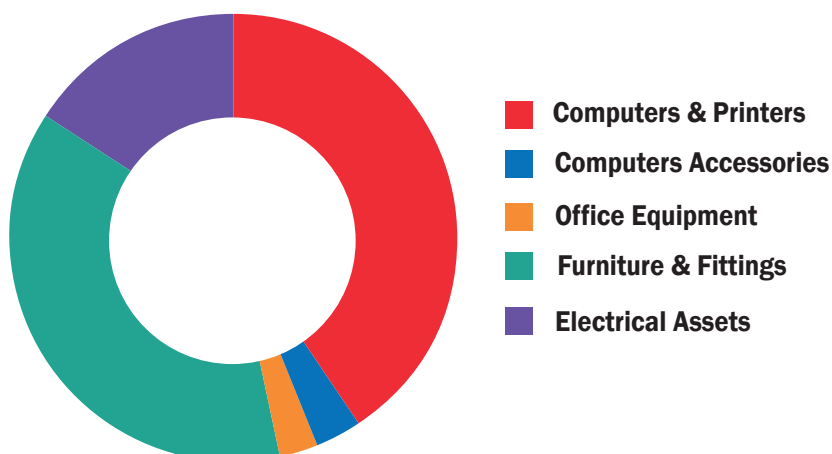


### Nurturing Manufactured capital

As an insurance company, we have calculated nurturing capital investment in computers, printers, computer accessories, office equipment, furniture and fittings and electrical assets during the year ended 2021. Manufactured capital of the company amounted to Rs. 84.8 Mn of which (2020 - Rs. 68.1 Mn) was owned by the company. The company invested Rs. 34 Mn as capital expenditure in 2021 ( 2020 Rs. 20 Mn)

Usually, we used leased premises for head office and branch network which is reflected in our statement of financial position as a right of use assets. The company makes decisions for capital investment very carefully according to the evaluations includes forecasting the return on investment. With the pandemic situation of the year, we didn't open new branch during the year.

Composition of the property plant and equipment (PPE) distributed as per the below graphs as at 31-12-2021.



Computers & Printers	Computer Accessories	Office Equipment	Furniture & Fittings	Electrical Assets
26.18 Mn	2.02 Mn	1.80 Mn	24.05 Mn	10.08 Mn

## Faced to the pandemic

As a service-providing company staff we have engaged our underwriting with work from home theory and facilitated all accessories to their residents to deliver good service to the customers. According to the company service has given to the customers effectively as we worked throughout the lock down periods. The telemarketing team addresses for renewal policies of the claim tail. The information technology team implemented cloud strategy to protect the data of the company remote working process.

## New Implementations in 2021



**Strengthening Cyber security**



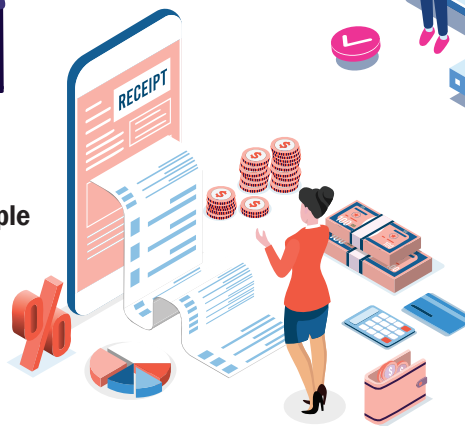
**Moving to cloud strategy**



**Online training for All staff**



**Controlling salespeople Via mobile devices**

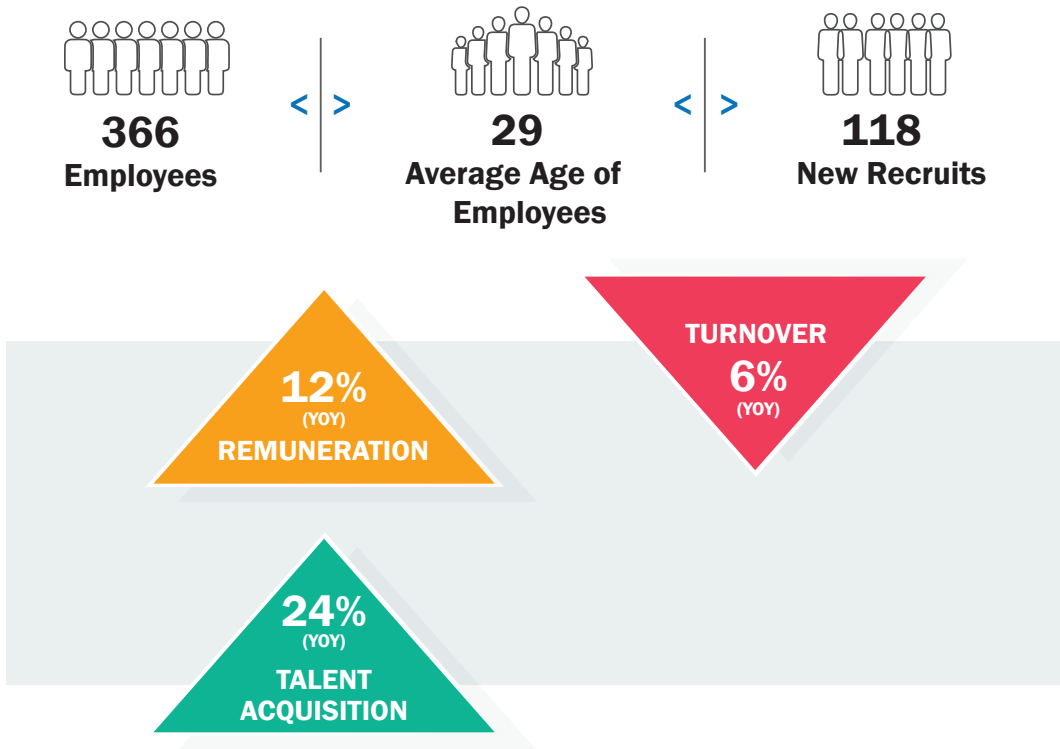


## Way forward

### Goals for 2022

- Network expansion as locating new branches in 54 New potential areas.
- Continue investments in information technology to speed up the system and with new developments.
- Invest for new recruitment to take in to new block to the company to grow up GWP.

## HUMAN CAPITAL

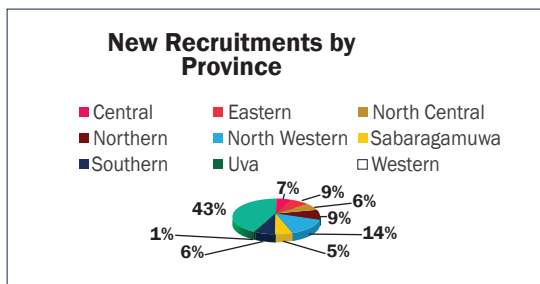
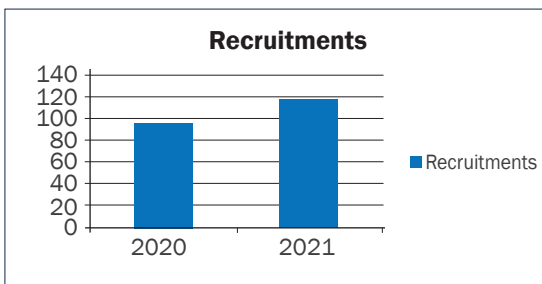
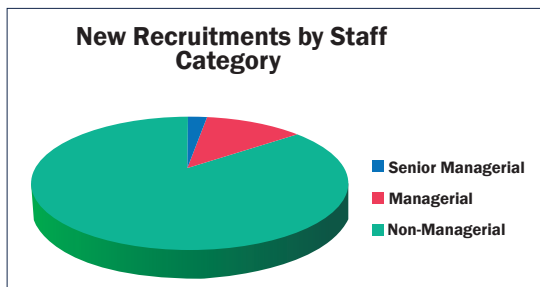
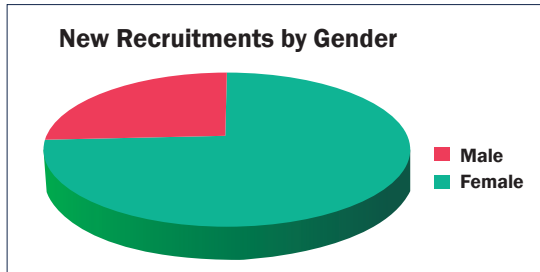


### TALENT ACQUISITION

Our recruitment process consists of a series of screenings & interviews to ensure a transparency & efficiency of the process.

Opportunities are offered to the employees in order to support their career progression within the company. External recruitment is done when the expected competencies are not identified internally or in the instance where new blood is required.

During the year 2021, 118 new employees were added to the existing cadre, with the availability of experienced talent in the market made available due to the pandemic.

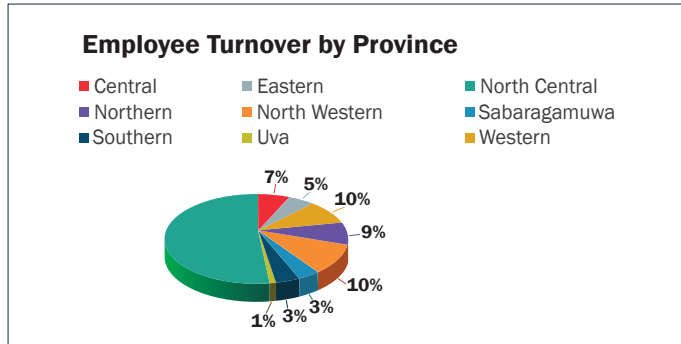
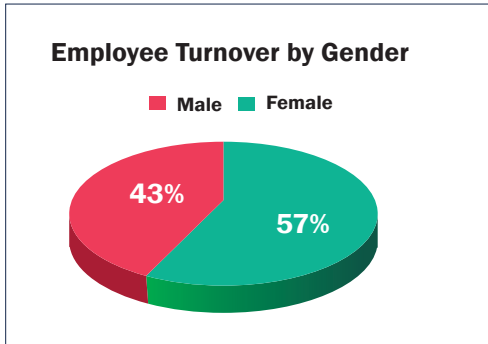


## GRIEVANCE HANDLING

In maintaining an Open Door Policy, employees are encouraged to raise their concerns/issues related to their Jobs with their Superiors & the Head of Human Resources who are responsible in resolving arising issues. In appropriate situations unresolvable issues are escalated to the Corporate Management when required. A formal grievance management protocol is in operation which enables us to manage/handle all complaints in a proper manner in giving a fair & just solution to the issue arisen.

## RETENTION

We have been able to main an attrition rate of 24.08%,



## EMPLOYEE ENGAGEMENT

**With over 300 employees Sanasa General Insurance remains fully committed with employees in a fair and transparent manner.**

### Employee Rewards & Benefits

Our Rewards & Benefits scheme consists of fixed pay, variable pay and benefits. Fixed pay includes basic salary, allowances and all statutory contributions whilst variable pay consists of both monetary and non-monetary benefits which includes.

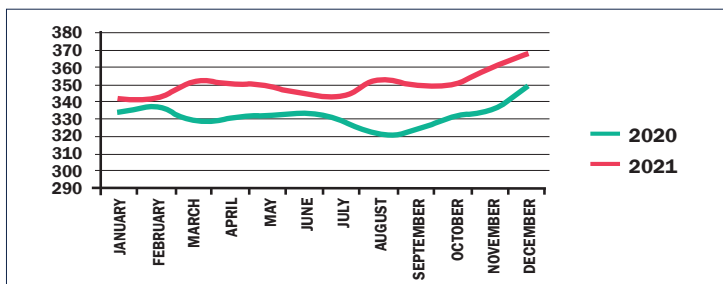
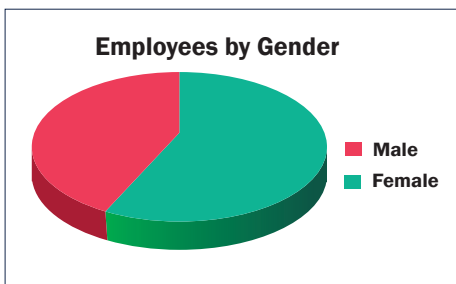
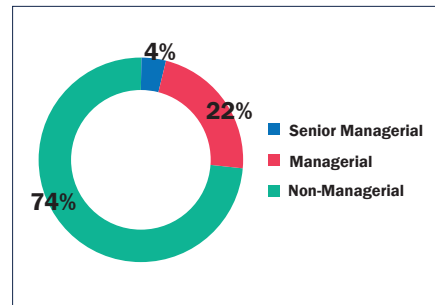
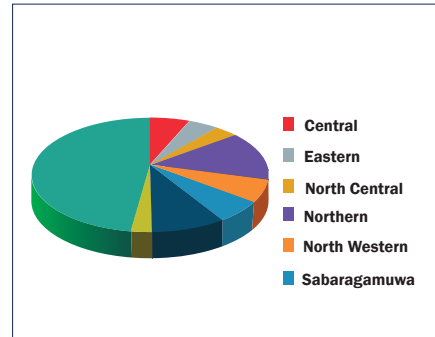
- Incentives
- Education Loans
- Donations on death of employees and their immediate family members Welfare events
- Foreign Tours (Training & Leisure)
- Medical Covers for Employees, Spouse & Children below 18 years of age
- Course fee reimbursements (Academic/Professional)
- Staff Loans
- Housing Loan Interest Reimbursements

### Employee Health & Safety

The COVID19 Pandemic highlighted the importance of health & safety practices. An emergency response team was appointed to update the effects of the pandemic on the staff and the overall business operation.

#### Measures taken to mitigate/minimize the risks of the pandemic are given below

- Adherence to Health Guidelines imposed by the Government
- Allowing Staff members to work from home & equipping them with the required infrastructure
- Disinfection of Head Office/Branch Premises
- Including COVID19 Cover for all staff members, spouse & their children below 18 years
- Maintaining a COVID Intermediate Care Center to treat employees/family members who were infected





## INTELLECTUAL CAPITAL

Our intangible assets, which include our governance structure, organizational culture, systems and procedures, tacit knowledge of our team, brand and reputation enable us to create value in a seamless manner. They combine to make us distinctive and distinguish us from other companies in the sector.

### As Planned

- Disburse 90% of claims within one working day based on on-line document process.
- Introduce payment portal to pay the premiums via company web site for customer convenience.
- Implement a complaint management model for the ease of internal users.

### Recalibrated

- Consider the practical vulnerabilities in related to IT and cyber security in proposed system developments
- Develop and implement of digital platforms with virtualization.
- Strengthen the mobility platforms.

### Digitalization the process

- Digitalization of processing related to third party policies via web portal.
- Integration of payment gateway over web site with the core application to facilitate the digital customer experience
- Improve turnaround times of business processes to enhance efficiency levels
- Enhance market intelligence through extensive use of data and continue to invest on digitalization in long term.

Intellectual capital can define on **six pillars** as depicted below and we continuously work towards improving each pillar on a year on year basis to enhance our intellectual capital.

#### 01 Pillar

### Governance and Culture

The Board establishes a governance structure, methods, and procedures that enable long-term development, performance, and accountability. Expected standards of behavior are plainly stated in our corporate principles and our Code of Ethics. Further corporate strategic communications and performance assessment systems create explicit goals and targets for a balanced performance that considers financial, social, and governance concerns. Performance management is linked to both personal and organizational goals, influencing attitudes and behaviors and, in the end, imposing the desired culture. Even in unusual times, this performance-driven culture has enabled us to meet our established goals and targets.

Transparency and inclusion at all levels are ensured by the open-door policy, which leads to innovation. External assessment of our workplace via a survey is critical to ensure that our culture adapts to changing social expectations and dynamics.

#### 02 Pillar

### Tacit Knowledge

Because the insurance sector is highly specialized and regulated, our team's tacit knowledge is a huge competitive advantage.

Experts in insurance and supporting services are in great demand and we are fortunate to have a staff that is well-respected in the industry. Our Board of Directors is made up of highly talented and experienced individuals representing multiple disciplines and our energetic workforce has vast industry expertise and is well-trained.

Furthermore, we are delighted to state that, despite being a comparatively new organization, we have a large reservoir of tacit knowledge.

In the organization wise, a significantly higher number of our employees have worked for the company for more than 10 years. They offer value to our company by virtue of their years of expertise and knowledge.

Another area in which our tacit knowledge accumulated over the years is evident in our competent product development team, which is made up of senior members of the Operations, Actuarial, Finance, IT, Marketing, and Sales departments. With the help of this team's specialized knowledge, we were able to launch ground-breaking goods to the market throughout the year.

The company has invested in the growth of its employees over the years, and information sharing with coworkers following training sessions has been ingrained in our culture. We've gone a step further in consolidating the information that's been passed down by creating and implementing procedure guides for all essential company operations.

#### 03 Pillar

### Systems and Processes

Data analytics and digitization were critical in guaranteeing company continuity throughout the year. During the year, we intensified our ambitions to digitize business operations in order to meet mobility limits induced by the requirement for social distancing. To guarantee employee safety, telecommuting and remote working were enabled, as well as supporting infrastructure. To support the new changes, we have enhanced IT with taking appropriate counter measure on cyber security, by revising IT policies. Internally and in partnership with industry experts, system security assessments were undertaken to identify vulnerabilities and adopt proactive actions to close gaps and mitigate threats.

During the year, we also invested in and began implementing a new General Insurance Core System, modernized open source software platform which integrate Cloud Technology, and enhanced processes to support the work-from-home concept.

#### 04 Pillar

### Operational Excellence

Throughout the year, a constant focus on improving operational efficiency led to more process optimization. The pandemic has expedited the digitization of company operations, which has benefited both workflow efficiency and cash flow. Throughout the year, the processing of our frequently moving insurance solutions was digitally enhanced as part of our strategical plan. The new on-line web portal is being developed & incorporated into the core

Catering to consumers' changing insurance demands is critical to gaining a competitive advantage in the industry.

Our product options have been allowing us to successfully compete with large market competitors while catering to all consumer categories. The positive feedback we've had from consumers is a testament to our forward-thinking product development.

Furthermore, numerous significant digital involvements being tested & some of them were introduced this year demonstrate our organizational culture of supporting internal innovation. Advisor communication and performance monitoring were improved, and we are in the process of implementing client mobile application, putting the company one more step closer to digitalization.

#### 05 Pillar

##### **A Trusted Brand**

Our brand "SANASA" is founded on the trust and stability of our major stakeholders. As we aim to guarantee that stakeholders have great experiences in a symbiotic connection, the Group's culture adds luster to the brand.

Promotional programs are done on both conventional and digital channels to promote our products and raise consumer awareness, as well as increase our exposure, which helps with brand identification and recall. To improve the customer experience and boost brand reputation, we also built a Customer Relationship Management model.

Our parent company, SANASA LIFE INSURANCE PLC, is pioneered as fastest growing life insurance company in the Sri Lankan insurance market enhances our brand by bringing to the SANASA Group with decades of expertise and stability in the financial & insurance services sector.

As we establish a culture of risk awareness and cultivate a sense of pride and belonging to the organization, everyone at SANASA GENERAL INSURANCE is aggressively guarding their reputation. We are acutely aware of the confidence placed in us by our stakeholders and we work hard to keep our express and implicit commitments.

#### 06 Pillar

##### **Synergies in a Group**

By using the "SANASA" strong brand presence and island-wide branch network, we aspire to use the power of our parent SANASA LIFE INSURANCE PLC. We have access to our parent's wide client base through our network of agents in rural & regional offices, and captive business from the Group accounted was remarkable in our last year GWP. The reputation of "SANASA" as one of the largest, most stable, and the technologically sophisticated head office along with the branches have earned us the trust of our customers and other stakeholders.

## SOCIAL AND RELATIONSHIP CAPITAL



Donation of beds, mattresses and bed sheets for the monks residing at Thalawa Sri Gnanodaya Vihara.



Donation of safety masks to the Colombo office of the Department of Public Health.



Donation of safety face masks and water bottles to the Sri Lanka Police and Colombo Municipal Council cleaning staff.



Donation of Oxygen Carrying Equipment to Kalubowila Teaching Hospital



Annual Nelum mal poojawa was held in Anuradhapura to invoke blessings to the SANASA Movement and Sri Lankans

At SGIC, our success is determined to a large extent by our relationships with external stakeholders who include customers, value chain partners, regulators and the communities we operate in. Structured relationship management with these key groups of stakeholders facilitates long-term value creation for stakeholders and the Group, strengthening relationships which drive mutual growth.

Recognizing Our Duty towards the Community We at SGIC acknowledge that our activities can generate immense value for the community within which we operate, whether in assisting those in need, encouraging generous activities or enhancing awareness regarding socially important topics. Hence, throughout our journey, we have been unceasingly committed towards such endeavors, which have in turn enabled us to reach the very pulse of the people. The treasured relationships thus built, form the basis of the mutual association between us and the diverse segments of the society. We recognize this association as the key factor underlying our success - for the community has directed us towards our great performance levels, while blessing us with their utmost respect. Thus, we take great pride in calling ourselves a responsible corporate entity; we are proud, because this is not merely a tagline used for our fame, but rather a result of our reports to serve our community, our people, in whatever way possible.



## Our Strategy towards the Community

Our strategy with regard to the community is simple: make use of every opportunity to 'do well' – and hence, we are constantly on the lookout for where our support is needed. Although our core business model revolves around the delivery of insurance services, we in no way consider our responsibility towards the community as an ancillary component of our business. Through our experiences, we have come to realize that promoting the wellbeing of our community translates itself to an enhancement of our own business model, for our community forms the social capital of our business – the social license under which we operate. Hence, we endeavor to continuously enhance the value generated through social capital, for us, the Company, as well as the community, our counterpart, and our performance in this regards.

Sanasa General has gained respect over the years for being a socially responsible corporate citizen, closely partnering the people of Sri Lanka towards common progress. We are unwavering and passionate about lending a helping hand to the community within which we operate, which has contributed tremendously to make us who we are today. We have demonstrated our strong commitment towards society through our efforts to meaningfully enrich lives and meet the needs of the society. We attempt to fulfil our responsibility and duty towards society by means of community investment projects and sponsorships. We proudly say that our Company has built a trusting and steadfast relationship with all communities over the years. While our core business of insurance is in itself a responsibility towards society, we have also made signify contributions to a variety of segments in society.



## NATURAL CAPITAL

As a responsible corporate citizen we are concerned and increasingly looked at prioritizing environmental responsibility in our operational strategy. We have implemented **3R PRINCIPLES** to Reduce, Reuse and Recycle wherever possible and practical.

### Strategic focus:



**WASTE  
MANAGEMENT**



**ENERGY USE**



**GREEN-HOUSE  
GAS EMISSIONS**



**COMPLIANCE**

### Waste Management



#### Less paper workplace

As an insurance service provider, we use paper extensively in the workplace. Striving to minimize our paper usage and move towards a 'less paper' operation, we follow the '3R' concept, seeking to bring in measures to – 'reduce, reuse and recycle', paper. Support we get from our employees in this regard is noteworthy.

We continue with the process of automating our operations, in facilitating a 'paper less', office environment. In this process we use email along with other online options through the intranet and the official website. Processing of policies and claims takes place in the IT system Marketing activities and training progressively happening on line.

The collection and storage and sending for recycling is done systematically.



#### E-waste

Well aware of the environmental hazards, we are careful and conscious of disposing electronic waste (e-waste) responsibly. E-waste disposed through a buyer who is supposed to pass them to an e-waste exporting organization that certifies the recycling process.

### Energy usage

Considering both economic and environmental aspects, we are conscious in controlling our energy consumption. We are proactive in our efforts to conserve energy efficiently in our day to day operations. In the reporting year, we continued to follow sound energy practices across the organization, including controlling our electricity consumption and investing in automation of operational processes. We also introduced a new insurance solution to cover the solar panels.





# GOVERNANCE

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# CORPORATE GOVERNANCE

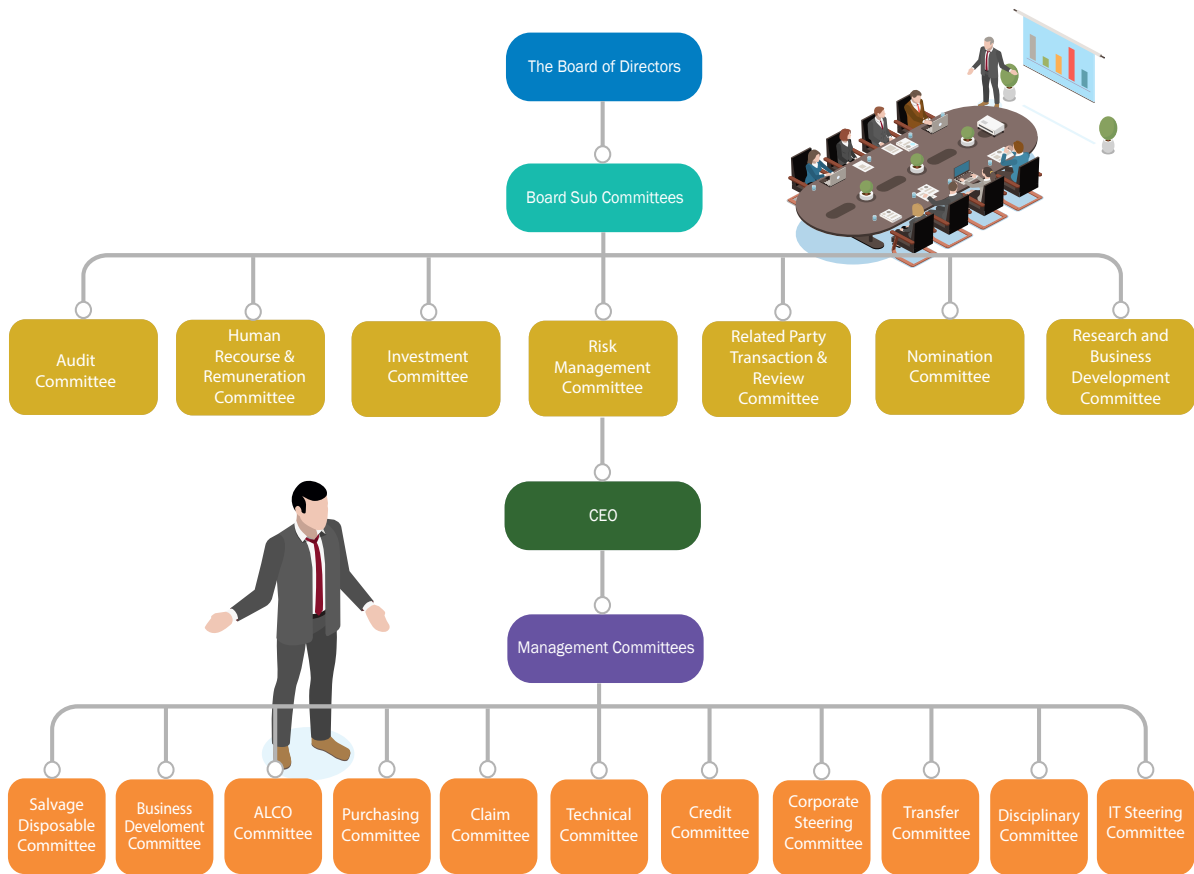
Corporate governance plays a significant role in any business determining and guiding on how corporate goals and objectives can be accomplished without compromising ethical business practices whilst adding value in the long term to all stakeholders. Following good governance is paramount in today's weak and lax business environment. Successful companies demonstrate highly developed structures and processes that have established strong risk management practices through enhanced accountability and transparency. A well governed company promotes development of the community and the economy of a country, thereby ensuring good relations between the company, its shareholders, employees, community and all other stakeholders.

The scope of the micro insurance model adopted by Sanasa General Insurance Company (SGIC) is not limited to commercial viability but focuses on socio-economic development of the grass root communities in Sri Lanka. The responsibility that lies in supporting the rural masses to manage their day to day risks necessitates the Company to uphold the ideals in governance. Hence, the Company is dedicated in meeting these ideals and through the years has built trust and loyal relationships with the stakeholders in ensuring the deliverance of the Company's mission.

In this light, the Company led by the Chairman and the Board of Directors is responsible to build sustainable value for the shareholders and other stakeholders. The annual external audit plays a major role in achieving high standards of accountability and transparency. The audit provides an external and objective check on the way the financial statements are being prepared and presented. The Audit Committee and other sub committees in place under the supervision of the Board complement the objectivity and effectiveness of the audit and ensure that the Company has effective methods of internal controls and risk management in place.

## CORPORATE GOVERNANCE AT SANASA GENERAL INSURANCE

### Our Governance Structure



#### Our Compliance Framework

##### Mandatory (Legal and Regulatory)

- Companies Act No.7 of 2007
- Regulation of Insurance Industry Act No.43 of 2000 and subsequent amendments thereto
- Sri Lanka Financial Reporting Standards
- Articles of Association
- Rules, regulations, determinations, directives and circulars issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL)
- Motor Traffic Act No.14 of 1951 and subsequent amendments thereto
- Inland Revenue Act No.24 of 2017 and subsequent amendments thereto.

##### Voluntary

- Cooperative Principles
- Listing Rules of the Colombo Stock Exchange
- Code of Best Practice on Corporate Governance issued by CA Sri Lanka



#### Statement of Compliance

SGIC compliant with the Corporate Governance Framework for Insurers requirements of Direction No.17 & Direction No 02 of 2022(revised) issued by IRCSL refer pages 70 to 71

Further, the company is substantially compliant with the Code of Best Practice on Corporate Governance issued by CA Sri Lanka and Corporate Governance requirements of Rule No.7.10 of the Listing Rules of the Colombo Stock Exchange (CSE), refer pages 62 to 67 and 68 to 69 respectively.

## Composition & Independence of the Board

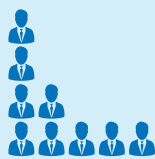
### Composition of SGIC Board

Chairman ( Non-executive Independent Director)

Managing Director ( Executive Director)

Non-executive Independent Directors

Non-executive ( Non Independent) Directors



The Company is led by a multi-disciplined and well experienced Board. As at the reporting year, the Board consists of Nine Directors, Five of them are elected (including the Managing Director) as per the nominations of the Holding Company, Sanasa Life Insurance Company PLC (SLIC PLC) in accordance with the provisions of Article 27(3) & 28(1) (a). One Director was elected representing other shareholders of the Company. Three Independent Directors were nominated to the board by the elected Directors by means of powers and rights vested in them in accordance with the provisions of Article 27 (2)(b). Independent Directors are appointed for a period of 01 year and may be re-appointed for further periods of one (1) year subject to the applicable laws and the company articles.

The retirement age of the Board Directors is 75 years. At each Annual General Meeting, one third of the aggregate number of non-executive (non independent) Directors shall retire and shall be eligible for re-election subject to the applicable laws and the company articles.

At the end of each financial reporting period, the Company seeks confirmation from the Directors in respect to any transactions of the Company with parties they are related to. The identified significant related party transactions are disclosed in note 33 number to the financial statements of the Annual Report.

### Board Sub Committees

The Board has entrusted specific areas of oversight to seven subcommittees of the Board with clearly defined Terms of References (TORs) for each subcommittee. Minutes of the sub- committee meetings are tabled at the Board meeting immediately following the subcommittee meeting. Chairpersons of the subcommittees ensure that the Board is updated on relevant matters at the Board meetings.

The composition of the Board subcommittees, meetings, and their roles and activities are given in the respective committee reports.

Mandatory	page no	Voluntary	page no
Audit Committee	77 to 78	Investment Committee	82
Human Resource and Remuneration Committee	79	Risk Management Committee	83
Related party Transaction Review Committee	80	Research and Business Development Committee	84
Nomination Committee	81		

### Training

Directors are updated on changes to regulations and industry trends by Principal Officer at the Audit Committee and Board Meetings in every month. Opportunities are provided to all directors for gaining knowledge and insights on Corporate Governance and matters relating to directorship through training programs conducted by the company when necessary.

### Board Meetings & Information












The Board and Subcommittees on Audit, Human Resource & Remuneration and Research and Business Development meets monthly. The Related party Transaction Review committee, The Risk Management Committee and The Investment meet quarterly. Nomination committee meets as per the requirement basis.

The Company Secretary prepares the agenda in consultation with the Chairman for Board meetings and respective chairpersons of the Sub-Committees. Directors are provided with the agenda and information relating to the agenda at least one week before the meeting to enable familiarisation with items scheduled for discussion. They also have access to heads of the departments for clarification before or during the meeting.

Details of Directors' attendance at the Board meetings and Board Sub Committee meetings held in 2021 are given on page 88 of this Annual Report. The most of the Board meetings and subcommittee meetings were held on virtual as scheduled, using secure platforms to response to the COVID-19 pandemic.

## Compliance with the Code of Best Practice on Corporate Governance

The table below summarizes SGIC's compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

Reference to ICASL code	Corporate Governance Principle	How we comply	Compliance status
<b>Section 1 – The Company</b>			
<b>A Directors</b>			
<b>A 1 The Board</b>			
A. 1.1	Board Meetings	The Board meets monthly to discharge its responsibilities as described on page 61. Attendance at Board meetings and Board subcommittee meetings are given on page 88 of the Annual Report.	
A1.2	Role of the Board	The Board of Directors is ultimately responsible for the overall success of the Company and is actively involved in formulating and implementing the business strategy with the assistance and recommendations of the Board Sub committees and the Management Team. Board approves the corporate plans, annual budgets, HR and business plans in line with the overall strategy set out by the Management led by the CEO/General Manager.	
A. 1.3	Compliance with laws and access to independent professional advice	The Board ensures that the Company complies with all statutory requirements. Compliance check lists are signed by the relevant officers on a monthly basis & submitted to the Audit Committee for their review. The Board and Sub Committees have the authority, at the Company's expense, to obtain professional advice in discharging their duties as and when required.	
A 1.4	Access to advice from the Company Secretary	The Company Secretary, an Attorney -at-Law by profession, advises the Board and ensures that the Board proceedings are conducted in accordance with the Companies Act No. 7 of 2007 and other applicable rules and regulations.  All Directors have access to the advice and services of the Company Secretary. Appointment and/or termination of the Company Secretary are at the discretion of the Board as per Article 47 of the Articles of Association.	
A 1.5	Independent judgment of the Directors	Directors of SGIC exercise independent judgment on all matters set before the Board without bias.	
A 1.6	Dedicating adequate time and effort	Directors devote sufficient time to the affairs of the Company to discharge their duties effectively. Directors are provided with minutes, agenda and Board/ Committee papers well in advance of the meetings. The Board Directors are encouraged to add value and contribute with independent opinions and judgments to Board deliberations and decisions.	
A.1.7	Calls for resolutions	One-third of the Directors of the Directors may call for a resolution to be presented to the Board in the best interests of the Company.	
A 1.8	Training of Directors	The company will provide training to directors when necessary.	
<b>A 2. Chairman &amp; the Chief Executive Officer</b>			
A. 2.1	The decision to combine the posts of Chairman and CEO	There is a clear division of responsibilities at SGIC with separation of the roles of the Chairman and CEO.	
	Qualifications and experience of the CEO/ General Manager and the Management Team.	The Board ensures that the General Manager and the management team possess the required skills, experience and knowledge to implement the strategy. The Board has delegated this responsibility to Human Resources Management & Remuneration Committee.	
<b>A 3. Chairman's Role</b>			
A. 3	Chairman's Role	As the Chairman, he is responsible for facilitating the effective discharge of Board functions, including conducting Board proceedings in a proper manner. The Chairman ensures appropriate composition of the Board and effective participation of both Executive and Non-Executive Directors and encourages them to attend meetings consistently.  The Chairman also ensures that the views of each Director on any issue under consideration are ascertained and that the Board is in complete control over the affairs of the Company and alert to its obligations to all shareholders and other stakeholders.	

<b>A 4. Financial Acumen</b>			
A. 4	Financial Acumen	All Directors have a sound knowledge of finance ensuring sufficiency of financial acumen. Two directors are chartered accountants by profession	
<b>A 5. Composition of the Board &amp; Board Balance</b>			
A.5.1	Include Non-Executive Directors of sufficient calibre and number	Board comprising 09 Directors and 8 of them are Non-executive Directors. The composition is given on page 61	
A.5.2	Three or two-third of Non-Executive Directors appointed to the Board, whichever is higher should be 'Independent Non-Executive Directors'	Company has Three Non- executive Independent Directors & the Company maintains the composition of Directors in accordance with the Company's Articles of Association.	
A.5.3	Independence criteria	All the independent Directors meet these criteria.	
A.5.4	Annual Declaration by Non-Executive Directors	Each Non-Executive Director submits a signed declaration annually concerning his independence/non-independence against specified criteria which is in line with Schedule K of the Code.	
A 5.5	Annual determination of independence of directors by the Board	The Board has reviewed the independency of the three independent directors when they reappoint to the board.	
A.5.6	Alternate Director to a Non-Executive Director	Currently non of the alternative director has been appointed to the board.	
A.5.7	Appoint a Senior Independent Director if Chairman and CEO are the same or the Chairman is not an independent Director or the Chairman is the immediately preceding CEO	As the Chairman of the Board is a Independent Non-Executive Director, the Company has not appointed a Senior Independent Director. Additionally, roles of Chairman and the CEO are segregated and Chairman is not the immediately preceding CEO.	
A.5.8	Senior Independent Director to be available for confidential discussions with directors Chairman meeting with the Non-Executive Directors	The Company has not appointed a Senior Independent Director	N/A
A.5.9	Chairman meeting with the Non-Executive Directors	The Chairperson holds a meeting with only Non-Executive Directors present without the CEO present at least once a year.	
A.5.10	Recording concerns	Any conflict/concerns that cannot be unanimously resolved are recorded in the Board Minutes.	
<b>A 6. Supply of Information</b>			
A.6.1	The obligation of the Management to provide appropriate and timely information	All Board members receive information regarding the operations when necessary.	
A.6.2	Board papers to be provided 7 days before Board Meeting and minutes provided after the meeting.	Board papers are provided one week before the Board meeting.	
<b>A 7. Appointments to the board</b>			
A.7.1	Establish a Nomination Committee	The Board has established a Nomination Committee as a board subcommittee. And their report is given on page 81	
A.7.2	Nominations Committee to assess the composition of Board annually	The Nomination Committee assesses the composition of the Board annually and makes recommendations to the Board on necessary changes.	
A.7.3	Disclosure of Appointment of a New Director	The Company informs the appointment of new directors as necessary.	
<b>A 8. Re-election</b>			
A.8.1	Non-Executive Directors should be appointed for a specified term and subject to re-election and their appointment is not automatic.	All Directors are required to retire by rotation and seek re-election at least once every three years	
A.8.2	Re-election	All Directors who are retiring by rotation can be re-elected to the board in terms of the Articles of Association of the Company.	
A.8.3	Resignation	Director resigning is expected to provide a written communication to the Board formally and that resignation will be effected upon acceptance of the resignation by the Board.	



**A 9. Appraisal of the board**

A.9.1	Have in place a formal process for reviewing the performance of the Board and its Sub-Committees	Necessary actions have taken to implement the same with effect from next financial year.	✓
A.9.2	Appraisals of the Board and the Sub-Committees	Necessary actions have taken to implement the same with effect from next financial year.	✓
A.9.3	Have a process to review the participation, contribution, and engagement of each director	The Nominations Committee reviews the participation, contribution, and engagement of each director before recommending for reelection.	✓
A.9.4	State the evaluation process in the Annual Report	Necessary actions have taken to implement the same with effect from next financial year.	

**A 10. Disclosure of information of directors**

A.10.1	Profiles of the Board of Directors and other related information	The names of the Directors of the Board and their profiles are given on pages 24 to 25 of this Annual Report.	✓
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**A 11. Appraisal of CEO**

A.11.1	The setting of the annual targets and the appraisal of the CEO	Annual targets are given for CEO and appraisal is conducted once a year.	✓
A.11.2	The performance of the CEO should be evaluated by the Board.	The performance evaluation of the Chief Executive Officer carried out by the HR & Remuneration Committee with the participation of Chairman in line with the financial and non-financial objectives set out in consultation with the Board at the commencement of each financial year.	✓

**B . Director's Remuneration****B 1 . Remuneration Procedure**

B.1.1	Establishment of the Remuneration Committee	The Board has established a HR & Remuneration Committee as a board subcommittee.	✓
B.1.2	Composition of Remuneration Committee.	The HR & Remuneration Committee comprises Non-Executive Directors. Chairperson of the Committee is a Non-Executive Director.	✓
B.1.3	Names of Directors to be given in the Annual Report	Names of the members of the HR & Remuneration Committee are given in the Report of the HR & Remuneration Committee on page 79	✓
B.1.4	Determination of the remuneration of the Non- Executive Directors	Non-Executive directors other than the chairman receive fix allowance upon the participation of director's meetings.	✓
B.1.5	Consultation with the Chairman and the CEO regarding the remuneration of other Executive Directors	Remuneration of Executive Director determine by the HR & Remuneration Committee with the consultation of CEO and Chairman when necessary.	✓










**B 2. Level & Makeup of Remuneration**

B.2.1	The level and makeup of the remuneration should be sufficient to attract, motivate and retain Executive Directors of the required quality.	According to the TOR of the HR & Remuneration Committee, remuneration policy is determined by it.	✓
B.2.2	Executive Directors' compensation should be designed in the long-term success of the Company.	HR & Remuneration Committee determined the Executive Directors' compensation by analyzing said requirements.	✓
B.2.3	Remuneration Committee to judge where to position remuneration relative to other companies.	The HR & Remuneration Committee review the remuneration levels of the of the other comparable companies when make changes to the remuneration levels.	✓
B.2.4	Remuneration Committee to be sensitive to employment and remuneration conditions with the Company	The HR & Remuneration Committee considers the remuneration levels of the SGIC.	✓
B.2.5	Performance based remuneration	Performance based remuneration of employees, including the CEO, is directly linked to the annual achievement of agreed KPIs.	✓
B.2.6	Executive share options	The Company has no share option available to its Directors at a discount.	✓
B.2.7	Designing schemes of performance-based remuneration	HR and Remuneration Committee decide the performance-based remuneration.	✓
B.2.8	Early Termination of Directors	There are no provisions for compensation for early termination of contracts of the directors.	✓
B.2.9	Early Termination of Directors where the initial contract does not explicitly provide for compensation commitments	There are no provisions for compensation for early termination of contracts.	✓



B.2.10	Levels of remuneration for Non-Executive Directors	SGIC Directors other than the Chairman and Executive Director are paid a nominal fee only on their attendance at meetings.	
<b>B 3. Disclosure of Remuneration</b>			
B.3.1	Disclosure of Remuneration	Note 33.2.1 in the Financial Statements on page 129 provide information on the remuneration of the Board as a whole.	
<b>C. Relations with Shareholders</b>			
<b>C 1 . Constructive use of the AGM</b>			
C.1.1	Dispatch of Notice of AGM and related papers to shareholders	Notice of Meeting, the Agenda for the Annual General Meeting, and the Annual Report are circulated to shareholders within the stipulated time in the Articles of Association and the Code.	
C.1.2	Separate resolution for substantially separate issues.	Separate resolutions are provided for substantially separate issues.	
C.1.3	Accurate recording and counting valid proxy appointments received for a General Meeting.	All proxy appointments received are duly recorded and counted in respect of each resolution, where a vote has been taken by voice.	
C.1.4	Availability of Chairman of Board Committees at the Annual General Meeting	The Chairmen of the Board Committees are present to the Annual General Meeting	
C.1.5	Summary of Notice of General Meetings and procedures governing voting at General Meetings	The procedures involved in voting will be circulated if the appropriate numbers of shareholders give their intimation in writing and request for a poll. In the absence of such intimation, all issues at the General Meeting will be passed by voice.	
<b>C 2. Communication with Shareholders</b>			
C.2.1	Channel to reach all shareholders for timely dissemination of information	SGIC provided the Channel to reach all shareholders for timely dissemination of information through shareholder's meetings.	
C.2.2	Disclose policy and methodology for communication with shareholders.	Not applicable	N/A
C.2.3	Disclose how the policy is implemented.	Not applicable	N/A
C.2.4 & C.2.6	Contact person for Shareholder communications.	The Company Secretary is the designated person for shareholder communication.	
C.2.5	The process to make directors aware of shareholder concerns	Matters raised by shareholders at the Annual General Meeting are minuted and The Company Secretary communicates shareholders concerns raised during the year to the Board.	
C.2.7	Formulate and disclose the process for responding to shareholder matters.	The Company process effective communication with the shareholders and answers queries and concerns of shareholders through the Company Secretary.	
<b>C 3. Major and Material Transactions</b>			
C.3.1 & C.3.2	Disclosure of Major Transactions	During the financial year, there were no major transactions	
<b>D. Accountability and Audit</b>			
<b>D 1 . Financial &amp; Business Reporting</b>			
D.1.1	Present a fair and balanced annual report prepared following the laws and regulations with an explanation of deviations.	The company continues strive for high standards of the corporate reporting going beyond compliance with regulatory requirements to adopt international best practices in reporting	
D.1.2	Board responsibility for fair reporting extends to interim and price-sensitive report, regulatory reporting, and statutory information	The Board is assisted in the discharge of this duty by the Audit Committee who reviews the interim financial statements and routine regulatory reporting.	
D.1.3	Board to obtain declarations from CEO and CFO regarding financial statements, records, effective operation of systems of internal controls, and risk management.	The Audit Committee & Board obtain declarations from the CEO and CFO on the proper maintenance of financial records, the true and fair view of the financial statements, and the effective operation of systems of internal control and risk management	
D.1.4	Declarations by Directors	Directors are given necessary declarations annually.	
D.1.5	Statements by Directors and Auditors	Pages 91 contains the statement setting out the responsibilities of the Board for the preparation and presentation of Financial Statements The Auditor's Report is given on pages 94 to 95 of this Annual Report.	

D.1.6	Annual Report should include Management Discussion & Analysis.	The Management Discussion & Analysis is given on pages 41 to 57 of this Annual Report.	
D.1.7	Summon EGM if net assets value fall below 50% of shareholders' funds	This issue did not arise in the year under review.	
D.1.8	Adequate and accurate disclosure of related party transactions	Adequate and accurate disclosures of related party transactions are made to the Related Party Transactions Review Committee.	
<b>D 2. Risk Management &amp; Internal control</b>			
D.2.1	The Board should monitor risk management and internal control systems and carry out a review of their effectiveness and report on the same in the Annual Report.	The Board is assisted in the discharge of this duty by the Risk Management Committee. The Risk Management Report is given on pages 72 to 73 and 83 of this Annual Report.	
D.2.2	Directors to confirm the assessment of principal risks and provide information on the same	This is provided in the Risk Management Report on page 83 of this Annual Report.	
D.2.3	Internal Audit function	The Company's internal audit function is carried out by an independent unit reporting to the Board Audit Committee.	
D.2.4	Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls	The Audit Committee is responsible for ensuring that the Company has an effective internal control system	
D.2.5	Statement of internal control	This was given under the page no 85 in this report.	
<b>D 3. Audit Committee</b>			
D.3.1	Establish an Audit Committee of at least three Non-Executive Directors	The Audit Committee comprises three Non-Executive Directors of whom one is independent. Chairman of the Audit Committee is a chartered Accountant by profession and an Independent Director of the Company.	
D.3.2	Terms of Reference for Audit Committee	The Board has approved the Terms of Reference for the Audit Committee which is in line with that specimen set out in Schedule F of this Code.	
D.3.3	Disclosures	The Audit Committee Report on pages 77 to 78 provides the information required.	
<b>D 4. Related Party Transactions Review Committee</b>			
D.4.1	Definition	Related party transactions are defined in accordance with LKAS 24.	
D.4.2	Establish a Related Party Transactions Review Committee	The Board has established a Related Party Transactions Review Committee comprising three Non-Executive Directors of whom one is Independent. Chairman of the Committee is a chartered Accountant by profession and an Independent Director of the Company.	
D.4.3	Terms of Reference	The Related Party Transactions Review Committee Terms of Reference has been approved by the Board and addresses the matters set out in the relevant Code.	
<b>D 5. Code of Business Conduct &amp; Ethics</b>			
D.5.1	Board declaration for compliance with Code of Business Conduct & Ethics	The Company conducts its business in align with schedule J of the code	
D.5.2	Price sensitive information	Not applicable	N/A
D.5.3	Monitor Share purchase by Directors/KMPs	Share purchase by Directors/KMPs will monitor by the board. Refer to the Related Party Transaction.	
D.5.4	Chairman's statement	Refer to the Chairperson's Message on the pages no 16 to 18 and Annual Report of the Board of Directors on the affairs of Company on pages 86 to 90.	
<b>D 6. Corporate Governance Disclosure</b>			
D.6.1	Corporate Governance disclosures	The Corporate Governance Report on pages 59 to 71 comply with this requirement	
<b>Section 2 – Shareholders</b>			
<b>E. Institutional Investors</b>			
E.1.1	Shareholder voting	SGIC conducts regular discussions with Institutional Investors. Shareholders are provided an opportunity to discuss and seek clarifications on any relevant issue with the Chairman and Board at the AGM.	

E.2	Evaluation of Governance Disclosures	Institutional investors are provided sufficient information.	
<b>F. Other Investors</b>			
F1	Investing and divesting decision	SGIC provide sufficient information.	
F.2.	Encouraging shareholder participation and exercise their voting right	All shareholders are encouraged to participate and exercise their voting right by the company.	
<b>G. Internet of things &amp; Cyber security</b>			
G.1	Internet of things and cyber security	SGIC has implemented policies & procedures on cyber security.	
G.2	Appoint a Chief Information Security Officer	Not yet implemented	
G.3	Cyber risk management to be a regular item on the Board agenda	The Board is assisted in this by the Board Risk Management Committee.	
G.4	Independent periodic review and assurance	The Audit Committee reviewed the Company's information security environment through an external firm specializing in IT general control.	
G.5	The process to identify and manage cyber security risks	Not yet implemented, We are in the process of relevant requirement for this	
<b>H. Environment, Society and Governance (ESG) Reporting</b>			
H.1	Environment, Society and Governance (ESG) Reporting	<p>This report has been prepared following the GRI Standards, the Integrated Reporting Framework, and the Code of Best Practice on Corporate Governance which facilitates voluntary reporting of ESG matters.</p> <p>The following reports provide further information:            Environmental Reporting Natural Capital Report on page 57            Human Capital Report on pages no 51 to 52            Social &amp; Relationship Capital Report on pages no 55 to 56            Corporate Governance Report on pages no 59 to 71            Annual Report of the Board of Directors on pages 86 to 90</p>	

√ - Complied

X - Not Complied

N/A Not Applicable

## Compliance With Listing Rules Section 7.10

The table below summarizes SGIC's compliance with the Listing rules section 7.10.

The Company is substantially compliant with the Corporate Governance Rules as per Section 7.10 of the Listing Rules. The following table has been published in accordance with the requirement to disclose the level of compliance with such rules.

Rule No	Subject	Requirement	Compliance status	Remarks
7.10 (a) (b) (c)	Statement of Compliance	Publish a statement of compliance with Corporate Governance Rules (Section 7.10 of the Listing Rules) in the Annual Report.	Compliant	Please refer page 60 for the statement of compliance
7.10.1	Non-Executive Directors	Two or one-third of the total number of Directors, whichever is higher, shall be Non-Executive Directors	Compliant	Eight Directors out of Nine are Non-Executive Directors.
7.10.2 (a)	Independent Directors	Two or one-third of Non-Executive Directors appointed to the Board, whichever is higher, shall be independent	Compliant	Three out of eight Non-Executive Directors are independent
7.10.2 (b)		Each Non-Executive Director shall submit a declaration of independence or non-independence in the prescribed format	Compliant	Each Non Executive Directors submitted a declaration of independence.
7.10.3 (a)	Disclosures Relating to Directors	The Board shall disclose the names of the Independent Directors in the Annual Report.	Compliant	Please refer page 87 of the Annual Report of the Board of Directors for the names of Independent Directors
7.10.3 (b)		In the event a Director does not qualify as independent as per the Rules on Corporate Governance, but if the Board is of the opinion that the Director is nevertheless independent, the Board shall specify the basis for that determination in the Annual Report.	Not Applicable	No such situation has arisen During the year.
7.10.3 (c)		The Board shall publish a brief resume of Directors in the Annual Report, including their experience in relevant areas.	Compliant	Please refer the profiles of Directors on pages 24 to 25.
7.10.3 (d)		The Board shall provide a brief resume of newly appointed Directors to the Colombo Stock Exchange (CSE) for dissemination to the public.	Not Applicable	
7.10.5	Remuneration Committee	A listed entity shall have a Remuneration Committee.	Compliant	Details of the Human Resources and Remuneration Committee is given on page no 79.
7.10.5 (a)		The Remuneration Committee shall comprise of Non-Executive Directors, a majority of whom shall be independent.		The Human Resources and Remuneration Committee comprises two Non- Executive Directors and the Executive Director
		One Non-Executive Director shall be appointed as the Chairman of the Committee by the Board of Directors.	Compliant	Prof. J.M.U.K. Jayasinghe (Non-Executive Director) functions as the Chairman of the Human Resources and Remuneration Committee appointed by the Board.
7.10.5 (b)		The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer.	Compliant	Remuneration of the Chief Executive Officer recommended by The Remuneration Committee.
7.10.5 (c)		The Annual Report should set out names of the Directors serving in the Remuneration Committee Statement of Remuneration Policy	Compliant	Please refer page no 79 for the composition of the Human Resources and Remuneration Committee.
		Aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	Please refer Note 33.2.1 on page 129
7.10.6	Audit Committee	A listed entity shall have an Audit Committee.	Compliant	Company has established an Audit Committee.
7.10.6 (a)		The Audit Committee shall comprise Non-Executive Directors, a majority of whom shall be independent.	Compliant	The Audit Committee comprises 03 Non-Executive Directors and 01 of them is an independent Director

		One Non-Executive Director shall be appointed as the Chairman of the Committee by the Board of Directors.	Compliant	Mr. J.A. Lahiru S . Jayasinghe (Independent Non-Executive Director) functions as the Chairman of the Committee appointed by the Board.
		Chief Executive Officer (CEO) and Chief Financial Officer (CFO) shall attend Audit Committee meetings.	Compliant	Both the CEO and the CFO attend the meetings by invitation.
		Chairman or one member of the Committee should be a member of a recognised professional accounting body	Compliant	Chairman of the committee is Associate member of the institute of Chartered Accountants.  Please refer page no 25 of Directors profile.
7.10.6 (b)		The functions of the Audit Committee shall be as set out in Section 7.10 of the Listing Rules.	Compliant	Please refer page 77 of the Report of the Audit Committee.
7.10.6 (c)		The Annual Report should set out: Names of the Directors serving in the Audit Committee	Compliant	Please refer page 77 for the composition of the Audit Committee.
		The Committee's determination of the independence of the Auditors and the basis for such determination	Compliant	Please refer pages no 77 to 78.for the Report of the Audit Committee .
		A Report by the Audit Committee setting out the manner of compliance with the requirements set out in Section 7.10 of the Listing Rules	Compliant	Please refer pages no 77 to 78 for the Report of the Audit Committee.

## Compliance with the Direction number 17 issued by Insurance Regulatory Commission of Sri Lanka.

Insurance Regulatory Commission of Sri Lanka issued the Direction number 17 in the year 2018 introducing a Corporate Governance framework for insurance companies. IRCSL amended the Direction number 17 during the years of 2020 and 2022. Latest new amendment Direction number 2 of 2022 (Revised) came into effect from 25th February 2022. Compliance of Sanasa General Insurance Company Limited with these regulations is given in the table below:

Section	Requirement	Compliance status	How we comply
A	Insurers are recommended to adhere to the Code of Best Practice on Corporate Governance issued in 2017.	Compliant	SGIC is not a listed entity, However the company have taken necessary steps to comply with the Code of Best Practice on Corporate Governance where its relevant.
<b>B</b>			
(1)	The Board of an insurer must be comprised of a minimum of two Directors who are citizens and residents of Sri Lanka.	Compliant	All Directors of the Company are citizens and residents of Sri Lanka.
(2) (a)	The total period of service of a Director of an insurer, other than an executive Director, shall not exceed nine years, and such period in office shall be inclusive of the total period of service served by such Director.	Compliant	No Director has served on the Board for more than nine years.
(2) (i)	Notwithstanding above, the 9-year rule shall not be applicable to the following director/ director category.  Major Shareholder Director - A Director representing a major corporate shareholder and /or Corporate groups with majority shareholding i.e. more than 50% shares of the insurer directly or an individual Shareholder Director holding more than 50% could hold the directorship of the insurer for more than 9 years and upon reaching 75 years she/he could nominate his/her representation to the Board.	Compliant	No such situation has arisen during the year.
(2) (ii)	Technical Director - A Technical Director be allowed to remain in office till the age of 75 provided such person is an Associate or above the Chartered Insurance Institute and having 10 years' experience in an insurance company at senior managerial level.	Not Applicable	No such situation has arisen during the year.
3(i)	The Age of a person who serves as director shall not exceed 75 years.	Compliant	No Directors have exceeded the age of 75 years except Dr. T. Senthilverl.
3 (ii)	Notwithstanding above, a person who serves as a director and is over 75 years of age or above as at 01st July, 2019, such director may continue to serve as a director only until June 30,2022 and shall be deemed to have vacated office on June 30,2022.	Compliant	Dr. T. Senthilverl will be served as a Director until June 30, 2022 only.
4	The Board of an insurer must adhere to Section 7.10 of the Listing Rules of the CSE( for any amendments made thereto) , pertaining to corporate Governance.	Compliant	The Company's Parent Company (Sanasa Life ) is compliant with this.
5	A person shall be disqualified to be a director of an insurer if such person is a director of more than twenty companies inclusive of subsidiaries or associate companies of the insurer, of such 20 companies, not more than 10 companies shall be classified as specified Business Entities in terms of the Sri Lanka Accounting and Auditing Standards Act, No 15 of 1995.	Compliant	As at the date of this report, no Director holds directorship in more than 20 companies/ entities/ institutions and not more than 10 specified business entities.
6	The Company is required to demonstrate compliance with this Direction by way of disclosure in the Annual Report, including the disclosure requirements stated in 7.10 of the Listing Rules of the Colombo stock exchange & Code of best practice on corporate governance. If the Company is unable to confirm compliance, disclose the reasons for its noncompliance and the action that will be taken rectifying the said non-compliance within the period. The Annual Report of the Company should be accessible to the IRCSL and the general public via the website of the Company within five months after the Balance sheet.	Compliant	The Company's Parent Company (Sanasa Life ) has disclosed the Compliance status with Section 7.10 and It is published on the parent Company and CSE websites within the given time period.



7	The Insurer shall rectify its non-compliance in respect of B 1 to 6 above within three months from the date of Non-Compliance of same and inform the IRCSL immediately after three months.	Compliant	No such situation has arisen during the year.
8(a)	The Insurer should provide a certification from the company Secretary to the IRCSL, that the continuation of the relevant Director/s beyond the age of 70 years, has been duly approved by passing a resolution at a general meeting in terms of section 211 of Companies Act No 07 of 2007. Close relatives of the Director connected and common Directors holding an ownership state of the company connected shall be omitted from voting on the resolution.	Compliant	Dr. T. Senthilverl & Mr. K.K. Weerakkody will be appointed as over age directors, who are over 70 years at the Annual General Meeting scheduled to be held in 2022 and relevant certification will be provided once the resolutions passed.
8(b)	The insurer shall also provide a written conformation from the company Secretary to the IRCSL that the continuation of a director, beyond the age of 70 years is not prohibited by the Articles of Association of the company and complies with provisions of the Companies Act.	Compliant	Relevant certification will be forwarded to IRCSL by Company Secretary with the relevant certification on above 8 (a).

## RISK MANAGEMENT REVIEW

We at SGIC believe that risk management is a proactive process . Integrated enterprise risk management (ERM) culture within the organization is encouraged by keeping everybody aware and accountable of the risk that they bring into the company with their actions.

### RISK GOVERNANCE

The ultimate responsibility for setting the risk appetite , communicating risk strategy and approving policies for the effective management of risks rests with the Board. The Risk Management Committee reviews specific risks and receive regular reports which include the Company’s policies , standards, soundness of internal controls, infrastructure and regulatory compliance. The Audit Committee focuses on providing an independent oversight to the Board of Directors on the processes and controls to mitigate major risks.

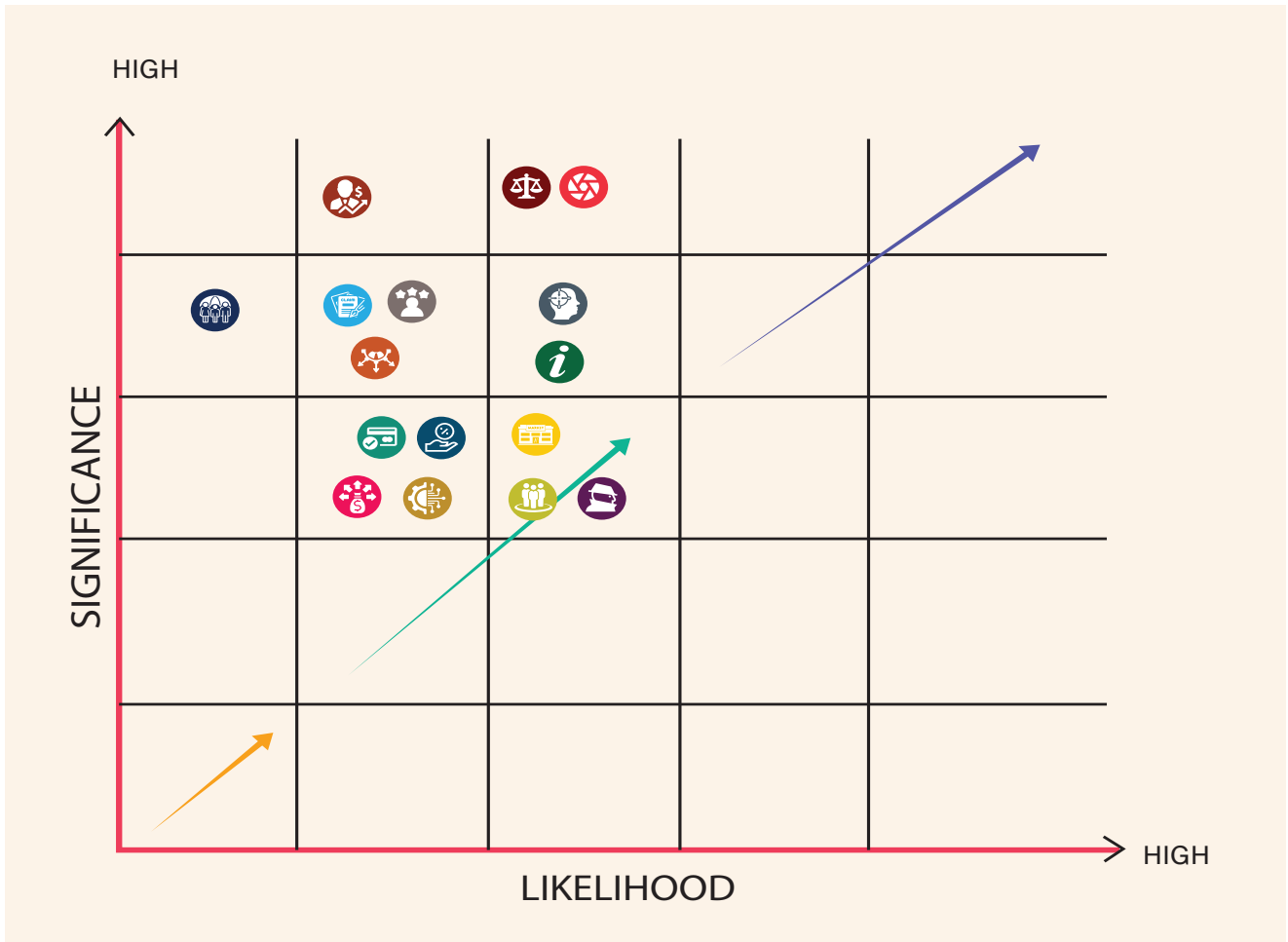
### RISK ASSESSMENT

















Risk identification establishes the exposure of the organization to risk and uncertainty. Our risk management framework encompasses the strategic risks that we share with the rest of our industry , assumed risks and operational risks that are part of running the business. The internal and external environment are constantly scrutinized to identify the elements which may have an impact on the Company achieving its objectives. We identify the categories of risks in terms of their source, their impact to the Company and preferred strategies for dealing with them.

The general risk exposure of Sanasa General Insurance as an insurance company is diagrammatically presented below.



The Company's risk analysis and evaluation on their significance and likelihood is diagrammatically presented below.



-  Business Risk
-  Regulatory / Legal Risk
-  Liquidity Risk
-  Market Risk
-  Exposure Risk
-  Technology / Presidios Risk
-  Claim Settlement Risk
-  Information Technology Risk
-  Reinsurance Risk
-  Human Resource Risk
-  Credit Risk
-  Reputation Risk
-  Interest Risk
-  Fraud Risk
-  Concentration Risk
-  Distribution Risk

The Company monitors risks Quarterly by way of the integrated risk dash board presented to the Risk Management Committee and is communicated to the Board for consultation if there is major impact on the Company.

## COMPLIANCE SUMMARY

Annual Report Disclosure Requirement as per the Companies Act. No. 07 of 2007

Nature of the business of the Company	Section 168 (1) (a)	Page 86
Signed Financial Statements of the Company for the accounting period completed	Section 168 (1) (b)	Page 86
Auditors' Report on Financial Statements of the Company	Section 168 (1) (c)	Page 89
Changes in Accounting Policies made during the accounting period of the Company	Section 168 (1) (d)	Page 86
Particulars of entries in the Interests Register of the Company during the accounting Period	Section 168 (1) (e)	Page 88
Remuneration and other Benefits paid to the Directors of the Company during the accounting period	Section 168 (1) (f)	Page 89
Total amount of Donations made by the Company	Section 168 (1) (g)	Page 90
Information on the Directorate of the Company during and at the end of the accounting period	Section 168 (1) (h)	Page 87
Amounts payable to the Auditor as audit fees and fees for other services rendered to the Company during the accounting period as a separate Disclosure	Section 168 (1) (i)	Page 89
Auditors' relationship or any interest with the Company	Section 168 (1) (j)	Page 89
Annual Report of the Board signed on behalf of the Board by two Directors and the Company Secretary	Section 168 (1) (k)	Page 90

Disclosure Requirements as per Schedule - I of the Code of Best Practice on Corporate Governance issued b

Subject		Reference	Page Reference
A. Annual Report	Chairman and CEO	A.2.1 and A.5.7	Page 62
	Board Balance	A.5.5	Page 63
	Nomination Committee	A.7.1	Page 63
	Appointment of New Directors	A.7.3	Page 63
	Appraisal of Board Performance	A.9.4	Page 64
	Board Related Disclosures	A.10.1	Page 64
	Disclosure of Remuneration	B.3 and B.3.1	Page 65
	Major and Material Transactions	C.3 and C.3.1	Page 65
	Audit Committee	D.3.3	Page 66
	Code of Business Conduct and Ethics	D.5.1 and D.5.4	Page 66
B. Remuneration Committee Report	Communication with shareholders	C.2.2, C.2.3, C.2.4, C.2.5, C.2.6, C.2.7	Page 65
	Members of Remuneration Committee	B.1.3	Page 64
C. Directors' Report	Directors' Report	D.1.4	Page 65
D. Financial Statements	Financial Statements	D.1.5	Page 65
	Related Party Transactions	D.1.8	Page 66
E. Management Report	Management Report	D.1.6	Page 66
F. Corporate Governance Report	Corporate Governance Report	D.6.1	Page 66
G. Audit Committee Report	Audit Committee Report	D.3.2	Page 66
H. Related Party Transactions Review Committee Report	Related Party Transactions Review Committee Report	D.4.3	Page 66
I. Statement on Internal Control	Statement on Internal Control	D.1.5 and D.2.4	Page 65 and 66
J. Internet of Things and Cybersecurity	Disclose the process to identify and manage cybersecurity risks	G.5	Page 67
K. Sustainability Reporting	Sustainability Reporting	H.1	Page 67

Regulatory Reports submitted to IRCSL during 2021 are given below

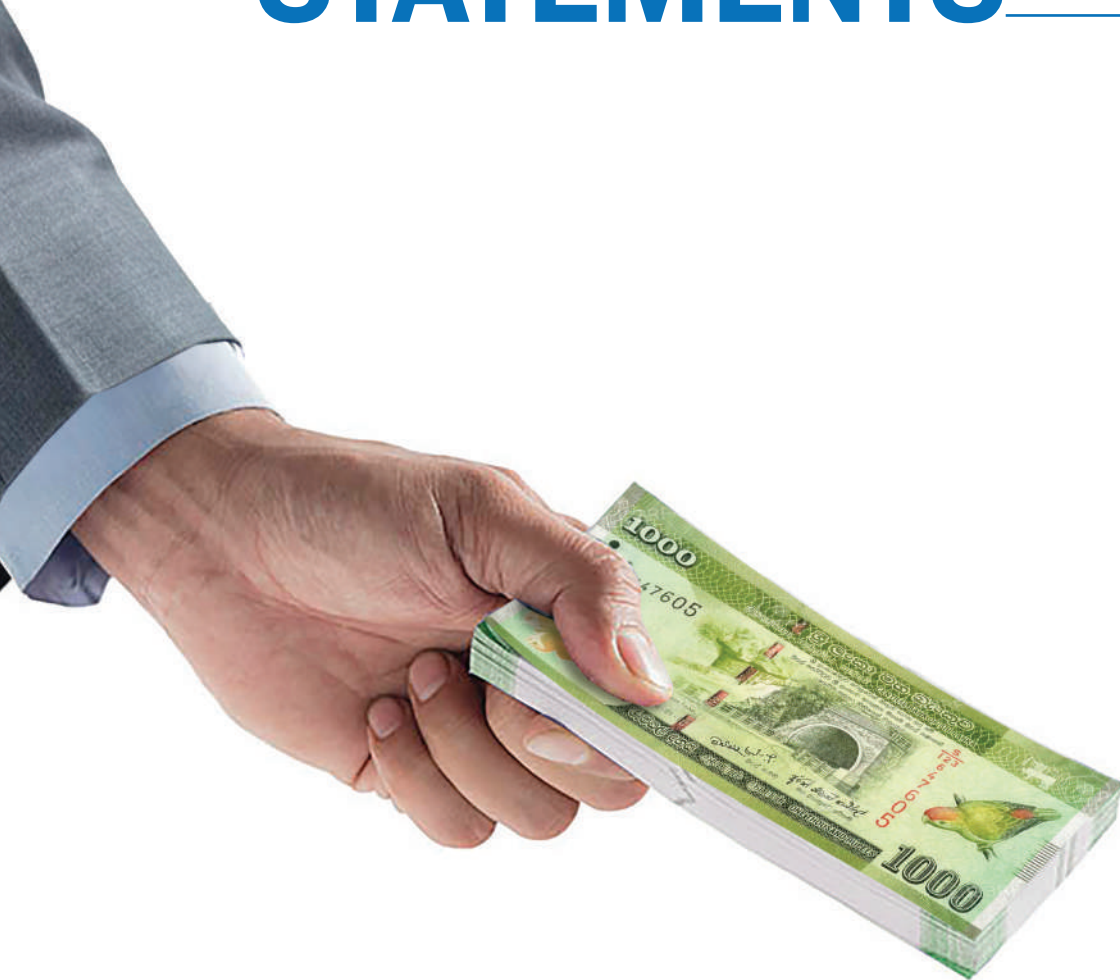
Submissions to IRCSL	Date of Submission	Deadline set by IRCSL
Annual Audited Financial Statement for the year ended 31st December 2020	30th April 2021	30th April 2021
Annual Statutory Returns for the year ended 31st December 2020	30th April 2021	30th April 2021
Circular 29 Auditor's Compliance Certificate	30th April 2021	30th April 2021
Risk Assessment Report	12th May 2021	30th April 2021
Quarterly Returns and Compliance Certifications 31st December 2020 (4th Quarter) 31st March 2021 (1st Quarter) 30th June 2021 (2nd Quarter) 30th September 2021 (3rd Quarter)	22nd Feb 2021 15th May 2021 17th August 2021 15th November 2021	15th February 2021 15th May 2021 15th August 2021 15th November 2021
Statement of Reinsurance Arrangements	29th January 2021	31st January 2021
Certified Copies of all Cover Notes in respect of Reinsurance Treaties	15th March 2021	15th March 2021
Actuarial Report and Abstracts	12th May 2021	30th April 2021
Management Letter issued by the External Auditors for year ended 31st December 2020	08th June 2021	30th April 2021
Information on Complaints handling and related performance (bi-annual basis submission)	30th January 2021 30th July 2021	30th January 2021 30th July 2021

Details of regulatory returns submission and payments of the Company.

Information	Frequency of Submission	Compliance Status
<b>Insurance Regulatory Commission of Sri Lanka (IRCSL)</b>		
Annual Fee	Annually	Complied
CESS Payment	Quarterly	Complied
<b>Department of Inland Revenue</b>		
Income Tax Payment	Quarterly	Complied
Income Tax Return	Annually	Complied
PAYE Tax Payment	Monthly	Complied
PAYE Tax Return	Annually	Complied
Value Added Tax (VAT) Payment	Monthly	Complied
Value Added Tax (VAT) Return	Quarterly	Complied
Stamp Duty Payment and Return	Quarterly	Complied
With Holding Tax (WHT) Payment	Monthly	Complied
<b>Central Bank of Sri Lanka (CBSL)</b>		
EPF Payment and Return	Monthly	Complied
<b>Employees' Trust Fund Board</b>		
ETF Payment and Return	Monthly	Complied
<b>Registrar General of Companies</b>		
Annual Accounts	Annually	Complied
Annual Returns	Annually	Complied
Change of Directors and Company Secretary (Form 20)	As required	Complied
<b>National Council for Road Safety</b>		
Contribution to Road Safety Fund Payment	Monthly	Monthly
<b>Commissioner of Motor Traffic</b>		
Luxury and Semi Luxury Tax Payment	Monthly	Monthly
<b>National Insurance Trust Fund (NITF)</b>		
Crop Insurance Levy	Quarterly	Quarterly

# STATUTORY DISCLOSURES AND **FINANCIAL STATEMENTS**

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## AUDIT COMMITTEE REPORT

### The Role of Audit Committee

The key objective of the audit committee is to assist the board to fulfill their responsibility with regard to the Audit, Financial Reporting and Internal Controls.

The Audit committee's authorized responsibilities and functions have been defined in Terms of Reference of the Audit Committee approved by the Board of Directors.

The Audit Committee consists of the following non-executive Directors.

- Mr. J.A. Lahiru S. Jayasinghe – Non Executive Independent Director (Committee Chairman)
- Mr. Keerthi Kumara Weerakkody - Non-executive Director
- Mrs. D. Prasadika Senadheera - Non-executive Director

The Secretary to the Board, functions as the committee secretary. Chief Executive Officer / General Manager, Head of Finance & Head of Audit & Inspection attend the committee meetings and discuss matters relating to their respective areas. During the year Mr. J.A. Lahiru S. Jayasinghe who is a Chartered Accountant by profession served as the Chairman of the committee.

### Proceedings

During the financial year ended 31st December 2021, fourteen committee meetings were held and reports of these meetings were regularly to the board. All matters of significant nature were discussed by the Board of Directors.

### Financial Reporting

The Committee reviewed and discussed Financial Statements monthly and Annual Financial Statements of the Company in consultation with the External Auditors and the Management where necessary and recommended for the approval of the Board. The extent of compliance with Accounting Standards and disclosure requirements are also reviewed.

In reviewing the Financial Statements, special emphasis was given on the following aspects;

- Adequacy and effectiveness of internal control systems, financial reporting systems and processes in place to ensure accuracy and reliability of the information provided in the Financial Statements.
- Quality and acceptability of the accounting principles and reasonableness of significant judgments.
- Significant accounting and reporting issues.
- Impact from new accounting standards.
- Going Concern assumption.

### Risks and Internal Controls

The Committee regularly engages in monitoring and evaluating the effectiveness of the internal control environment of the Company. The evaluation is mainly done through discussions and assessment of reports submitted by the Management and Internal/External Auditors. The Committee also overlooks the remedial actions in respect of the identified risks to maintain the effectiveness of the internal control systems.

The following measures are taken to monitor and evaluate the effectiveness of the internal control environment of the Company;

- Reports pertaining to internal control and risk management practices of the Company produced by the Management and Internal and External Auditors are reviewed by the Committee.
- Review of Related Party Transactions through the Related Party Transactions Committee
- Ensure the availability of standards, structures, and processes that provide the foundation for performing internal control within the company (Control Environment)
- Review the process used to identify, assess, and manage risks to the achievement of the entity's objectives (Risk Assessment)
- Evaluate the actions performed under the direction of

management, as directed by the company's policies and procedures, to mitigate the risks (Control Activities).

- Review effectiveness of the distribution of information needed to perform control activities and to understand internal control responsibilities (Information and Communication).
- Ongoing evaluations of the implementation and operation of the internal audit (Monitoring Activities)

### Compliance with Laws and Regulations

The Audit Committee reviewed the Company compliance with laws and regulations through the following measures.

- Review the compliance report submitted by internal Audit Department of the Company on a monthly basis to ensure compliance with all applicable compliance submissions relating to the Department of Inland Revenue, Insurance Regulatory Commission of Sri Lanka (IRCSL) and Labour regulations etc.

### IT Risk and Control Assessment

The Committee reviewed the observations made by the External Auditors on IT related areas and monitored the implementation of the actions agreed by the Management.

### Fraud Risk

The Committee monitors the necessary measures taken by the Management to mitigate fraud risk of the Company, hence no major material fraudulent activities were reported during the year.

### External Audit

The Committee reviewed the external audit plan, scope and the methodology presented by the External Auditors. Discussions were also held between the Committee, the Management and the External Auditors regarding the coordination of the audit effort to ensure that the External Auditors have access to required information.

The Committee also scrutinized the Report of the Auditors and Management Letter in consultation with the External Auditors and the Management and monitored the implementation of the prescribed corrective actions. Key Audit Matters were discussed with the External Auditors with due consideration placed on judgments, assumptions and measures taken by the Company and auditors to ensure reasonability.

The External Auditors were given adequate access to the Audit Committee as well as to all relevant information required.

The Committee also reviewed all fees payable to the statutory auditors for the interim and final audits for the year 2021 and recommended the same for the approval of the Board of Directors.

### Re-Appointment of the External Auditors

Messrs Ernst & Young Chartered Accountants was appointed as the External Auditors of the Company for the financial year ending 31st December 2021 and their appointment was approved by the Shareholders at the Annual General Meeting on 30th April 2021.

The Committee reviewed the performance of the External Auditors, Messrs. Ernst & Young, Chartered Accountants, during the year and recommended to the Board their re-appointment as the External Auditors of the Company for the financial year ending 31st December 2022, subject to the approval of the shareholders at the Annual General Meeting to be held on 25th June 2022.

### Independence of External Auditors

The Audit Committee reviews the independence and objectivity of the External Auditor and the effectiveness of the audit process on an annual basis. Accordingly, as far as the Audit Committee is aware, Auditors do not have any relationship (other than that of Auditors) with the Company.

In this respect, the Committee received a declaration with the annual audit plan, as required under the Companies Act, No. 07 of 2007, from

Messrs. Ernst & Young, confirming the absence of any relationship with the Company which may have a bearing on their independence.

#### **Provision of Non-Audit Services**

Non-audit services provided by the External Auditors are segregated between assignments that require an independent view and other advisory services and such was reviewed by the Audit Committee during the year. The External Auditors were only engaged with assignments that required an independent view to prevent a conflict of interest for External Auditors.

#### **Internal Audit**

The Committee monitors the effectiveness of the Internal Audit function.

The Committee is also responsible for reviewing and approving the internal audit plan, scope, reporting requirements of the company annually and ensuring that internal auditors have adequate access to information required to conduct their audits.

During the year ended 31st December 2021, Internal Audit Department of the company presented the issues and audit findings identified during internal audits covering the operations of the Company which were reviewed by the Committee monthly. Management responsiveness to recommendations was also monitored and the internal audit reports and minutes of the Audit Committee meetings were made available to the External Auditors on request.

#### **Conclusion**

The committee is of the view that sufficient inspection and audit work has been carried out at branches and head office in the year under review. The committee is also of the view that satisfactory controls and procedures are in place to provide responsible assurance that the company's assets are safeguarded. Having inspected the reports of both the external and internal auditors, the committee expressed its satisfaction with the Internal Control Systems of the company. However we believe that some of the controls can be further improved and strengthened.



Mr. J.A. Lahiru S. Jayasinghe  
Chairman - Audit Committee  
31st May 2022

# HUMAN RESOURCE AND REMUNERATION COMMITTEE REPORT

## The terms of reference of the Committee

The terms of reference of the Human Resources and Remuneration Committee defines the objectives, duties and responsibilities, composition, etc. of the Committee.

## Key Responsibilities

- Determine the remuneration policy (salaries, allowances and other financial payments) relating to Executive Directors, Chief Executive Officer (CEO) / General Manager (GM) and Corporate Management (Assistant General Manager & above officers) of the company.
- Set goals and targets for the executive directors, CEO / GM and Corporate Management (Assistant General Manager & above officers)
- Evaluate the performance of the CEO/ GM and Corporate Management (Assistant General Manager & above officers) against the set targets and goals periodically and determine the basis for revising remuneration, benefits and other payments of performance - based incentives.
- Ensure proper succession plans for key management personnel/ corporate management are in place.
- Ensure that the Company adopts monitors and applies appropriate remuneration policies and procedures.
- Ensure that reporting disclosures related to remuneration, meet the Board's disclosure objectives and all relevant legal requirements.
- Recommend the recruitment of staffs & consultants.
- Approve promotions up to Assistant Manager Grade and recommend the promotions of above Assistant Manager Grades.
- Approve promotions, confirmation of service, designate probation period, extend contract periods, designate for acting up to Assistant Manager Grade & recommend to the board for above Assistant Manager Grade.
- Recommend all the new policies and procedures relating to Human Resource Management and staff benefits & review the existing policies and procedures including recruitments, appointments, terminations, transfers, training, salary increments, promotions, bonus etc.
- Ensure that a proper performance appraisal system for the staff of the Company is in place.
- Review & recommend training and development programs of the Company with emphasis to emerging needs.
- Develop and recommend to the Board, performance based remuneration incentive programs such as bonus schemes, and long term incentive plans.
- Recommend promotions of other than one immediate grade or recommend to the board, to give more than one salary increments.
- Approve HR annual Budget, Action Plan, and Strategies of Company on recommendation of the Management.
- Review the carder requirement and trainee & internship position of the Company.
- Recommend on secondment of staff & appointments on secondment basis.

## Composition of the Committee

Prof.J.M.U.K.Jayasinghe – Chairman \*  
 Mr. K.K.Weerakkody – Member \*  
 Mr.I.K.Kiriwandeniya – Member \*\*  
 \*Non- executive non independent Director  
 \*\*Executive Director

The secretary to the Board functions as the committee secretary. Chief Executive Officer/General Manager /Principal Officer/ Specified Officer , Chief Operating Officer, Head of Human Resource, Manager Human Resource and Head of Training and Development attended the meetings on invitations. The minutes of the committee meeting were presented to the Board meetings for information and review of the Board of Directors.

## Attendance of the members for the meetings

Attendance of the members of Human Resources and Remuneration Committee has been disclosed in the page no 88 of this annual report.

## Activities of the Committee

The committee held 16 meetings during the reviewed year. As it was the case for many business organizations, Covid 19 pandemic presented one of the biggest challenges in terms of Human Resource Management. However, at the same time it was equally important to keep the business moving forward and for HR to continue its strategic role in shaping the organization under new normal. Continuing from the progress made through HR Policies formulation in previous years, the Committee introduced the work from home governing structure which was a timely need to facilitate work amid a pandemic and work-life-safety balance. Further, we made sure 100% financial security for all our employees and to our third party associates throughout the year including on periods where the pandemic forced lockdown in the country.

## Conclusion

The Committee is in the view that the company has implemented & formulated appropriate Human Resources and Remuneration Policies.



Prof. J.M.U.K. Jayasinghe  
 Chairman – Human Resource and Remuneration Committee.  
 31st May 2022

## RELATED PARTY TRANSACTION REVIEW COMMITTEE REPORT

The purpose of the Committee is to conduct an appropriate review of all related party transactions of the Company.

### The terms of reference of the Committee

The terms of reference of the related party transaction review committee defines the purpose, composition of the committee and Authority & Responsibilities, of the Committee.

### Key Responsibilities

- All related party transactions should be reviewed by “the Related Party Transactions Review Committee” (the committee), either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- Committee should ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed related party transactions, and where necessary, they should obtain appropriate professional and expert advice from an appropriately qualified person.
- Where necessary, the committee shall request the Board of Directors to approve the subject related party transactions. In such instances, the approval of the Board of Directors should be obtained prior to enter into the relevant party transaction.

### Composition of the Committee

The Committee consists of the following non-executive Directors.

Mr. J.A. Lahiru S. Jayasinghe – Chairman \*  
 Mr. Keerthi Kumara Weerakkody - Member\*\*  
 Mrs. D. Prasadika Senadheera – Member\*\*  
 \* Non-Executive Independent Director  
 \*\*Non- executive non- independent Director

The Secretary to the Board, functions as the committee secretary. Chief Executive officer/General Manager /Principal Officer/ Specified Officer, Chief Operating Officer, Head of Finance, Manager Finance and Head of Audit & Inspection attend the committee meetings and discuss matters relating to their respective areas. During the year Mr. J.A. Lahiru S. Jayasinghe who is a Chartered Accountant by profession served as the Chairman of the committee.

### Attendance of the members for the meetings

Attendance of the members of Related party Transaction Review Committee has been disclosed in the page no 88 of this annual report.

### Activities of the Committee

The committee held 04 meetings during the reviewed year. All the related parties Transactions of the company were reviewed by the company through the reports provided by the management and had access to all the information. On a quarterly basis, the management is required to report the approved related party transactions actually entered into by the Company for Committee’s consideration. All details of such related party transactions entered into during the year, are given in Note 33 to the Financial Statements on pages 129 to 130 of this Annual Report

### Conclusion

The Committee is in the view that the all related party transactions entered into during the year were of a recurrent, trading nature and were necessary for the day-to-day operations of the Company.



Mr.J.A.Lahiru S.Jayasinghe  
 Chairman - Related Party Transaction Review Committee  
 31st May 2022

## NOMINATION COMMITTEE REPORT

The Nomination Committee ('the Committee') of Sanasa General Insurance Company Limited ('the Company') is a committee of the Board of Directors ('Board') appointed by and responsible to the Board.

The purpose of the Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to the selection/appointment of new directors, re-appointment of current Directors and exercise general oversight with respect to the governance of the Board of Directors.

### Terms of References of the committee

The terms of reference of the committee defines the objectives, duties and responsibilities and composition of the committee.

### Key Responsibilities

- Propose a suitable charter for the appointment and re-appointment of Directors to the Board.
- consider the making of any appointment or re-appointment to the board;
- provide advice and recommendations to the board or chairman (as the case may be) on any such appointment;
- consider the selection appointment of a chairman in case a vacancy arises;
- consider the succession plan for the Chief Executive Officer and ensure that there's a succession plan for all key management personnel;
- regularly review the structure, size, composition including gender representation and competencies (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any changes.

### Composition of the Committee

Mr. S.M.T.H Subasinghe – Chairman \*  
 Prof . J.M.U.K. Jayasinghe – Member \*\*  
 Mrs. D. Prasadika Senadheera – Member \*\*  
 \*Non- executive independent Director  
 \*\* Non- executive non independent Director

The secretary to the Board functions as the committee secretary. Chief Executive Officer/General Manager attended the meetings on invitations. The minutes of the committee meeting were presented to the Board meetings for information and review of the Board of Directors.

### Meetings

The committee held 2 meetings during the reviewed year. In the reviewed year the Committee made recommendations on re-appointments of the three Non-executive Independent Directors and retiring of Non-executive non-independent Directors in rotation. Further the committee updated on the amendments to Corporate Governance framework for insurers by Insurance Regulatory Commission of Sri Lanka and impact of such changes.

### Attendance of the members for the meetings

Attendance of the members of Nomination Committee has been disclosed in the page no 88 of this annual report.

### Conclusion

The Committee is satisfied that the combined knowledge and experience of the Board match the demands facing the Company.



Mr. S.M. Tishan H. Subasinghe  
 Chairman – Nomination Committee  
 31st May 2022

## INVESTMENT COMMITTEE REPORT

Investment Committee ('the Committee') is responsible to assist the Board in reviewing the investment policies, strategies and performance of the Investment portfolios of the Company.

### The terms of reference of the Committee

The terms of reference of the Investment Committee defines the objectives, duties & responsibilities and composition of the Committee.

### Key Responsibilities

- To review the investment policy of the insurer on a regular basis so that it remains appropriate, recognizing among other things, changes in business in force and the economic environment;
- To ensure that the Board approved investment policy of the insurer is implemented in an appropriate manner.
- To ensure resources dedicated to the investment activities of the insurer are sufficient to implement and manage the approved investment policy and any other activities requested by the Board of Directors;
- To review the adequacy of internal control systems to support investment activities;
- To review the adequacy of risk management system to support prudent investment management;
- To approve the related party transactions related to the investments subject to the limits of the Investment Policy.

### Composition of the Committee

Mr. K. K. Weerakkody – Chairman \*

Dr. T. Senthilvel – Member \*

Mr.I.K.Kiriwandeniya – Member \*\*

\*Non- executive non independent Director

\*\*Executive Director

The secretary to the Board functions as the committee secretary. Chief Executive officer/General Manager /Principal Officer/ Specified Officer, Chief Operating Officer, Head of Finance and Manager Finance attended the meetings on invitations. The minutes of the committee meeting were presented to the Board meetings for information and review of the Board of Directors.

### Attendance of the members for the meetings

Attendance of the members of Investment Committee has been disclosed in the page 88 of this annual report.

### Activities of the Committee

The committee held 04 meetings during the reviewed year. In the reviewed year, the Committee reviewed information presented by the management, at its meetings and provided guidance on investment strategies to be followed. Further the performance of investment portfolios of the Company were evaluated each quarter and guidance given where necessary. And also the Company's compliance to requirements of the Investment Policy, statutory rules and regulations were monitored and reviewed through quarterly compliance reports submitted by the management. Further Risks relating to the investment function, Liquidity Management and Asset and Liability Management positions were also evaluated by the committee.

### Conclusion

The Committee is in the view that , considering the difficult and volatile market conditions that prevailed during the year mainly due to the COVID-19 pandemic situation together with low interest rate environment, the company recorded an impressive performance by managing its investment portfolios, while operating within the framework prescribed by the Investment Policy and statutory and other laws, regulations and guidelines.



Mr. K. K. Weerakkody  
Chairman – Investment Committee.  
31st May 2022



## RISK MANAGEMENT COMMITTEE REPORT

The purpose of the Risk Management Committee ('the Committee') of the Company is to assist the Board in the execution of its responsibility for the governance of risk of the company.

### The terms of reference of the Committee

The terms of reference of the Risk Management Committee defines the objectives, Authority functions & responsibilities and composition, of the Committee.

### Key Responsibilities

- To assist the Board in setting risk strategies and policies, including annually agreeing risk tolerance and appetite levels, in liaison with management and in the discharge of its duties relating to corporate countability and associated risk in terms of management assurance and integrated reporting;
- To ensure that an appropriate policy and plan to carry out risk management systematically;
- To review, assess the quality, integrity and effectiveness of the risk management policy & plan regularly;
- To provide an independent and objective oversight and view of the information with respect to risk presented by management to the board.

### Composition of the Committee

Prof.J.M.U.K.Jayasinghe – Chairman \*  
 Mr. J.M.D. Ananda Wishwakeerthi – Member \*  
 Mr. J.A.Lahiru S. Jayasinghe – Member \*\*  
 \*Non- executive non- independent Director  
 \* \* Non- executive independent Director

The secretary to the Board functions as the committee secretary. Chief Executive Officer/General Manager /Principal Officer/ Specified Officer, Chief Operating Officer, Head of Risk Management attended the meetings on invitations. The minutes of the committee meeting were presented to the Board meetings for information and review of the Board of Directors.

### Attendance of the members for the meetings

Attendance of the members of Risk Management Committee has been disclosed in the page 88 of this annual report.

### Activities of the Committee

The committee held 04 meetings during the reviewed year. In the reviewed year the Committee appraised the development, implementation and maintenance of the overall Risk Management Framework of the company. Further the Committee reviewed the Key Risk Indicators (KRIs) of the company. And also Emerging and high risks faced by the company were discussed in detail and the Committee provided guidance on mitigating actions. As per the guidance given by the committee, management is in the process of developing its Business Continuity Plan (BCP).

### Conclusion

Considering the details discussed at the committee meetings, the Committee is in the view that the company has established & functioned an appropriate risk management procedure. However we believe that some of the controls can be further improved and strengthened.



Prof. J.M.U.K. Jayasinghe  
 Chairman – Risk Management Committee.  
 31st May 2022

## RESEARCH AND BUSINESS DEVELOPMENT COMMITTEE REPORT

The “Board subcommittee on Research and Business Development” (the Committee) was established to assist the Board in fulfilling its roles and responsibilities with regard to functioning of a persistent research and business development process that supports achievement of the vision, mission and the Business Goals of the Sanasa General Insurance Company Limited .

### The terms of reference of the Committee

The terms of reference of the Research and Business Development Committee defines the objectives, Authority functions & responsibilities and composition, of the Committee.

### Key Responsibilities

Formulate research and business development policies and procedures and strategies to be adopted as they are implemented. Determine the skills required for successful functioning of those activities related to research and business development and advice on mobilizing such skills both internally and externally as required. Identify the key Performance indicators (KPIs) to assess the performance of SGIC from the point of view of the research and business development and make sure that those selected/ mobilized team/ personal in these respects are in order to achieve so.

### Composition of the Committee

Prof.J.M.U.K.Jayasinghe – Chairman \*  
 Mr. S.M.T.H. Subasinghe – Member \*\*  
 Mr. K.K Weerakkody - Member \*  
 Mr. W.Denzil Indrajith Perea – Member \*\*  
 \*Non- executive non- independent Director  
 \* \* Non- executive independent Director

The secretary to the Board functions as the committee secretary. Chief Executive Officer/General Manager /Principal Officer/ Specified Officer, Chief Operating Officer, Head of Branch sales, Head of Finance, Head of Underwriting , Head of Marketing and Head of Agency Development attended the meetings on invitations. The minutes of the committee meeting were presented to the Board meetings for information and review of the Board of Directors.

### Attendance of the members for the meetings

Attendance of the members of Research and Business Development Committee has been disclosed in the page no 88 of this annual report.

### Activities of the Committee

The committee held 13 meetings during the reviewed year. In the reviewed year, the Committee advised and guided the management about their responsibilities for working on the strategic and operational issues related to research and business development with special focus on product development. And also by analyzing key market drivers unique to the company, the committee provided guidance to improve society business channel. Further committee assesses the features of targeted products/ services in the competitive market Vs. existing product and services of the company.

### Conclusion

Considering the details discussed at the committee meetings, the Committee is in the view that the management has achieved the business objectives of the company by adhering to the research and business development culture. Thereby management can perform their duties and responsibilities in order to achieving the company's vision and mission. However we believe that some of the arrears to be further improved and strengthened.



Prof. J.M.U.K. Jayasinghe  
 Chairman – Research and Business Development Committee.  
 31st May 2022

## DIRECTORS' STATEMENT ON INTERNAL CONTROL

The following statement is presented as required by the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

### Responsibility

The Board of Directors ('Board') is responsible for the adequacy and effectiveness of the internal control and risk management mechanism in place at Sanasa General.

The Board, with the assistance of its Sub-Committees, reviewed deficiencies identified in internal controls during the year and has taken appropriate actions to improve the control environment.

The management assists the Board in implementing the policies and procedures on risk and control by identifying and assessing the risks faced by the Company, and in the design, operation, and monitoring of suitable internal controls to mitigate these risks.

The Board is of the view that the system of internal controls in place is sound and adequate to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting policies, principles, and regulatory requirements.

Financial statements are reviewed by the Audit Committee monthly.

The Internal Auditors check for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis, using samples and rotational procedures and highlight significant findings in respect of any area of non-compliance to the Audit Committee. Audits are carried out covering main areas of the operations and branches island-wide, to provide an independent and objective report. The frequency of such audits is determined by the level of risk assessment, while the annual audit plan is reviewed and approved by the Audit Committee. Internal Auditors report their findings to the Audit Committee and their reports are discussed at Audit Committee meetings.

The Audit Committee reviews internal control issues identified by the Internal Auditors, the External Auditors, regulatory authorities, and the management.

A compliance report prepared by internal Audit covering all applicable laws and regulations is tabled at the monthly Audit Committee meeting.

The minutes of the Audit Committee meetings are tabled at Board meetings for the information of the Board. Further details of the activities undertaken by the Audit Committee of the Company is set out in the Report of the Audit Committee on pages no 77 to 78.

A Risk Management Committee has been established to assist the Board to oversee the risk management framework of the Company. The management has prepared a Risk Register identifying all key risks faced by the Company.

The Company is in the process of finalizing Business Continuity Plan for the company.

### Confirmation

Based on the above processes, the Board of Directors confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting. The preparation of Financial Statements for external purposes was done in accordance with Sri Lanka Accounting Standards

(SLFRS/ LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), Companies Act, No. 07 of 2007, Regulation of Insurance Industry Act, No. 43 of 2000 and subsequent amendments thereto.

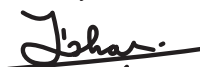
By Order of the Board,

J.A.Lahiru S. Jayasinghe  
Chairman Audit Committee



S.M.Tishan H. Subasinghe  
Chairman.

31st May 2022



# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF SANASA GENERAL INSURANCE COMPANY LIMITED FOR THE YEAR ENDED 31ST DECEMBER 2021

Annual Report of the Board of Directors on the Affairs of the Company and Statement of Compliance of the contents of the Annual Report as Required by Section 168 of the Companies Act No. 07 of 2007.

## 1. PREFACE

The Board of Directors (the Board) of Sanasa General Insurance Company Limited ("SGIC" or "the Company") is pleased to present the Annual Report together with the audited Financial Statements of the Company for the year ended 31st December 2021.

This report covers statutory requirements and directions of the Companies Act No. 07 of 2007, Regulation of Insurance Industry Act No. 43 of 2000 as amended, Rules and regulations of the Insurance Regulatory Commission of Sri Lanka and is guided by the recommended best practices on Corporate Governance. The Annual Report was reviewed and approved by the Board of Directors of the Company on 31st May 2022.

## 2. REVIEW OF BUSINESS

### 2.1 Formation

The Company was incorporated on 16th April 2014 as a limited liability company under the Companies Act No. 7 of 2007 and bears the Company Registration Number, PB 5182. authorized as a General Insurance Company with effect from 1st July 2019 under the Regulation of Insurance Industry Act No. 43 of 2000.

SGIC was incorporated to carry on the General Insurance Business of the Seemasahitha Sanasa Rakshana Samagama in terms of segregation its Life & General Business as per legal requirements of the amendments to the Regulation of Insurance Industry Act, No. 43 of 2000 by the Act No. 03 of 2011.

The ultimate parent of the Company is Sanasa Life Insurance Company PLC, a licensed Life insurance Company which owns 60% of the voting rights of the Company. The registered office of the Company is located at No. 172, Elvitigala Mawatha, Colombo 08.

### 2.2 Corporate Vision, Mission and Values

The vision, mission and the values of the Company are given on page 05 of this report. The Company practices high standards of ethical behaviour in carrying out the business in line with the vision set.

### 2.3 Principal Business Activities of the Company

The principal activity of the Company is involved in General Insurance business providing general insurance solutions for both individual and corporate customers.

There were no significant changes in the nature of the principal activities of the company during the year. The Company has not engaged in any activity which contravenes the Laws and Regulations of the country.

### 2.4 Review of Business and Future Developments

An overview of the business performance and the future developments of the Company is discussed and presented in the Chairman's Message, Chief Executive Officer's review, Chief Operating Officer's Message (pages 26 to 28 and 29 to 31), and the Management Discussion and Analysis (pages 41 to 57). These reports together with Audited Financial Statements reflect the state of affairs of the Company.

## 3. FINANCIAL STATEMENT OF THE COMPANY

### 3.1 Director's Responsibility for Financial Reporting

As per Section 150 (1) of the Companies Act No. 07 of 2007, the Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company and that these Financial Statements give a true and fairview of the state of affairs of the Company in compliance with Sections 151, of the Companies Act No. 07 of 2007.

Accordingly, the Financial Statements of Company is prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs/ LKASs) issued by the Institute of Chartered Accountants of Sri Lanka and also complies with requirements of the Companies Act No. 07 of 2007, Regulation of Insurance Industry Act No. 43 of 2000 and amendments thereto, Sri Lanka Accounting and Auditing Standards Act No 15 of 1995, Rules and Regulations of the Insurance Regulatory Commission of Sri Lanka.)

The detailed statement of Directors' Responsibility is included in page no 91 forms an integral part of this report. The aforementioned Financial Statements for the year ended 31st December 2021 which appears on pages 96 to 130 are duly signed by the Chief Financial Officer and two Directors of the Company as per Section 168 (1) (b). These statements form an integral part of the Annual Report of the Board of Directors.

### 3.2 The significant accounting policies and Changes during the Year

The significant accounting policies adopted in the preparation of the Financial Statements and changes to significant accounting policies if any, in the preparation of the Financial Statements are described on pages 101 to 104.

### 3.3 Going Concern

The Directors after having made necessary assessment of the Company's ability to continue as a going concern declare that it 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 Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared for the Company on going concern basis.

### 3.4 Events Occurring after the Date of the Statement of Financial Position

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

### 3.5 Contingencies

All contingencies to the Company was disclosed in the Note 35.2 on the page 130 In the opinion of the Directors, and in consultation with the Company Lawyers, litigations currently pending against the Company, would not have a material impact on the reported financial results. All pending litigations for claims have been evaluated and adequate provisions have been made in the Financial Statements where necessary.

## 4. FINANCIAL RESULTS AND APPROPRIATIONS

### 4.1 Gross Written Premium

Gross written premium of the Company for the year 2021 was Rs 890. Million. (2020: Rs.871 Million) Note 21.1 to the Financial Statements in page 123 provides a segmental analysis of the Gross Written Premium.

## 4.2 Profit and Appropriations

The Profit After Tax the Company's for the year 2021 was Rs.47 Million (2020 - Rs. 92Million). The details of the appropriation of profit are given below.

	<b>2021</b>	<b>2020</b>
	<b>(Rs)</b>	<b>(Rs)</b>
Profit before Tax	69,158,271	136,104,677
Income Tax	17,711,252	40,590,713
Deferred Tax	4,104,544	3,901,743
Profit after Tax	47,342,475	91,612,221
Unappropriated Profit Brought Forward	223,353,239	132,618,665
Funds available for appropriation	270,065,714	222,598,649
Transferred to Reserves	11,758,489	(877,647)
Dividend Paid	(50,899,562)	-
Unappropriated profit Carried Forward	231,554,641	223,353,239
Earnings per Share (Rs)	0.93	1.80
NAV per Share (Rs)	14.55	14.39
Capital Adequacy Ratio (CAR)	257%	254%
Total Available Capital (TAC)	598,080	628,444
General fund	372,103,347	346,024,853

## 4.3 Stated Capital

The Stated Capital of the Company as at 31 December 2021 was Rs. 508,995,610 comprising 50,899,561 fully paid ordinary shares. (2020 : Stated Capital - Rs. 508,995,610 No. of Shares - 50,899,561)

## 4.4 Reserves

Transfers to/from reserves of the Company are shown in the Statement of Changes in Equity appearing on pages 98.

## 4.5 Taxation

Under the prevailing tax rules of the Country, the Company was taxed at the corporate tax rate of 14% & 24% (2020 - 14% & 24%). The tax position of the Company is disclosed in Note 31 to the Financial Statements on page 128. The Company reversed Deferred Tax Assets previously recognized due to utilization of brought forward tax losses against the taxable income. Accordingly, the Company has increased the Deferred Tax Liability of Rs. 4.1 Million during the year and carries a Liability of Rs.9.6 Million as of 31st December 2021.

## 4.6 Capital Expenditure

The Company's capital expenditure on Property, Plant and Equipment and Intangible Assets amounted to Rs.34 Million (2020: Rs.20 Million) and all other related information and movements have been disclosed in Note 05 on page 108 to 111 Note to the Financial Statements.

## 4.7 Financial Investments

The Financial Investments held by the Company mainly comprises of Financial Instruments. Financial Investments of the Company amounted to Rs.785 Million as at 31st December 2021 (2020 - Rs.772 Million ). The details of the Financial Investments are given in Note 08 to the Financial Statements on pages 112 to 115.

## 4.8 Provisions, Liabilities and Capital Commitments

The Directors have taken all reasonable steps to ensure that adequate provisions were made for all known liabilities and commitments. Contract Liabilities for General Insurance constituted Rs. 372.Million (2020 - Rs.346 Million) as at 31st December 2021. These liabilities have been valued by the appointed actuaries whose reports are disclosed on page 93 The assumptions and methods used are given in the accounting policies on pages 117 to 119 of these Financial Statements. The gratuity liability of the Company was Rs.9.1.Million (2020 - Rs.18.75 Million) and is certified by an External Actuary.

## 5. THE BOARD OF DIRECTORS

### 5.1 Information on Directors of the Company and Directors Meetings

The Board of Directors of SGIC consists of 09 Directors as at 31st December 2021 who possess wide range of skills, knowledge and experience. Directors are appointed through a formal and transparent process, assessed for their independence as per the company article and approved by the IRCSL. Five of them are elected (including the Managing Director) as per the nominations of the Holding Company, Sanasa Life Insurance Company PLC (SLIC) in accordance with the provisions of Article 27(3) & 28(1) (a). One Director was elected representing other shareholders of the Company. Three Independent Directors were nominated to the board by the elected Directors by means of powers and rights vested in them in accordance with the provisions of Article 27(2) (b). Information relating to the Directors of the Company is available in the Directors' Profile on pages from 24 to 25.

The following Directors held office as at the Balance Sheet date.

Name of the Director	Status	Date of Appointment
Mr. S.M.T.H. Subasinghe	Chairman / Non-executive Independent Director	2014/04/11
Mr. I. K. Kiriwadeniya	Managing Director	2014/04/25
Dr. T. Senthilveri	Non- executive Director	2017/05/02
Prof. J. M. U. K. Jayasinghe	Non- executive Director	2019/03/07
Mr. Keerthi Kumara Weerakkody	Non- executive Director	2019/03/07
Mr. J.M.D. Ananda Wishvakeerthi	Non- executive Director	2019/03/07
Mr. J.A.L.S.Jayasinghe	Non-executive Independent Director	2019/05/02
Mrs. D.Prasadika Senadheera	Non- executive Director	2020/05/20
Mr. W. Denzil Indrajith Perera	Non-executive Independent Director	2020/12/01

The names and representation of the Directors as at 31st December 2021

Name	Designation	Representation	Number of Shares as at 31/12/2021
Mr. I. K. Kiriwandeniya	Managing Director	Holding Company	30,614,059
Prof. J. M. U. K. Jayasinghe	Non- executive Director	Holding Company	
Mr. Keerthi Kumara Weerakkody	Non- executive Director	Holding Company	
Mr. J.M.D. Ananda Wishvakeerthi	Non- executive Director	Holding Company	
Mrs. D.Prasadika Senadheera	Non- executive Director	Holding Company	
Dr. T. Senthilvel	Non- executive Director	Senthilvel Holdings (Pvt) Ltd	20,000,000

## 5.2 Board and Subcommittees

The following Seven Board Subcommittees have been appointed by the Board to support the Board in ensuring that the Company carries out its activities with the highest ethical standards and in the best interest of all its stakeholders at all times. The Terms of Reference of these Subcommittees follow the recommendations made by various regulatory bodies, including but not limited to the Insurance Regulatory Commission of Sri Lanka, Securities and Exchange Commission, the Colombo Stock Exchange and the Institute of Chartered Accountants of Sri Lanka. These Committee reports are given on page 77 to 84 in the Annual Report. Committee mandates are reviewed regularly.

1. Audit Committee
2. Related Party Transaction Review Committee
3. Human Resource and Remuneration Committee
4. Nomination Committee
5. Research and Business Development Committee
6. Investment Committee
7. Risk Management Committee

Apart from that IT Trask Force was established with the participation of a Board member in order to review and evaluate process of migrating to a new core general Insurance software system.

All Directors are furnished with comprehensive information on the relevant areas to be discussed at each Board & Committee Meeting, prior to the date of such meetings and all decision are recorded by the Board Secretary.

Details of the Directors' participation at the Board and Sub Committee meetings are given below.

Name	Board Meeting		Audit Committee		Related Party Transaction Review Committee		Human Resource and Remuneration Committee		Nomination Committee		Research and Business Development Committee		Risk Management Committee		Investment committee	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
1 Mr. S.M.T.H. Subasinghe	14	14	00	00	00	00	00	00	02	01	13	13	00	00	00	00
2 Mr. I. K. Kiriwandeniya	14	14	00	00	00	00	16	16	01	01	-	06	00	00	04	04
3 Dr. T. Senthilvel	14	12	00	00	00	00	00	00	00	00	00	00	00	00	04	04
4 Prof. J. M. U. K. Jayasinghe	14	13	00	00	00	00	16	16	02	02	13	13	04	04	00	00
5 Mr. Keerthi Kumara Weerakkody	14	14	14	14	04	04	16	16	00	00	13	13	00	00	04	04
6 Mr. J. M. D. Ananda Wishvakeerthi	14	12	00	00	00	00	00	00	00	00	00	00	04	04	00	00
7 Mr. J. A. L. S. Jayasinghe	14	14	14	14	04	04	00	00	00	00	00	00	04	03	00	00
8 Mrs.D.Prasadika Senadheera	14	14	14	14	04	04	00	00	02	02	00	00	00	00	00	00
9 Mr. W. Denzil Indrajith Perera	12	11	00	00	00	00	00	00	00	00	10	08	00	00	00	00

A - Number of Meetings held during the period in which each director was in office in 2021

B - Number of Meetings attended

## 5.3 New Appointments, Retirement and Resignations

There were no appointments, retirements or resignations to the Board of SGIC during the year under review.

## 5.4 Retirement and, re-appointment of Directors

In terms of Article 27 (5), of the Articles of Association of the Company Mrs. D.Prasadika Senadheera and Prof. J.M.U.K Jayasinghe are retiring by rotation at the Annual General Meeting (AGM) and being eligible for re-election. Dr.T.Senthilvel and Mr. Keerthi Kumara Weerakkody are over the age of 70 years. Accordingly, in terms of the provisions of the Companies Act in Section 210 and 211, they will offer re-election as Directors at the AGM.

## 5.5 Interest Register and Interest in Contracts or Proposed Contracts

As per requirements of the Companies Act, No. 07 of 2007, an Interest Register is maintained by the Company. Directors have made declarations of their interests in other companies conforming to Sections 192 (1) and 192 (2) of the Companies Act, No. 07 of 2007 and they are recorded in the Directors' Interest Register.

The Interest Register is available at the registered office of the Company, in keeping with the requirements of the Section 119 (1) (d) of the Companies Act, No. 07 of 2007. Directors also refrained from voting on any contract or matter in which they have a material interest as a practice of good governance. Particulars of the Directors' Interests in Contracts are given on Note 33 to the Financial Statements presents complete disclosure on Related Party Transactions, which forms an integral part of the Annual Report of the Board of Directors.



No individual shareholdings of the Directors in the company as at 31st December 2021. None of the Directors of the company have acquired shares during the year under review.

## 5.6 Directors' Remuneration

Remuneration and allowances for the Chairman; Executive and Non-Executive Directors were duly determined by the Board on the recommendations of the Human Resource & Remuneration Committee. Directors' remuneration is given in Note 33.2.1 on page 129 the Financial Statements. No loans have been granted to any Director of the company during the year under review.

Name of the Institution/ Person	As at 31st December 2021			Name of the Institution/ Person	As at 31st December 2020		
	No of Institutions/ Persons	No of Shares	Percentage		No of Institutions/ Persons	No of Shares	Percentage
Sanasa Life Insurance Company PLC	1	30,614,059	60%	Sanasa Life Insurance Company Limited	1	30,614,059	60%
Senthilveri Holdings (Pvt) Limited	1	20,000,000	39%	Senthilveri Holdings (Pvt) Limited	1	20,000,000	39%
Sanasa Primary Societies/Individuals	8	285,502	1%	Sanasa Primary Societies/Individuals	8	285,502	1%

None of the company shares disposed during the year under review.

## 7. INDEPENDENT AUDITORS' APPOINTMENT AND REMUNERATION

### 7.1 Appointment and Audit Report

The Company's Independent External Auditors, Messrs. Ernst & Young, Chartered Accountants as External Auditors of the Company, who were appointed by a resolution passed at the 7th Annual General Meeting, have carried out an audit on the Financial Statements of the Company for the year ended 31st December 2021 and expressed their opinion which appears on pages 94 to 95 of this Annual Report.

### 7.2 Auditors Remuneration and Relationship

The details of their remuneration in respect of audit fees and audit related fees are given in Note 30 to the Financial Statements as required by Section 168 (1) (i) of the Companies Act No 07 of 2007. As far as the Directors are aware, the Auditors do not have any relationship with the Company which would impair the Auditors' independence within the means of the Code of Professional Conduct and Ethics issued by the Institute of Chartered Accountants of Sri Lanka, applicable on the date of this report, thus comply with the Section 168 (1) (j) of the Companies Act No 07 of 2007.

Report of the Audit Committee provides more information on appointment of auditors, Independence of auditors and the provision of Non-Audit services.

### 7.3 Re-appointment of Auditor for the Financial Year 2022

The retiring Auditors Messrs. Ernst & Young have signified their willingness to continue to function as the auditor to the Company. A resolution to reappoint Messrs. Ernst & Young as auditors and granting authority to the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting of SGIC to be held on 25th June 2022 for shareholder approval.

## 8. COMPLIANCE WITH LAWS AND REGULATIONS

To the best knowledge of the Directors, the company has not acted in contravention of any rule or regulation of the country. Further, the company has submitted all statutory returns and other required details to the relevant authorities on or before the due dates.

## 9. STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments due to the Government and related institutions, the Insurance Regulatory Commission of Sri Lanka, and relating to the employees, by the Company and its Subsidiary, have been made on time or where relevant provided for, except as specified in Note to the Financial Statements, covering contingent liabilities.

## 5.7 Related Party Transactions

The Company's transactions with Related Parties, given in Note 33 on pages no 129 to 130 the Financial Statements. The Directors have also disclosed transactions, if any, that could be classified as Related Party Transactions in terms of the Sri Lanka Accounting Standard - LKAS 24 on 'Related Party Disclosures'.

## 6. SHARE INFORMATION

The Number of Shares of the Company as at 31st December 2021 was 50,899,561 and there were 10 shareholders. The analysis of the shareholding is given below.

## 10. RISK-BASED CAPITAL (RBC) COMPLIANCE

The Company has complied with the requirements of the Risk Based Capital (RBC) framework on solvency margin as required by the IRCSL. Total Available Capital (TAC) and Risk-based Capital Adequacy Ratio (CAR) of SGIC were maintained in excess of the minimum requirements as prescribed by the IRCSL throughout the year. At the end of the financial year 2021, SGIC recorded a CAR of 257% and TAC Rs. 598 MN.

## 11. RISK MANAGEMENT AND SYSTEM OF INTERNAL CONTROLS

The Board of Directors believe that strong internal controls are an essential part of management of the business and is committed to maintaining financial, operational and risk management controls over all its activities. The ultimate responsibility of Company's system of internal controls and risk management is vested with the Board of Directors.

Therefore, the Board continuously monitors all business aspects through the Risk Management Committee and the Audit Committee along with the reports of the outsourced internal auditors to ensure the adequacy and effectiveness of internal controls of the company, compliance with laws and regulations and established policies adopted by the Company.

Further, details of these aspects are discussed in the Corporate Governance Report, Director's Statement of Internal Control, Audit Committee Report and Risk Management Committee Report available on pages 60 to 67, page 85, pages 77 to 78 and page 83 respectively.

## 12. CORPORATE GOVERNANCE

The Board of Directors is committed towards maintaining an effective Corporate Governance Framework and implementing systems and structures required to ensuring best practices in Corporate Governance and their effective implementation.

The Company's compliance with relevant sections of Corporate Governance framework issued by IRCSL in the year 2018 is given on pages 70 to 71. Further, the table from page 68 to 69 shows the manner in which the Company has complied with Section 7.10 of the Rules of the Colombo Stock Exchange (CSE) on Corporate Governance and Company's compliance on the Code of Best Practice on Corporate Governance issued by CA Sri Lanka is given on page 74. The Corporate Governance Report is given from pages 60 to 71. Also, the Director's declare that;

- all applicable laws and regulations have been complied with by the Company, in conducting its business activities.
- the Directors have disclosed all material interests in contracts involving the Company and have refrained from voting on matters in which they were materially interested.

- c) the Company has made all endeavours to ensure that all shareholders have been treated equitably.
- d) the business is a going concern with supporting assumptions or qualifications as necessary.
- e) an review of internal controls, covering financial, operational and compliance controls, and risk management, has been conducted, and a reasonable assurance of their effectiveness and successful adherence has been conducted, and a reasonable assurance of their effectiveness and successful adherence has been obtained.

### 13. ENVIRONMENT PROTECTION

To the best of knowledge of the Board, the Company has complied with the relevant environmental laws and regulations and the Company has not engaged in any activity that is harmful or hazardous to the environment. Specific measures taken to protect the environment are found in the Natural Capital section of this Report on page no 57.

### 14. CORPORATE SOCIAL RESPONSIBILITY (CSR)

As a socially responsible corporate citizen, the Company carries out a range of CSR activities. The details of Corporate Social Responsibility activities are given under Social and Relationship Capital section on pages no 55 to 56.

### 18. ACKNOWLEDGEMENT OF THE CONTENT OF THE REPORT


As required by the Section 168 of the Companies Act, No. 07 of 2007, the following information is disclosed in this Report prepared for the year ended 31st December 2021.

Reference to the Companies Act	Information required to be disclosed as per the Companies Act	
Section 168 (1) (a) (i)	The nature of the business of the Company or any of its subsidiaries.	Section 2.3 on page 86
Section 168 (1) (b)	Financial Statements for the accounting period completed and signed in accordance with section 151.	Section 3.1 on page 86
Section 168 (1) (c)	Auditors' appointment and Auditors' Report on the Financial Statements of the Company.	Section 7.1 on Page 89
Section 168 (1) (d)	Accounting Policies of the the Company and any changes therein.	Section 3.2 on page 86
Section 168 (1) (e)	Particulars of the entries made in the Interests Registers of the Company during the accounting period.	Section 5.5 on page 88
Section 168 (1) (f)	Remuneration and other benefits paid to Directors during the accounting period.	Section 5.6 on page 89
Section 168 (1) (g)	Total amount of donations made by the Company during the accounting period.	Section 15 on page 90
Section 168 (1) (h)	Names of the persons holding office as Directors of the Company as at the end of the accounting period and the names of any persons who ceased to hold office as directors of the Company during the accounting period.	Section 5.1 on page 87
Section 168 (1) (i)	Disclosure on amounts payable to the Auditors as Audit Fees and Fees for other services rendered during the accounting period by the Company.	Section 7.2 on page 89
Section 168 (1) (j)	Auditors' relationship or any interest with the Company	Section 7.2 on page 89
Section 168 (1) (k)	Acknowledgement of the contents of this Report/Signatures on behalf of the Board of Directors	Section 18 on page 90
Section 168 (2)	A company that is required to include Group Financial Statements in its annual report shall include those in relation to its subsidiaries, the information specified in paragraphs (b) to (j) of subsection (1).	Not Applicable.
Section 168 (3)	The annual report of a company need not comply with of paragraph (a) and paragraphs (d) to (j) of subsection (1), if all shareholders agree in writing that it need not do so. Any such agreement shall be noted in the annual report.	The Company complies with paragraph (a) and (d) to (j) of subsection (1)

Board of Directors does hereby acknowledge the contents of this Annual Report as required by Section 168 (1) (k) of the Companies Act No. 07 of 2007.

By order of the Board,

  
Duleeka Vidanapathirana  
Company Secretary

  
J.A.Lahiru S. Jayasinghe  
Non-executive Independent  
Director

  
S.M.Tishan H. Subasinghe  
Chairman

31st May 2022

### 15. CORPORATE DONATIONS

Total donations made by the Company during the year amounted to Rs.nil (2020 - Rs.nil.).

### 16. HUMAN RESOURCES

The Company ensure that effective human resource practices and policies exist, continuously reviewed and improved to enhance workforce efficiency, effectiveness and productivity. These practices and policies are applied for all employees of the Company irrespective of ethnic origin, religion, political opinion, gender, marital status or physical disability. Details of the Company human resource are detailed in the Human Capital section on pages no 51 to 52 and the on Human Resources and Remuneration Committee Report given on page no 79

### 17. ANNUAL GENERAL MEETING

The Eighth Annual General Meeting of the Company will be held as an Online virtual Meeting on 25th June (Saturday ) 2022 at 9.30 am at the Board Room of Sanasa General Insurance Company Limited , No 172, Elvittigala Mawatha, Colombo 08 Notice of the Annual General Meeting is on page 132 of the Annual Report.

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The responsibility of the Board of Directors in relation to the Financial Statements of the Company and the Consolidated Financial Statements of the Company and its Subsidiary prepared in accordance with the provisions of the Companies Act No.07 of 2007, is given in this statement.

The responsibilities of the External Auditors in relation to the Financial Statements are set out in the Independent Auditor's Report given on pages 94 to 95.

As per the provisions of sections 150 (1) and 151 of the Companies Act No 7 of 2007, the Directors are required to prepare and present Financial Statements for each financial year for the Company which give a true and fair view of the state of affairs of the Company as at the reporting date and of the profit or loss for the year and place the same before the Annual General Meeting.

The financial statements comprise the Statement of Financial Position as at 31st December 2021, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes thereto.

The Board of Directors' also confirm that the Financial Statements of the Company give a true and fair view of;

- The state of affairs of the Company as at the date of the Statement of Financial Position; and
- The financial performance of the Company for the financial year ended 31st December 2021

### Compliance Report

In preparing the financial statements for the period ended 31st December 2021, the Directors also confirm that,

a) Appropriate accounting policies have been selected and applied in a consistent manner when preparing the Financial Statements appearing on pages 96 to 130.

b) Reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected and material departures, if any, have been disclosed and explained in the Financial Statements and accompanying Notes.

c) The Financial Statements for the year ended 31st December 2021, prepared and presented in this Annual Report are consistent with the underlying books of accounts and are in conformity with the applicable regulatory requirements including;

- Sri Lanka Accounting Standards (SLFRS/LKAS)
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- Companies Act No. 07 of 2007
- Regulation of Insurance Industry Act No. 43, of 2000 and subsequent amendments thereto
- Statement of Recommended Practice (SoRP) issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL)
- Listing Rules of the Colombo Stock Exchange (CSE)
- Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Securities and Exchange Commission of Sri Lanka (SEC).

d) As required by the Section 148 (1) of the Companies Act the Company keep accounting records which correctly record and explain the Company's transactions and enable the financial position of the Company to be determined with reasonable accuracy at any time while enabling the preparation of the Financial Statements in accordance with the Companies Act No. 07 of 2007 and ensuring that these statements can be readily and properly audited.

e) Appropriate steps have been taken to ensure that the Company maintains proper books of accounts and the financial reporting system is reviewed through the Audit Committee. The report of the Audit Committee is given on pages 77 to 78 of this Annual Report. Financial records of the Company have been reviewed by the Board at their regular meetings and the Interim Financial Statements of

the Company have been reviewed and recommended by the Audit Committee and have then been approved by the Board of Directors prior to release to the Shareholders and public.

f) The Board of Directors accepts the responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report.

g) Steps have been taken to establish and maintain a system of internal controls to provide reasonable assurance of the reliability of financial reporting, effectiveness and efficiency of the operations, safeguarding of the assets of the Company, compliance with applicable laws and regulations, and prevention and detection of frauds and other irregularities. Directors' Statement on Internal Control is given on page 85.

h) The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments including taxes and duties due to all relevant regulatory and statutory authorities which were payable by the Company as at the reporting date have been paid or where relevant provided for.

i) As required by the Sections 166 (1) and 167 (1) of the Companies Act No. 07 of 2007 and Rule 7.5 (a) and (b) on Continuing Listing Requirements of the Colombo Stock Exchange (CSE), the Board of Directors have prepared this Annual Report in time and will ensure that a copy thereof is sent to every Shareholder of the Company, who have expressed desire to receive a hard copy or to other shareholders an online link containing the Annual Report within the stipulated period of time.

j) The Board of Directors after considering the financial position, operating conditions, regulatory environment and other factors required to be addressed, has established that it has reasonable expectations that the Company has adequate resources to continue in operation to justify applying the 'Going Concern' basis in preparation of these Financial Statements.

k) As required by the Sections 150 (1) (b) of the Companies Act No. 07 of 2007, Chief Financial Officer has certified that the Financial Statements of the Company is in compliance with the requirements of the Companies Act No. 07 of 2007. Further, as required by the Sections 150 (1) (c) of the Companies Act No. 07 of 2007 and other regulatory requirements the Financial Statements of the Company has been signed by two Directors of the Company on 17th March 2022.

l) The External Auditors have been provided with every opportunity to carry out whatever reviews and sample checks on the system of internal controls they may consider appropriate and necessary to express their independent audit opinion on the Financial Statements of the Company. The Financial Statements thus made available to them by the Board of Directors along with all the financial records, related data and minutes of Shareholders' and Directors' meetings have been examined by the External Auditors who have expressed their opinion which is given on pages 94 to 95.

By order of the Board



Duleeka Vidanapathirana  
Company Secretary  
31st May 2022

## CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

The Financial Statements of Sanasa General Insurance Company Limited as at 31st December 2021 are prepared and presented in compliance with the requirements of the following:

- Sri Lanka Accounting Standards issued by CA Sri Lanka;
- Companies Act No. 07 of 2007;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Finance Companies regulations and directions issued by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No 42 of 2011;
- Any other regulatory compliance relating to financial reporting of each industry and geographical locations Sanasa General Insurance Company Limited has a presence.

All the significant accounting policies adopted by the Company is mentioned in the Notes to the Financial Statements. For all periods up to and including the year ended 31 December 2021, the Company prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) which have materially converged with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

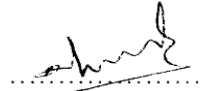
There are no departures from the prescribed accounting standards in their adoption. The accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied. The Board of Directors and the management of our Company accept responsibility for the integrity and objectivity of these Financial Statements.

The estimates and judgements relating to the Financial Statements were made on a prudent and reasonable basis, in order that the Financial Statements reflect in a true and fair manner, the form and substance of transactions and reasonably present the Company's state of affairs. To ensure this, the Company has taken proper and sufficient care in installing a system of internal controls and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis.

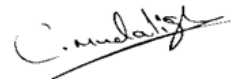
Our Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

Sanasa General Insurance Company Limited and its Financial Statements were audited by M/S Ernst & Young, Chartered Accountants, the Company's External Auditors.

The Audit Committee of our Company meets periodically with the Internal Auditors and the External Auditors to review the manner in which these auditors are performing their responsibilities and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance. It is also declared and confirmed that the Company has complied with and ensured compliance by the Auditor with the guidelines for the audit of company where mandatory compliance is required. It is further confirmed that all the other guidelines have been complied with.



CEO /General Manager  
Nimal Perera



Chief Finance Officer  
Chandralatha Mudalige

17th March 2022



15 March 2022

## Sanasa General Insurance Company Limited 31 December 2021 LAT Certification

At the end of each reporting period, companies are required to carry out a Liability Adequacy Test ('LAT') as laid out in SLFRS 4. The LAT is performed to assess the adequacy of the carrying amount of the Unearned Premium Reserve ('UPR'). I hereby certify that the UPR provision of LKR 221,236,973 set by the Company, net of reinsurance and DAC, is adequate at a 50th percentile in relation to the undiscounted unexpired risks of Sanasa General Insurance Company Limited as at 31 December 2021, in many but not all scenarios of future experience. As such, there is no premium deficiency to be recognised by the Company.

The valuation of the Company's unexpired risks has been conducted in compliance with the IRC SL Solvency Margin (Risk Based Capital) Rules, 2015, relevant insurance regulation, and in accordance with the Institute of Actuaries of Australia ('IAA') professional standards; in particular, the relevant Professional Standards & Guidance and the Code of Conduct, to the extent that they are applicable.

I have relied upon information and data provided by the management of the Company and I have not independently verified the data supplied, beyond applying checks to satisfy myself as to the reasonableness of the data.

A handwritten signature in black ink, appearing to read 'Matthew Tiong'.

Matthew Tiong  
Fellow of the Institute and Actuaries of Australia (FIAA)  
For and on behalf of NMG Consulting  
Dated 15 March 2022



Ernst & Young  
Chartered Accounts  
201, De Saram Place  
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Colombo 10, Sri Lanka

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Fax (Tax):+94 11 557 8180  
Email :eysl@lk.ey.com  
ey.com

DNG/KSM/JJ

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SANASA GENERAL INSURANCE COMPANY LIMITED

Report on the audit of the financial statements

### **Opinion**

We have audited the financial statements of Sanasa General Insurance Company Limited (“Company”), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### **Basis for opinion**

We conducted our audit in accordance with Sri Lanka Auditing Standards (“SLAuSs”). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of management and those charged with governance for the financial statements**

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

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

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

### **Auditor’s responsibilities for the audit of the financial statements**

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

(Contd...2/)

Partners: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekara FCA FCMA, A Herath FCA, D K Hulangamuwa FCA FCMA LLB(London), Ms. A A Ludwyke FCA FCMA, MS G G S Manatunga FCA, A A J R Perera ACA ACMA, MS P V K N Sajeewani FCA, N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: G B Goudian ACMA, Ms. P S Paranavitane ACMA LLB(Colombo), T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited



As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

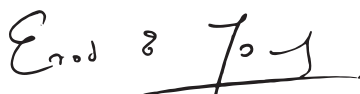
Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### **Report on other legal and regulatory requirements**

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

As required by Section 47(2) of the Regulation of Insurance Industry Act, No.43 of 2000, as far as appears from our examination, the accounting records of the Company have been maintained in the manner required by the rules issued by the Insurance Regulatory Commission of Sri Lanka, so as to clearly indicate the true and fair view of the financial position of the Company.



17 March 2022  
Colombo


# Sanasa General Insurance Company Limited

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2021



	Note	2021 Rs.	2020 Rs.
<b>Assets</b>			
Property, Plant and Equipment	5	84,811,829	68,195,622
Investment Property	6	75,000,000	65,500,000
Right of Use Asset	7	71,779,713	77,478,986
Financial Assets	8	784,668,430	771,541,835
Reinsurance Receivables	9	37,083,767	21,033,134
Premiums Receivable	10	151,869,095	139,875,737
Amounts Due from Related Parties	11	1,453,537	-
Other Assets	12	48,997,548	36,105,229
Cash and Cash Equivalents	13	80,557,444	123,350,490
<b>Total Assets</b>		<b>1,336,221,363</b>	<b>1,303,081,033</b>
<b>Equity and Liabilities</b>			
<b>Shareholders' Equity</b>			
Stated Capital	14	508,995,610	508,995,610
Retained Earnings		231,554,641	223,353,239
<b>Total Shareholders' Equity</b>		<b>740,550,251</b>	<b>732,348,849</b>
<b>Liabilities</b>			
Insurance Contract Liabilities	15	372,103,347	346,024,853
Retirement Benefits Obligation	16	9,155,752	18,758,656
Deferred Tax Liability	17	9,635,033	5,530,489
Reinsurance Payable	18	43,905,335	12,562,370
Lease Creditors	7	61,163,278	63,728,922
Amounts Due to Related Parties	19	-	8,920,860
Other Liabilities	20	99,708,367	115,206,034
<b>Total Liabilities</b>		<b>595,671,112</b>	<b>570,732,184</b>
<b>Total Equity and Liabilities</b>		<b>1,336,221,363</b>	<b>1,303,081,033</b>

These Financial Statements are prepared in compliance with the requirements of the Companies Act No.07 of 2007.



Head of Finance

The Board of Director is responsible for these Financial Statements. Signed for and on behalf of the Board by;

	Name	Signature
Directors	1. J.A.Lahiru S. Jayasinghe	
	2. S.M.Tishan H. Subasinghe	

Date of approval by the Board 17th March 2022

The Notes to the Financial Statements in pages 101 to 130 form an integral part of these Financial Statements.

17 March 2022  
Colombo

Sanasa General Insurance Company Limited  
**STATEMENT OF COMPREHENSIVE INCOME**  
 As at 31 December 2021

		2021	2020
	Note	Rs.	Rs.
Gross Written Premium	21.1	890,107,264	871,088,368
Less: Premium Ceded to Reinsurers	22	(124,622,439)	(79,687,297)
<b>Net Written Premium</b>		<b>765,484,825</b>	<b>791,401,069</b>
Net Change in Reserve for Unearned Premium	23	(7,800,810)	67,119,796
<b>Net Earned Premium</b>		<b>757,684,015</b>	<b>858,520,865</b>
<b>Other Revenue</b>			
Investment Income	24	42,276,428	52,820,305
Other Income	25	168,570,590	141,237,858
<b>Total Other Revenue</b>		<b>210,847,018</b>	<b>194,058,164</b>
<b>Net Income</b>		<b>968,531,033</b>	<b>1,052,579,029</b>
<b>Benefits, Losses and Expenses</b>			
Net Insurance Claims and Benefits	26	269,963,234	312,564,498
Underwriting and Net Acquisition Costs/Income(including reinsurance)	27	73,650,232	81,524,482
Other Operating & Administrative Expenses	28	540,011,032	504,696,913
Finance Cost	29	15,748,264	17,688,458
Total Benefits, Losses and Other Expenses		899,372,762	916,474,351
<b>Profit before Taxation</b>	<b>30</b>	<b>69,158,271</b>	<b>136,104,677</b>
<b>Taxation</b>	<b>31</b>	<b>(21,815,796)</b>	<b>(44,492,456)</b>
<b>Profit after Taxation</b>		<b>47,342,475</b>	<b>91,612,221</b>
Other Comprehensive Income, Net of Related Tax, Items that will never be Reclassified to Profit or Loss			
Actuarial Gains/(Losses) on Defined Benefit Plans	16	10,591,801	(1,632,237)
<b>Total Other Comprehensive Income for the year</b>		<b>10,591,801</b>	<b>(1,632,237)</b>
<b>Total Comprehensive Income for the year</b>		<b>57,934,277</b>	<b>89,979,983</b>
Earnings /(Losses) Per Share (EPS)	32	0.93	1.80

The Notes to the Financial Statements in pages 101 to 130 form an integral part of these Financial Statements.

## Sanasa General Insurance Company Limited

### STATEMENT OF CHANGES IN EQUITY

As at 31 December 2021

	Ordinary Shares	Retained Earnings	Total Equity
	Rs.	Rs.	Rs.
<b>Balance as at 01 January 2020</b>	<b>508,995,610</b>	<b>132,618,665</b>	<b>641,614,275</b>
Transferred to Title Fund	-	754,590	754,590
Net Change in Employee Benefits	-	(1,632,237)	(1,632,237)
Profit/(Loss) for the Year	-	91,612,221	91,612,221
<b>Balance as at 31 December 2020</b>	<b>508,995,610</b>	<b>223,353,239</b>	<b>732,348,849</b>
Dividends Declared	-	(50,899,562)	(50,899,562)
Transferred to Title Fund	-	1,166,688	1,166,688
Net Change in Employee Benefits	-	10,591,801	10,591,801
Profit/(Loss) for the Year	-	47,342,475	47,342,475
<b>Balance as at 31 December 2021</b>	<b>508,995,610</b>	<b>231,554,641</b>	<b>740,550,251</b>

The Notes to the Financial Statements in pages 101 to 130 form an integral part of these Financial Statements.

# Sanasa General Insurance Company Limited

## STATEMENT OF CASH FLOWS

As at 31 December 2021

		2021	2020
	Note	Rs.	Rs.
<b>Cash Flows from Operating Activities</b>			
Profit / (Loss) before Taxation		69,158,271	136,104,677
<b>Adjustments for:</b>			
Depreciation of Property, Plant & Equipment	5	17,582,155	10,948,961
Net Depreciation of Right of Use Assets	7.1	25,864,700	25,229,380
Net Depreciation of Rent Advance for Right of Use Asset	7.1	4,573,805	6,375,478
Interest Expense on Lease Creditor	7.2	7,861,279	6,349,629
Loss/(Gain) on Disposal of Motor Vehicles		-	1,635,532
Provision for Employee Benefits	16	1,773,749	2,699,592
Unrealized Market Value Movement	24	29,077,816	5,384,235
Investment Income	24	(71,354,244)	(58,204,541)
Net Fair Value Losses/(Gains) and Capitalisation	6	(9,500,000)	(21,000)
		75,037,531	136,501,943
Net Change in Operating Assets	A	(42,389,847)	36,873,217
Net Change in Operating Liabilities	B	45,858,697	(6,639,553)
Cash Flows from Operating Activities		78,506,381	166,735,608
Gratuity Payments	16	(784,852)	(641,120)
ESC Paid		-	(1,368,635)
Income Tax Paid		(29,400,327)	(2,933,826)
<b>Net Cash Generated from Operating Activities (a)</b>		<b>48,321,202</b>	<b>161,792,027</b>
<b>Cash Flow from Investing Activities</b>			
Acquisition of Financial Investments	8.4	(344,142,167)	(715,570,748)
Acquisition of Property, Plant and Equipment	5	(34,198,363)	(20,187,937)
Advance Paid to Right of Use Assets	7.1	(3,429,407)	(21,503,545)
Proceeds from Maturity and Sale of Financial Investments	8.4	301,937,756	621,804,335
Investment Income Received		71,354,244	58,204,541
Dividend Paid		(50,899,562)	-
<b>Net Cash Used in Investing Activities (b)</b>		<b>(59,377,499)</b>	<b>(77,253,354)</b>
<b>Cash Flows from Financing Activities</b>			
Payment of Lease Liability	7.2	(31,736,748)	(28,150,079)
<b>Net Cash Generated from Financing Activities (c)</b>		<b>(31,736,748)</b>	<b>(28,150,079)</b>
<b>Net Increase in Cash and Cash Equivalents (a+b+c)</b>		<b>(42,793,046)</b>	<b>56,388,593</b>
Cash and Cash Equivalents at the beginning of the year		123,350,490	66,961,897
<b>Cash and Cash Equivalents at the end of the year</b>		<b>80,557,444</b>	<b>123,350,490</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>			
Cash and Cash Equivalents - Favorable Balance	13	80,557,444	123,350,490
<b>Cash and Cash Equivalents at the end of the year</b>		<b>80,557,444</b>	<b>123,350,490</b>

<b>Notes to the Cash Flow Statement</b>			
<b>A. Change in Operating Assets</b>			
(Increase) / Decrease in Reinsurance Receivables	9	(16,050,633)	683,027
(Increase) / Decrease in Premium Receivables	10	(11,993,359)	27,268,585
(Increase) / Decrease in Amount Due from Related Party	11	(1,453,537)	-
(Increase) / Decrease in Other Assets	12	(12,892,318)	8,921,605
<b>Net Change in Operating Assets</b>		<b>(42,389,847)</b>	<b>36,873,217</b>
<b>B. Change in Operating Liabilities</b>			
Increase / (Decrease) in Insurance Provision	15	26,078,494	(15,902,091)
Increase / (Decrease) in Reinsurance Payable	18	31,342,965	(2,701,169)
Increase / (Decrease) in Amount Due to Related Party	19	(8,920,860)	(4,237,419)
Increase / (Decrease) in Other Liabilities	20	(2,641,901)	16,201,126
<b>Net Change in Operating Liabilities</b>		<b>45,858,697</b>	<b>(6,639,553)</b>

The Notes to the Financial Statements in pages 101 to 130 form an integral part of these Financial Statements.



# Sanasa General Insurance Company Limited

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2021

### 1. CORPORATE INFORMATION

#### 1.1 Reporting Entity

Sanasa General Insurance Company Limited ("The Company") is a Company incorporated and domiciled in Sri Lanka. The registered office of the Company and the principal place of business is situated at No. 172, Elvitigala Mawatha, Colombo 8. The Company is registered under the Companies Act No. 07 of 2007 and regulated under the Regulation of Insurance Industry Act No. 43 of 2000 and amendments thereto.

#### 1.2 Principal Activities and Nature of Operations

Sanasa General Insurance Company Limited is primarily involved in General Insurance Business providing General Insurance solutions for both individual and corporate customers.

#### 1.3 Parent entity and ultimate parent entity

The Company's immediate and ultimate parent Company is Sanasa Life Insurance Company PLC which is incorporated in Sri Lanka.

#### 1.4 Responsibility for Financial Statements

The Board of Directors is responsible for preparation and presentation of these Financial Statements as per the provisions of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards.

#### 1.5 Approval of financial statements by the Board of Directors

The financial statements of the Company for the year ended 31 December 2021 were approved and authorised for issue on 17 March 2022 in accordance with the resolution of the Board of Directors on 17 March 2022.

#### 1.6 Number of Employees

The staff strength of the Company as at 31 December 2021 is 366 (2020: 344).

### 2. BASIS OF PREPARATION

#### 2.1 Statement of Compliance

The financial statements of the Company have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs & LKASs) promulgated by the Institute of Chartered Accountants of Sri Lanka (CASL) and comply with the requirements of the Companies Act, No. 7 of 2007 and the Regulation of Insurance Industry Act, No. 43 of 2000 and amendments thereto. The financial statements include the following components;

- A statement of profit or loss and statement of comprehensive income providing information on the financial performance of the Company for the year under review;
- A statement of financial position providing information on the financial position of the Company as at the year-end;
- A statement of changes in equity depicting all changes in shareholders' equity;
- A statement of cash flows providing information to the users on the ability of the Company to generate cash and cash equivalents and the needs of entities to utilise those cash flows; and
- Notes to the financial statements comprising accounting policies and other explanatory information.

#### 2.2 Basis of Measurement

The Financial statements have been prepared on the accrual basis and historical cost basis except for the following material items in the statement of financial position:

- Insurance Contract Liabilities are determined in accordance with internationally accepted actuarial principles. (Note no.15, Page No 34/35/36)
- Financial instruments at fair value through profit or loss are measured at fair value. (Note no.8.2, Page No.30)

- Investment Property is measured at fair value. (Note no.06, Page No.27)
- Defined benefit obligation valued by the actuarial and recognized at present value. (Note no.16, Page No.37)

#### 2.3 Financial period

The financial statements are prepared to a financial year ended 31 December.

#### 2.4 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of profit or loss unless required or permitted by an accounting standards or interpretation.

#### 2.5 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (LKR), which is the Company's functional currency.

#### 2.6 Comparative Information

The Financial Statements provide comparative information in respect of the previous period. The presentation and classification of assets and liabilities in the Financial Statements of the previous year have been amended, where relevant for better presentation and to be comparative with those of the current year.

#### 2.7 Materiality and aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately, unless they are immaterial as permitted by LKAS 01 - 'Presentation of Financial Statements' and subsequent amendments.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

#### 3.1 Use of Estimates and Judgments

The preparation of the financial statements of the Company in conformity with SLFRS and LKAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Further, the management is also required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

Accounting judgments, estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The key significant accounting judgments, estimates and assumptions involving uncertainty are discussed below whereas the respective carrying amounts of such assets and liabilities are given in related notes.

##### 3.1.1 Going Concern

The Directors after having made necessary assessment of the Company's ability to continue as a going concern declare that it 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 Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared for the Company on going concern basis.

### 3.2 Valuation of Insurance Contract Liabilities

The estimates of insurance contracts 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 yet reported and claims incurred, but not enough reported (IBNR/IBNER) at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty. The main assumption underlying in estimating the amount of outstanding claims is the past claims development experience. Large claims are usually addressed separately, 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.

### 3.3 Fair Value of Financial Instruments

The 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 models.

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. This judgment may include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair values of the financial instruments.

### 3.4 Valuation of Employee defined Benefit Obligation

The cost of defined benefit plans from which the gratuity is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The actuarial valuation involves making assumptions on the discount rate, salary increment rate and balance service period of the employees. Due to the long term nature of the plans these assumptions and estimates are subject to significant uncertainty. Details of the key assumptions used by the Actuary in the estimates are contained in Note 16.

### 3.5 Provisions for liabilities and contingencies

The Company receives legal claims against it in the normal course of business. The management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims 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.

### 3.6 Deferred Tax Assets and Liabilities

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and the level of future taxable profits together with future tax planning strategies. Further taxable profits together with future tax planning strategies. Further details on taxes are disclosed in Note 17.

## SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted by the Company are explained in detail in respective notes to the financial statements. Those accounting policies presented with each note, have been applied consistently by the Company.

### 3.7 Foreign Currency Transactions

Transactions in foreign currencies are translated in to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated in to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency is translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated in to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available for-sale equity instruments, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

### 3.8 Product Classification

As permitted by SLFRS 4 Insurance Contracts, the Company continues to apply the existing accounting policies for Insurance Contracts that were applied prior to the adoption of SLFRS. Product classification SLFRS 4 requires contracts written by insurers to be classified as either "insurance contracts or "investment contracts depending on the level of insurance risk transferred.

#### Insurance Contracts

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policy holders if a specified uncertain future event (the insured event) adversely affects the policy holders. As a general guideline, the Company 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

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 variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

#### Subsequent Classification and Reclassification

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 expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

#### Product Portfolio of the Company

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

#### Recognition and Measurement

Insurance contracts and investment contracts with DPF are classified into Short-term & Long-term insurance contracts, depending on the duration of risk and on whether the terms and conditions are fixed.

#### Short-term Insurance Contracts

Property insurance contracts mainly compensate the insured customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption coverage).

Casualty insurance contracts protect the customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

For all these contracts, premiums are recognized as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and actuarial value of the claims incurred but not reported, and the estimate of expected ultimate cost of more complex claims that may be affected by external factors.

### 3.9 Financial Assets and Financial Liabilities

#### 3.9.1 Non-Derivative Financial Assets

##### 3.9.1.1 Initial Recognition and Measurement

The Company initially recognizes loans and receivables and deposits on the date at which they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument. A Financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. At inception a financial asset is classified into one of the following categories:

1. Fair value through profit or loss (FVTPL);
2. Loans and receivables (L&R);
3. Held to maturity investments (HTM); and
4. Available-for-sale (AFS) Financial assets, as appropriate

The Company determines the classification of its financial assets at initial recognition. The classification depends on the purpose for which the investments were acquired or originated (i.e. intention) and based on the Company's ability. Financial assets are classified as at fair value through profit or loss where the Company's investment strategy is to manage financial investments on a fair value basis. The available-for sale and held to maturity categories are used when the relevant liability (including shareholders' funds) is passively managed and/or carried at amortized cost. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognized on the settlement date, i.e., the date that the Company receives/settles money for the sale/purchase of the financial asset. However, when it comes to investment in quoted equities and corporate debt, the transaction date (i.e. trade date) is used to recognize/derecognize the asset. The Company's existing types of financial assets and their classifications are shown in the table below,

Financial Asset	Category
Treasury Bonds	Loans and Receivables
Treasury Bills	Loans and Receivables
Listed Equity Shares	Fair Value through Profit or Loss
Corporate Debts	Loans and Receivables
Fixed Deposits	Loans and Receivables
Short Term Investments	Loans and Receivables

##### 3.9.1.2 Subsequent Measurement

#### Financial Assets at Fair Value through Profit or Loss (FVTPL)

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. For investments designated as at fair value through profit or loss, the following criteria must be met:

- If the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on a different basis,
- Or
- The assets and liabilities are part of a Company's financial assets, financial liabilities, or both, which are managed and their performance evaluated on a fair value basis, in accordance with the Company's Investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, they are remeasured at fair value. Changes in fair value are recorded in 'Fair value gains and losses' in the Statement of Comprehensive Income. Interest is accrued and presented in 'Investment income' or 'Finance cost', respectively, using the Effective Interest Rate (EIR). Dividend income is recorded in the 'Investment Income' when the right to the payment has been established. The Company evaluates its financial assets at fair value through profit and loss (held for trading) whether the intent to sell them in the near term is still appropriate.

When the Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset.

#### Available-for-sale Financial Assets (AFS)

Available-for-sale financial investments include equity and debt securities (Government Securities and Corporate Debt). Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, available-for-sale financial assets are subsequently measured at fair value, with unrealized gains or losses recognized in Other Comprehensive Income (OCI) in the available-for-sale reserve.

Interest earned whilst holding available-for-sale investments is reported as 'Interest Income' using the EIR. Dividends earned whilst holding available-for-sale investments are recognized in the income statement as 'Investment Income' when the right of the payment has been established. When the asset is derecognized, the cumulative gain or loss is recognized in the Investment Income. If the asset is determined to be impaired, the cumulative loss is recognized in the income statement in the 'Investment Income' and removed from the available-for sale reserve.

The Company evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term would still be appropriate. In the case where the Company is unable to trade these financial assets due to inactive markets and management's intention significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances.

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 is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

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

#### Loans and Receivables - (L & R)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company also decided to classify quoted Corporate Debt under this category since there is no active market for these instruments even if such instruments are listed.

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.

Amortized 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. The EIR amortisation is included in 'Investment Income' in the income statement.

Gains and losses are derecognised in the income statement when the investments are derecognised or impaired, as well as through the amortization process.

### 3.9.2 Non-Derivative Financial Liabilities

The Company initially recognizes financial liabilities (including liabilities designated at fair value through profit or loss) on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

### 3.10 Provisions

General Provisions are recognised when the Company 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 Company 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.

### 3.11 Statement of cash flows

The statement of cash flows has been prepared using the direct method of preparing cash flows in accordance with the Sri Lanka Accounting Standard (LKAS) - 7, Cash Flow Statements. Interest and dividends 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. The cash and cash equivalents include cash in-hand, balances with banks and short term deposits with banks. For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

### 3.12 Liabilities and Provisions

#### 3.12.1 Insurance Contract Liabilities

##### 3.12.1.1 Insurance Provision

Insurance contract liabilities include the outstanding claims provision including IBNR and IBNER, the provision for unearned premium, title insurance reserve and farmers insurance reserve.

The outstanding claims provision is 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. 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 valuation of Unearned Premium Reserve is measured in accordance with guidelines of the Regulation of Insurance Industry Act, No. 43 of 2000 (i.e. based on the 1/24th basis).

The incurred but not Reported (IBNR) and Incurred but not Enough Reported (IBNER) claim reserves are actuarially computed.

The liability is not discounted for the time value of money. No provision for equalization or catastrophe reserves is recognized. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

Title insurance reserve is maintained by the Company to pay potential claims arising from the title insurance policies.

As required by the SLFRS 4- Insurance Contracts, the Company performed a Liability Adequacy Test (LAT) in respect of Non - Life Insurance contract liabilities with the assistance of the external actuary.

### 3.13 Employee Benefits

#### 3.13.1 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised 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 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 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. Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The liability is not externally funded.

#### 3.13.2 Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

All employees of the Company are members of the Employees' Provident Fund and Trust Fund to which the Company contributes 12% and 3% respectively, which are charged to Statement of Income when incurred.

#### 3.13.3 Actuarial Gains and Losses

All Actuarial gains or losses are recognized immediately in profit or loss applying the faster recognition approach.

### 3.14 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the Income Statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

### 3.15 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. However, no borrowing costs in the Company during the financial periods are under review.

### 3.16 Revenue Recognition

#### 3.16.1 Gross Written Premium

Gross written premiums - Non - Life Insurance comprise the total premiums received /receivable for the whole period of cover provided by contracts entered into during the accounting period. Gross Written Premium is generally recognized is written upon inception of the policy. Upon inception of the contract, premiums are recorded as written and are earned primarily on a pro-rata basis over the term of the related policy coverage.

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

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on 1/24th basis in accordance with the Regulation of Insurance Industry Act, No. 43 of 2000. However, for those contracts for which the period of risk differs significantly from the contract period, premiums are earned over the period of risk in proportion to the amount of insurance protection provided. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums which is included under liabilities.



Net Written Premium on Title Insurance after deducting acquisition cost has been transferred to the Title Reserves account to pay potential claims arising from the Title Insurance policies.

#### 4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT THE REPORTING DATE

The following SLFRSs have been issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) that have an effective date in the future and have not been applied in preparing these Financial Statements. Those SLFRSs will have an effect on the accounting policies currently adopted by the Company and may have an impact on future Financial Statements which is summarised as below.

##### 4.1 SLFRS 9 - Financial Instruments

In December 2014, the CA Sri Lanka issued the final version of SLFRS 9 Financial Instruments classification and measurement which reflects all phases of the financial instruments project and replaces LKAS 39 - Financial Instruments: Recognition and Measurement. The standard introduces new requirements for,

- Classification and measurement,
- Impairment,
- Hedge Accounting

SLFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

##### Temporary exemption from SLFRS 9

SLFRS 9 addresses the accounting for financial instruments and is effective for annual periods beginning on or after 1 January 2018. However, for an insurer that meets the criteria in paragraph 20B of SLFRS 4 provides a temporary exemption that permits, but does not require, the insurer to apply LKAS 39 - Financial Instruments: Recognition and Measurement rather than SLFRS 9 for annual periods beginning before 1 January 2022.

An insurer may apply the temporary exemption from SLFRS 9 if, and only if:

- it has not previously applied any version of SLFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as at Fair Value Through Profit or Loss and;
- its activities are predominantly connected with insurance, at its annual reporting date that immediately precedes 1 April 2016, or at a subsequent annual reporting date.

Having considering the above criteria, Since Sanasa General Insurance Company Limited is predominantly connected with Insurance activities; company may continue to apply LKAS 39 - Financial Instruments: Recognition and Measurement rather than SLFRS 9 for annual periods beginning before 1 January 2022.

##### Summary of the Requirements

##### Classification and Measurement

##### Financial Assets

SLFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

SLFRS 9 contains three principal classification categories for financial assets measured at:

- Amortised Cost,
- Fair Value Through Other Comprehensive Income (FVTOCI)
- Fair Value Through Profit or Loss

The standard eliminates the existing LKAS 39 categories of Held to Maturity, Loans and Receivables and Available for Sale. Based on its assessment, the Company does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis.

Under SLFRS 9, the Company will reclassify these investments as measured at FVTPL. Consequently, all fair value gains and losses on disposal will be reported in Profit or Loss.

##### Financial Liabilities

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities. However, under LKAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in Profit or Loss, whereas under SLFRS 9 these fair value changes are generally presented as follows:

the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of change in the fair value is presented in Profit or Loss.

The Company has not designated any financial liabilities at FVTPL and it has no current intention to do so.

##### Impairment

SLFRS 9 replaces the 'Incurred Loss' model in LKAS 39 with a forward-looking 'Expected Credit Loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under SLFRS 9, loss allowances will be measured on either of the following bases:

12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not.

An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component;

With the consultation of external consultants the Company is in the process of formulating the relevant models for impairment computation.

##### 4.2. SLFRS 17 – Insurance Contracts

SLFRS 17 will replace SLFRS 4 on accounting for insurance contracts and will be effective from 01 January 2023.

##### Objective

SLFRS 17 Insurance contracts establish the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of SLFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of Financial Statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

##### Scope

An entity shall apply SLFRS 17 Insurance contracts to:

Insurance contracts, including reinsurance contracts, it issues;

- Reinsurance contracts it holds; and
- Investment contracts with discretionary participation features issues, provided the entity also issues insurance contracts

Some contracts meet the definition of an insurance contract but have their primary purpose as provision of services for a fixed fee. Such issued contracts are in the scope of the Standard, unless an entity chooses to apply to them SLFRS 15 Revenue from Contracts with Customers and provided the following conditions are met:

- the entity does not reflect an assessment of the risk associated with an individual customer in setting the price of the contract with that customer;

- (b) the contract compensates customers by providing a service, rather than by making cash payments to the customer; and
- (c) the insurance risk transferred by the contract arises primarily from the customer's use of service rather than from uncertainty over the cost of those services

### Recognition

An entity shall recognize a group of insurance contracts it issues from the earliest of the following:

- (a) the beginning of the coverage period.
- (b) the date when the first payment from a policyholder becomes due; and
- (c) when the group becomes onerous if facts and circumstances indicate that there is such a group.

SLFRS – 17 specify three measurement approaches;

1. Building Block Approach (BBA)
2. Premium Allocation Approach (PAA)
3. Variable Fee Approach (VFA)

Building Block Approach (General Measurement Model) Measurement

On initial recognition, an entity shall measure a group of contracts at the total of:

#### (a) the amount of fulfillment cash flows ("FCF"), which comprise:

- I. estimates of future cash flows;
- II. an adjustment to reflect the time value of money ("TVM") and the financial risks associated with the future cash flows; and
- III. a risk adjustment for non-financial risk

#### (b) the contractual service margin ("CSM")

An entity shall include all the cash flows within the boundary of each contract in the group. The entity may estimate the future cash flows at a higher level of aggregation and then allocate the resulting fulfillment cash flows to individual groups of contracts.

The estimates of future cash flows shall be current, explicit, unbiased, and reflect all the information available to the entity without undue cost and effort about the amount, timing and uncertainty of those future cash flows. They should reflect the perspective of the entity, provided that the estimates of any relevant market variables are consistent with observable market prices.

### Discount rates

The discount rates applied to the estimate of cash flows shall:

- a) reflect the time value of money (TVM), the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;
- b) be consistent with observable market prices of those financial instruments whose cash flow characteristics are consistent with those of the insurance contracts; and
- c) exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts.

### Risk Adjustment for Non-financial Risk

The estimate of the present value of the future cash flows is adjusted to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of future cash flows that arises from non-financial risk.

### Contractual Service Margin

The CSM represents the unearned profit of the group of insurance contracts that the entity will recognize as it provides services in the future. This is measured on initial recognition of a group of insurance contracts at an amount that, unless the group of contracts is onerous, results in no income or expenses arising from:

- a) the initial recognition of an amount for the FCF;
- b) the derecognition at that date of any asset or liability recognized for acquisition cash flows; and
- c) any cash flows arising from the contracts in the group at that date.

### Subsequent Measurement

On subsequent measurement, the carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of:

- (a) the liability for remaining coverage comprising:
  - I. the FCF related to future services and;
  - II. the CSM of the group at that date;
- (b) the liability for incurred claims, comprising the FCF related to past service allocated to the group at that date.

### Onerous Contracts

An insurance contract is onerous at initial recognition if the total of the FCF, any previously recognized acquisition cash flows and any cash flows arising from the contract at that date is a net outflow. An entity shall recognize a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the FCF and the CSM of the group being zero.

On subsequent measurement, if a group of insurance contracts become onerous (or more onerous), that excess shall be recognized in profit or loss. Additionally, CSM cannot increase and no revenue can be recognized, until the onerous amount previously recognized has been reversed in profit or loss as part of a service expense.

### Premium Allocation Approach

An entity may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the Premium Allocation Approach (PAA) on the condition that, at the inception of the group:

- a) the entity reasonably expects that this will be a reasonable approximation of the General Model, or
- b) the coverage period of each contract in the group is one year or less

Where, at the inception of the group, an entity expects significant variances in the FCF during the period before a claim is incurred, such contracts are not eligible to apply the PAA.

Using the PAA, the liability for remaining coverage shall be initially recognized as the premiums, if any, received at initial recognition, minus any insurance acquisition cash flows. Subsequently the carrying amount of the liability is the carrying amount at the start of the reporting period plus the premiums received in the period, minus insurance acquisition cash flows, plus amortization of acquisition cash flows, minus the amount recognized as insurance revenue for coverage provided in that period, and minus any investment component paid or transferred to the liability for incurred claims.

### Modification and De-recognition

#### Modification of an insurance contract

If the terms of an insurance contract are modified, an entity shall derecognize the original contract and recognize the modified contract as a new contract if there is a substantive modification, based on meeting any of the specified criteria.

The modification is substantive if any of the following conditions are satisfied:

- (a) if, had the modified terms been included at contract's inception, this would have led to:
  - I. Exclusion from the Standard's scope;
  - II. Unbundling of different embedded derivatives;
  - III. Redefinition of the contract boundary; or
  - IV. The reallocation to a different group of contracts; or
- b) if the original contract met the definition of a direct participating insurance contracts, but the modified contract no longer meets that definition, or vice versa; or
- c) the entity originally applied the PAA, but the contract's modifications made it no longer eligible for it.

#### De-recognition

An entity shall de-recognize an insurance contract when it is extinguished, or if any of the conditions of a substantive modification of an insurance contract are met.



### Presentation in the Statement of Financial Position

An entity shall present separately in the statement of financial position the carrying amount of groups of:

- a) Insurance contracts issued that are assets;
- b) Insurance contracts issued that are liabilities;
- c) Reinsurance contracts held that are assets; and
- d) Reinsurance contracts held that are liabilities.

### Recognition and Presentation in the statement(s) of financial performance

An entity shall disaggregate the amounts recognized in the statement(s) of financial performance into:

- a) An insurance service result, comprising insurance revenue and insurance service expenses; and
- b) Insurance finance income or expenses.  
Income or expenses from reinsurance contracts held shall be presented separately from the expenses or income from insurance contracts issued.

### Insurance Service Result

An entity shall present in profit or loss revenue arising from the groups of insurance contracts issued, and insurance service expenses arising from a group of insurance contracts it issues, comprising incurred claims and other incurred insurance service expenses. Revenue and insurance service expenses shall exclude any investment components. An entity shall not present premiums in the profit or loss, if that information is inconsistent with revenue presented.

### Insurance Finance Income or Expenses

Insurance finance income or expenses comprises the change in the carrying amount of the group of insurance contracts arising from: [SLFRS 17:87]

- a) The effect of the time value of money and changes in the time value of money; and
- b) The effect of changes in assumptions that relate to financial risk; but
- c) Excluding any such changes for groups of insurance contracts with direct participating insurance contracts that would instead adjust the CSM.

An entity has an accounting policy choice between including all of insurance finance income or expense for the period in profit or loss, or disaggregating it between amount presented in profit or loss and amount presented in other comprehensive income ("OCI").

Under the general model, disaggregating means presenting in profit or loss an amount determined by a systematic allocation of the expected total finance income or expenses over the duration of the group of contracts. On derecognition of the groups amounts remaining in OCI are reclassified to profit or loss.

Under the VFA, for direct participating insurance contracts, only where the entity holds the underlying items, disaggregating means presenting in profit or loss as insurance finance income or expenses an amount that eliminates the accounting mismatches with the finance income or expenses arising on the underlying items. On derecognition of the groups, the amounts previously recognized in OCI remain there.

### Disclosures

An entity shall disclose qualitative and quantitative information about:

- a. the amounts recognized in its Financial Statements that arise from insurance contracts;
- b. the significant judgments, and changes in those judgments, made when applying SLFRS 17; and
- c. the nature and extent of the risks that arise from insurance contracts.

### Effective Date

SLFRS 17 is effective for annual reporting periods beginning on or after 01 January 2023. Earlier application is permitted if both SLFRS 15 'Revenue from Contracts with Customers' and SLFRS 9 'Financial Instruments' have also been applied.

# Sanasa General Insurance Company Limited

## NOTES TO THE FINANCIAL STATEMENTS

### 5. PROPERTY, PLANT & EQUIPMENT

#### Accounting policy

Property, plant and equipment (PPE) 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 include computer hardware, office equipment, furniture and fittings and motor vehicles.

#### Basis of recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company 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 Company 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

Repairs and maintenance costs 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 Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

#### Depreciation

The Company provides depreciation from the month of purchase of the assets up to the date of disposal, at the following rates on a straight-line basis over the periods appropriate to the estimated useful lives of the different types of assets.

Furniture & Fittings	10%
Computer & Printers	25%
Other Computer Equipment	15%
Electrical Equipment	10%
Office Equipment	25%
Motor Vehicles	20%

#### De-recognition

Carrying amount of an item of property, plant and equipment is de-recognised 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 de-recognised.

# Sanasa General Insurance Company Limited

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2021

### 5. PROPERTY, PLANT & EQUIPMENT (Contd...)

	Furniture & Fittings	Computer & Printers	Office Equipment	Other Computer Equipment	Electrical Equipment	Motor Vehicles	Work in Progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Cost /Revalued</b>								
As at 01 January, 2020	36,484,579	34,768,498	269,446	2,754,554	16,976,820	25,235,589	-	116,489,486
Additions/Capitalized during the year	5,934,361	6,255,149	-	17,000	5,681,426	-	2,300,000	20,187,937
Disposal/Capitalized during the year	-	-	-	-	-	(2,936,792)	-	(2,936,792)
<b>As at 31 December, 2020</b>	<b>42,418,940</b>	<b>41,023,647</b>	<b>269,446</b>	<b>2,771,554</b>	<b>2,658,246</b>	<b>22,298,798</b>	<b>2,300,000</b>	<b>133,740,631</b>
As at 01 January, 2021	42,418,940	41,023,647	269,446	2,771,554	22,658,246	22,298,798	2,300,000	133,740,631
Additions /Capitalized during the year	6,275,686	7,910,750	76,000	52,500	4,488,427	13,495,000	1,900,000	34,198,363
Disposal /Capitalized during the year	-	-	-	-	-	-	-	-
<b>As at 31 December, 2021</b>	<b>48,694,626</b>	<b>48,934,397</b>	<b>345,446</b>	<b>2,824,054</b>	<b>27,146,673</b>	<b>35,793,798</b>	<b>4,200,000</b>	<b>167,938,994</b>
<b>Depreciation</b>								
As at 01 January, 2020	9,439,109	24,696,276	47,288	1,019,420	4,971,294	5,723,920	-	55,897,308
Charges for the Periods	3,797,889	4,672,135	67,367	414,359	1,997,210	-	-	10,948,961
Depreciation for Disposal	-	-	-	-	-	1,301,260)	-	(1,301,260)
As at 31 December, 2020	13,236,998	29,368,412	114,655	1,433,780	6,968,504	4,422,660	-	65,545,010
As at 01 January, 2021	13,236,998	29,368,412	114,655	1,433,780	6,968,504	14,422,660	-	65,545,010
Charges for the Periods	4,536,418	5,793,240	76,328	368,268	2,539,036	4,268,865	-	17,582,155
Depreciation for Disposal	-	-	-	-	-	-	-	-
<b>As at 31 December, 2021</b>	<b>17,773,416</b>	<b>35,161,652</b>	<b>190,983</b>	<b>1,802,047</b>	<b>9,507,540</b>	<b>18,691,525</b>	<b>-</b>	<b>83,127,165</b>
Carrying Amounts								
<b>As at 31 December, 2021</b>	<b>30,921,210</b>	<b>13,772,745</b>	<b>154,463</b>	<b>1,022,007</b>	<b>7,639,133</b>	<b>17,102,272</b>	<b>4,200,000</b>	<b>84,811,829</b>
<b>As at 31 December, 2020</b>	<b>29,181,943</b>	<b>11,655,235</b>	<b>154,791</b>	<b>1,337,775</b>	<b>15,689,741</b>	<b>7,876,137</b>	<b>-</b>	<b>68,195,622</b>

#### 5.1 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:

	2021	2020
	Rs.	Rs.
Computer & Printers	20,849,400	18,009,900
Office Equipment	39,399	-
Other Computer Equipment	1,094,480	-
Motor Vehicles	10,348,797	-
	32,332,076	18,009,900

# Sanasa General Insurance Company Limited

## NOTES TO THE FINANCIAL STATEMENTS

### 5. PROPERTY, PLANT & EQUIPMENT (Contd...)

#### 5.2 Title restriction on property, plant and equipment

There are no restrictions that existed on the title of property, plant and equipment of the Company as at the reporting date.

#### 5.3 Acquisition of property, plant and equipment during the year

During the financial year, the Company acquired property, plant and equipment except for right-of-use assets amounting to Rs. 34,328,363 (2020 -Rs. 20,187,937). Cash payments amounting to Rs. 34,328,363 (2020 - Rs. 20,187,937) were made during the year to purchase property plant and equipment.

#### 5.4 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).

#### 5.5 Capitalisation of borrowing cost

There were no capitalised borrowing costs relating to the acquisition of property, plant and equipment during the year ended 31 December 2021 (2020- Nil).

#### 5.6 Temporarily idle property, plant and equipment

There were no temporarily idle property, plant and equipment as at 31 December 2021 (2020 - Nil).

#### 5.7 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.

#### 5.8 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.

### 6. INVESTMENT PROPERTY

#### Accounting policy

Investment property is property held either to earn rental income or for capital appreciations or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost, including transaction costs. The carrying value of an investment property includes the cost of replacing part of an existing investment property, at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day to- day servicing of the investment property. Subsequent to initial recognition. The investment properties are stated at fair values, which reflect market conditions at the reporting date.

Gains or losses arising from changes in the fair values are included in the Income Statement in the year in which they arise. Fair values are evaluated with sufficient frequency by an accredited external, independent value.

#### Subsequent Costs

Cost includes expenditure that is directly attributable to the acquiring of the investment property. The cost of self - constructed investment property included the cost of material and direct labor, any other costs directly attributable to bringing the investment property to a working condition for their intended use.

#### De-recognition

Investment properties are derecognized when disposed of or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognized in the Income Statement in the year of retirement or disposal.

	2021	2020
	Rs.	Rs.
<b>Cost</b>		
As at 01 January	65,500,000	65,479,000
Fair Value Gain	9,500,000	21,000
Capitalization		-
<b>As at 31 December</b>	<b>75,000,000</b>	<b>65,500,000</b>

The investment property is measured at fair value. The fair value of the investment property was assessed by Ms. K.P.S.K Chandani on 31 December 2021 (an Independent Valuer). The fair value gain is accounted in the Statement of Profit or Loss.

Address	Fair Value as at 31/12/2021				
	Building Sq Ft	Extent perches	Land	Building	Total
No 40, Karandupona, Kegalle	5611	248	68,200,000	6,800,000	75,000,000
			68,200,000	6,800,000	75,000,000

## 7. RIGHT OF USE ASSET

### Accounting policy

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date. The arrangement is, or contains a lease if fulfillment of the arrangement is dependent on the use of a specific assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

SLFRS 16 supersedes LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. The Company has adopted SLFRS 16 using modified retrospective method from 1 January 2019, without restating comparatives for 2018 reporting period, as permitted under the specific transitional provisions in the standard.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether the contract involves the use of an identified asset.

the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the Company has the right to direct the use of the asset.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right of use assets of the Company consists of branches premises and vehicles taken on rent which were previously recognised as operating leases under LKAS 17.

### Right of use Lease Asset

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability (present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Company's incremental borrowing rate) adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use 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. Right of use assets are subject to impairment.

### Short-term Leases and Leases of Low-Value Assets

The Company applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

### Lease Creditors

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate can not be readily determined, the Company's incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

# Sanasa General Insurance Company Limited

## NOTES TO THE FINANCIAL STATEMENTS

### 7. RIGHT OF USE ASSET (Contd....)

#### 7.1 The Movement of Right of Use Assets of the Company is as follows;

	2021	2020
	Rs.	Rs.
<b>Cost of Right of use Asset</b>		
Balance as at 01 January	119,151,851	27,796,526
Acquisition of Right of Use Assets during the year	21,309,825	69,851,780
Advances Paid for Right of Use Asset during the year	3,429,407	21,503,545
<b>Balance as at 31 December</b>	<b>143,891,082</b>	<b>119,151,851</b>
<b>Accumulated Deprecation and Amortisation</b>		
Balance as at 01 January	41,672,865	10,068,007
Depreciation of Right of Use Assets	25,864,700	25,229,380
Amortisation of Rent Advance for Right of Use asset	4,573,805	6,375,478
<b>Balance as at 31 December</b>	<b>72,111,371</b>	<b>41,672,865</b>
<b>Net Right of Use Asset as at 31 December</b>	<b>71,779,713</b>	<b>77,478,986</b>

#### 7.2 Lease Creditors

	2021	2020
	Rs.	Rs.
Balance as at 01 January	63,728,922	15,677,592
Additions to Lease Creditors during the year	21,309,824	69,851,780
Interest Expenses of Lease Creditors during the year	7,861,279	6,349,629
Rentals paid for Lease Creditors during the Year	(31,736,748)	(28,150,079)
<b>Balance as at 31 December</b>	<b>61,163,278</b>	<b>63,728,922</b>

### 8. FINANCIAL ASSETS

#### Accounting policy

##### Recognition and initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in business model assessment and the SPPI test below. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for the day one profit or loss as described below.

##### Measurement categories of financial assets

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Loans & Receivables
- Financial Assets at Fair Value through Profit or Loss

##### De-recognition and substantial modification

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when the rights to receive cash flows from the financial asset have expired. The Company also de-recognises the financial asset if it has both transferred the financial asset and the transfer qualifies for de-recognition.



## 8. FINANCIAL ASSETS (Contd...)

### Offsetting of financial investments

Financial assets and liabilities are offset and net amount is presented in the statement of financial position when and only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Company's financial investments are summarised below based on measurement category.

	Note	2021 Rs.	2020 Rs.
Loans and Receivables	(8.1)	669,150,990	677,102,175
Financial Assets at Fair Value through Profit or Loss	(8.2)	115,517,440	94,439,660
		<b>784,668,430</b>	<b>771,541,835</b>

### 8.1 Loans and Receivables

	2021 Rs.	2020 Rs.
Treasury Bonds	162,833,965	166,854,043
Short Term Investments / REPO	219,151,059	294,343,218
Debentures	149,405,733	72,776,491
Fixed Deposits	137,760,233	143,128,423
	<b>669,150,990</b>	<b>677,102,174</b>

### 8.2 Financial Assets at Fair Value through Profit or Loss

#### Accounting policy

The Company classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together for which there is evidence of a recent pattern of short-term profit taking. FVPL assets are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised under 'Fair value gains/(losses)' in the statement of profit or loss. Dividend income is recorded in 'Interest and dividend income' when the right to payment has been established.

Investment in Quoted Equity	No. of Shares	2021 Rs.	2020 Rs.
Central Finance PLC		-	1,756,612
Commercial Bank PLC	30,684	2,433,241	90,851
Sanasa Development Bank PLC	1,124,418	48,349,974	65,328,686
Sampath Bank PLC	209,487	10,914,273	4,044,812
Ceylon Guardian Investments PLC	-	-	321,560
Diesel Motor Engineering (DIMO) PLC	-	-	618,200
Vallibel Power Erathna PLC	-	-	1,398,940
Softlogic Life Insurance PLC	-	-	20,880,000
Sarvodaya Development Finance PLC	1,108,445	21,503,833	-
Dipped Products PLC	150,000	7,605,000	-
Alumex PLC	389,654	6,195,499	-
Lanka IOC PLC	40,000	2,928,000	-
Expolanka Holdings PLC	30,000	11,257,500	-
Hayleys Fabric PLC	105,100	4,330,120	-
		<b>115,517,440</b>	<b>94,439,660</b>

## Sanasa General Insurance Company Limited

### NOTES TO THE FINANCIAL STATEMENTS

#### 8. FINANCIAL ASSETS (Contd...)

8.3 The following table consists of the fair values of the Financial Investments together with their carrying values:

As at 31 December	2021		2020	
	Carrying Value Rs.	Fair Value Rs.	Carrying Value Rs.	Fair Value Rs.
Financial Assets at Fair Value through Profit or Loss	115,517,440	115,517,440	94,439,660	94,439,660
Loans and Receivables	669,150,990	658,568,012	677,102,175	678,323,133
	<b>784,668,431</b>	<b>774,085,451</b>	<b>771,541,835</b>	<b>772,762,793</b>

#### 8.4 Movement of Carrying Values in Financial Investments

	Loans and Receivables	Financial Assets at Fair Value through Profit or Loss	Total
	Rs.	Rs.	Rs.
As at 01 January, 2021	677,102,175	94,439,660	771,541,834
Purchases / Interest Income	150,506,779	193,635,388	344,142,167
Maturities / Sales	(158,457,964)	(143,479,792)	(301,937,756)
Fair Value Gains / (Losses) recorded in the Profit or Loss	-	(29,077,816)	(29,077,816)
<b>As at 31 December, 2021</b>	<b>669,150,990</b>	<b>115,517,440</b>	<b>784,668,430</b>

#### 8.5 Credit Risk Management

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 table below provides information regarding the credit risk exposure of the Company as at 31 December 2021 by classifying assets according to the respective credit ratings. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB- are classified as speculative grade.

Government securities have been classified as a separate category as it is considered a risk free investment.

Credit risk exposure on Assets	Government Guaranteed	AAA+AAA-	AA+AA-	A+A-	BBB+B	Not rated	Total
Financial Assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Loans and Receivables	381,985,024	-	48,702,413	138,288,659	100,174,896	-	669,150,992
Financial Assets at Fair Value through Profit or Loss	-	-	13,347,514	-	69,853,807	32,316,119	115,517,439
<b>Total</b>	<b>381,985,024</b>	<b>-</b>	<b>62,049,927</b>	<b>138,288,659</b>	<b>170,028,703</b>	<b>32,316,119</b>	<b>784,668,431</b>

The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

Some of the specific actions taken by the Company to mitigate credit risks are shown below.

Creditworthiness of potential investment entities is checked mainly through ratings assigned to the issuing institution or the ratings assigned to the issue.

Investments are carried out only with the explicit approval of the Investment Committee.

Master Repo Agreements are signed with all primary dealers the Company works with in order to ensure zero level of default risk in respect of Government Securities bought through such parties in the event of their bankruptcy.

## 8. FINANCIAL ASSETS (Contd...)

### 8.6 Liquidity Risk Management

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

The table below summarizes the maturity profile of the financial assets of the Company based on remaining contractual obligations, including interest payable and receivable.

The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow.

#### Maturity Analysis of Assets 2021

Financial Assets	Carrying Amounts Rs.	Less than 01 Year Rs.	1-2 Year (365-730) Rs.	2-3 Year (730-1095) Rs.	3-5 Year (1095-1825) Rs.	More than 5 Years Rs.
Loans and Receivables	669,150,990	288,916,174	118,772,818	146,908,805	106,385,495	8,167,699
Financial Assets at Fair Value through Profit or Loss	115,517,439	115,517,440	-	-	-	-
<b>Total</b>	<b>784,668,430</b>	<b>404,433,614</b>	<b>118,772,818</b>	<b>146,908,805</b>	<b>106,385,495</b>	<b>8,167,699</b>

Some of the specific actions taken by the Company to mitigate liquidity risks are shown below.

The maturity mix of the investment portfolio is reviewed and agreed upon by the management and the Investment Committee on a regular basis.

All large cash outflows are planned in advance and necessary arrangements are made to ensure the availability of funds to meet such outflows.

### 8.7 Market Risk Management

Market risk is the risk that the fair value / present value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market price risk.

Some of the specific actions by the Company to mitigate market related risks are shown below.

- Investment decisions are based on fundamental principles.
- Investments are classified into different categories as required by new Sri Lanka Accounting Standards (SLFRS/LKAS) following a systematic basis considering both intention and ability of the Company to hold such investments as per the classification.
- Investments are made only on selected companies which are identified subsequent to an evaluation process.
- The investment portfolio is reviewed by the Managing Director and Head of Finance on a monthly basis with the participation of both front office and back office investment staff.
- Meetings are arranged with the Investment Committee on a quarterly basis to discuss investment portfolios, investment strategy and future outlook.
- Market interest rates and other macro-economic indicators are monitored closely by both the management and the Investment Committee and necessary changes are made to the asset allocation and the maturity mix of investments on a periodic basis.

## 9. REINSURANCE RECEIVABLES

### Accounting policy

The company cedes insurance risk in the normal course of business with recognized reinsurers through formal reinsurance arrangements. Reinsurance assets include the balances due from reinsurance companies for paid and unpaid losses and loss adjustment Expenses. 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. Gross Reinsurance is recorded in the Statement of Financial Position unless a right to offset exists. 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 company 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 company will Ceded reinsurance arrangements do not relieve the company from its obligations to Policyholders.

	2021 Rs.	2020 Rs.
Reinsurance Receivables	37,083,767	21,033,134
	<b>37,083,767</b>	<b>21,033,134</b>

# Sanasa General Insurance Company Limited

## NOTES TO THE FINANCIAL STATEMENTS

### 10. PREMIUMS RECEIVABLE

#### Accounting policy

Insurance receivables are recognized when due and measured on initial recognition at the fair value of the consideration receivable. Collective of premiums is reviewed on an ongoing basis.

According to the Premium Payment Warranty (PPW) directive issued by the Insurance Regulatory Commission of Sri Lanka, all General Insurance policies are issued subject to PPW and are cancelled upon the expiry of 60 days if not settled.

	2021	2020
	Rs.	Rs.
Premiums Receivable	151,869,095	141,706,719
Less: Impairment Provision	-	(1,830,982)
<b>As at 31 December</b>	<b>151,869,095</b>	<b>139,875,737</b>

Premium Receivables disclosed above include amounts that are past due at the end of the reporting period against which the Company has recognised an allowance for impairment loss where the receivables are beyond the extended credit period. The Board of Directors has assessed potential impairment loss of premium receivables as at 31 December 2021. Based on the assessment, no additional impairment provision is required to be made in the Financial Statements as at the reporting date in respect of premium receivables.

### 11. AMOUNTS DUE FROM RELATED PARTIES

		2021	2020
	Relationship	Rs.	Rs.
Sanasa Life Insurance Company Limited	Parent	1,453,537	-
		1,453,537	-

### 12. OTHER ASSETS

#### Accounting policy

#### Recognition of other assets

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

#### Inventory

Inventory includes all consumable items which are stated at lower of cost and net realisable value.

	2021	2020
	Rs.	Rs.
Inventories	9,181,869	6,579,368
Advances & Deposits	12,434,304	11,143,147
Other Receivables	27,381,375	18,382,714
	<b>48,997,548</b>	<b>36,105,229</b>

### 13. CASH AND CASH EQUIVALENTS

#### Accounting policy

Cash and cash equivalent comprise cash in hand, demand deposits and short term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

	2021	2020
	Rs.	Rs.
Cash in Hand	2,280,844	4,499,912
Cash at Bank	78,276,601	118,850,578
	<b>80,557,444</b>	<b>123,350,490</b>

## 14. STATED CAPITAL

### Accounting policy

The Company has issued Ordinary shares that are classified as equity instruments. Ordinary shares of the Company are recognised at the amount paid per ordinary share net of directly attributable issue cost.

	2021		2020	
	Number of Shares	Value of Shares in Rs.	Number of Shares	Value of Shares in Rs.
Fully paid Ordinary Shares				
As at 01 January	50,899,561	508,995,610	50,899,561	508,995,610
New Shares Issued during the year	-	-	-	-
<b>As at 31 December</b>	<b>50,899,561</b>	<b>508,995,610</b>	<b>50,899,561</b>	<b>508,995,610</b>

### Rights of Ordinary Shareholders

The Ordinary Shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at General Meetings of the members of the Company.

## 15. INSURANCE CONTRACT LIABILITIES

### Accounting policy

#### Provision for net unearned premium

Provision for unearned premium represents 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 Company 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 Company performs a Liability Adequacy Test (LAT) in respect of non-life contract liabilities with the assistance of an external actuary.

#### 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.

## 15. INSURANCE CONTRACT LIABILITIES (Contd...)

### 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 yet reported (IBNR) at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder method, Bornheutter-Ferguson method and Frequency/Severity method.

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

## Sanasa General Insurance Company Limited

### NOTES TO THE FINANCIAL STATEMENTS

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. The incurred but not reported claims reserve has been actuarially computed by NMG Financial Services Consulting Pte Limited as at 31 December 2021.

The general insurance provision shown in the Balance Sheet represents the following:

		2021	2020
		Rs.	Rs.
Balance as at 01 January		246,828,614	313,948,410
Net Change in Reserve for Unearned Premium		7,800,810	(67,119,796)
Net Reserve for Unearned Premium for the period end	(15.2)	254,629,423	246,828,614
Net Deferred Acquisition Cost	(15.1)	(33,392,451)	(38,807,696)
Balance as at 31 December		221,236,972	208,020,918
Gross Claim Payable	(15.3)	68,802,135	53,408,683
Net Claim Payable IBNR/IBNER	(15.4)	82,064,239	84,595,252
<b>Total</b>		<b>372,103,347</b>	<b>346,024,853</b>

#### 15. INSURANCE CONTRACT LIABILITIES (Contd...)

##### 15.1 Insurance Contract Liabilities

	2021			2020		
	Gross Liabilities Rs.	Reinsurer's Share Rs.	Net Liabilities Rs.	Gross Liabilities Rs.	Reinsurer's Share Rs.	Net Liabilities Rs.
Unearned Premium	272,379,962	(17,750,539)	254,629,423	263,291,298	(16,462,684)	246,828,614
Deferred Acquisition Cost	(35,438,892)	2,046,440	(33,392,451)	(38,639,167)	(168,529)	(38,807,696)
Claim Payable	68,802,135	(7,675,064)	61,127,071	53,408,683	(8,065,600)	45,343,082
Claim Payable IBNR/IBNER (Net)	104,128,058	(22,063,820)	82,064,239	96,461,593	(11,866,340)	84,595,252
	<b>409,871,262</b>	<b>(45,442,983)</b>	<b>364,428,281</b>	<b>374,522,408</b>	<b>(36,563,153)</b>	<b>337,959,252</b>

##### 15.2 Provision for Net Unearned Premiums

	2021			2020		
	Gross Liabilities Rs.	Reinsurer's Share Rs.	Net Liabilities Rs.	Gross Liabilities Rs.	Reinsurer's Share Rs.	Net Liabilities Rs.
As at 01 January	263,291,298	(16,462,684)	246,828,614	341,914,984	(27,966,574)	313,948,410
Premium Written during the year	890,107,264	(124,622,439)	765,484,825	871,088,368	(79,687,297)	791,401,070
Preimum Earned during the year	(881,018,599)	123,334,584	(757,684,015)	(949,712,055)	91,191,186	(858,520,867)
<b>As at 31 December</b>	<b>272,379,962</b>	<b>(17,750,539)</b>	<b>254,629,423</b>	<b>263,291,298</b>	<b>(16,462,684)</b>	<b>246,828,614</b>

##### 15.3 Provision for Gross Outstanding Claims

	2021			2020		
	Gross Liabilities Rs.	Reinsurer's Share Rs.	Net Liabilities Rs.	Gross Liabilities Rs.	Reinsurer's Share Rs.	Net Liabilities Rs.
As at 01 January	53,408,683	(8,065,600)	45,343,082	30,706,220	(3,017,198)	27,689,022
Claims Incurred during the year	288,073,850	(29,640,021)	258,433,829	295,200,821	(22,782,290)	272,418,531
Claims Paid during the year	(272,680,398)	30,030,557	(242,649,841)	(272,498,359)	17,733,888	(254,764,471)
<b>As at 31 December</b>	<b>68,802,135</b>	<b>(7,675,064)</b>	<b>61,127,071</b>	<b>53,408,683</b>	<b>(8,065,600)</b>	<b>45,343,082</b>



**15.4 Provision for Gross IBNR Claims**

	2021			2020		
	Gross Liabilities Rs.	Reinsurer's Share Rs.	Net Liabilities Rs.	Gross Liabilities Rs.	Reinsurer's Share Rs.	Net Liabilities Rs.
As at 01 January	96,461,593	(11,866,340)	84,595,252	64,748,472	(6,658,422)	58,090,050
Provision made during the year	7,666,465	(10,197,480)	(2,531,014)	31,713,121	(5,207,918)	26,505,202
<b>As at 31 December</b>	<b>104,128,058</b>	<b>(22,063,820)</b>	<b>82,064,239</b>	<b>96,461,593</b>	<b>(11,866,340)</b>	<b>84,595,252</b>

**15.5 Liability adequacy test**

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 Company was adequate. Hence, no provision was made for premium deficiency for the year ended 31 December 2021 (2020 - Nil).

**15.6 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.

This valuation exercise was carried out to determine the required claim liability reserve (in particular the IBNR reserve) in respect of Company's non-life insurance operations, net of reinsurance. The central estimate of the net claim liability has been determined based upon the net analysis performed for Sanasa General Insurance as at 31 December 2021. This is a full review of the loss development factors, such that the value of the insurance liabilities is reflective of Company non-life insurance portfolio at 31 December 2021.

The volatility of the central estimate of net claim liability is then projected to secure an overall level of sufficiency of not less than 75% confidence. In assessing the claim liability at a 75% confidence level, the provision of risk margin for adverse deviation (PRAD) loading provided by the Insurance Regulatory Commission of Sri Lanka (IRCSL) is adopted. The 75th percentile is calculated for each line of business independently using the risk margin highlighted in Table 5 of the Regulation of Insurance Industry Act No. 43 of 2000, revised on 15 December 2015. During the analysis, classes of business in the Company portfolio were closely matched with the IRCSL prescribed business categories.

**15.7 Changes in assumptions**

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

**15.8 Reconciliation between insurance provision and technical reserves**

As at	31.12.2021	31.12.2020
	Rs.	Rs.
Insurance Contract Liabilities	372,103,347	346,024,853
Reinsurance on Case Reserves	(7,675,097)	(8,065,600)
<b>Technical Reserves</b>	<b>364,428,250</b>	<b>337,959,253</b>

**16. RETIREMENT BENEFITS OBLIGATION****16.1 Movements in the Present Value of the Employee Benefits**

	2021	2020
	Rs.	Rs.
Balance as at 1 January	18,758,656	15,067,947
Transfer to Other Comprehensive income	(10,591,801)	1,632,237
Provision for the year	1,773,749	2,699,592
	9,940,604	19,399,776
Payments during the year	(784,852)	(641,120)
<b>Balance as at 31 December</b>	<b>9,155,752</b>	<b>18,758,656</b>

## Sanasa General Insurance Company Limited

### NOTES TO THE FINANCIAL STATEMENTS

#### 16.2 Provisions Recognised in the Statement of Comprehensive Income

	2021	2020
	Rs.	Rs.
Current Service Cost - Recognized in the Statement of Comprehensive Income	925,557	1,343,477
Interest on Obligations - Recognized in the Statement of Comprehensive Income	848,192	1,356,115
Actuarial Gain during the Plan Year - Recognized in the Other Comprehensive Income	(10,591,801)	1,632,237
	<b>(8,818,052)</b>	<b>4,331,830</b>

As at 31 December 2021, the gratuity liability was actuarially valued under the Projected Unit Credit (PUC) method by Ms. Thanuja Krishnarathna, Associate member - Institute and Faculty of Actuaries UK as required by Sri Lanka Accounting Standards (LKAS) 19-Employee Benefit.

#### 16.3 Principal Assumptions Used

	2021	2020
Discount Rate	11.49%	9.00%
Future Salary Increment Rate	8.00%	12.00%
Retirement Age	55 Years	55 Years
Mortality	A 67/70	A 67/70
Staff Turnover	8.5%	15%

The Gratuity Liability is not externally funded.

#### 17. DEFERRED TAX LIABILITY

	2021	2020
	Rs.	Rs.
Balance as at 01 January	5,530,489	1,628,746
Credited/Debited to the Income Statement	4,104,544	3,901,743
<b>Balance as at 31 December</b>	<b>9,635,033</b>	<b>5,530,489</b>

17.1 Deferred tax is provided using the balance sheet liability method providing for temporary difference between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. Temporary differences associated with the company for which a deferred tax assets and liabilities are disclosed as follows;

	2021		2020	
	Temporary Difference	Tax on Temporary Difference	Temporary Difference	Tax on Temporary Difference
Deferred Tax Liability ;				
On Property, Plant and Equipment	38,685,289	9,284,469	24,760,337	6,932,894
On Right to Use Assets	71,779,712	17,227,131	77,478,986	21,694,116
	<b>110,465,001</b>	<b>26,511,600</b>	<b>102,239,322</b>	<b>28,627,010</b>
Deferred Tax Asset ;				
On Retirement Benefit Liability	(9,155,753)	(2,197,381)	(18,758,656)	(5,252,424)
On Lease Liability	(61,163,278)	(14,679,187)	(63,728,922)	(17,844,097)
	<b>(70,319,031)</b>	<b>(16,876,567)</b>	<b>(82,487,578)</b>	<b>(23,096,521)</b>
Net Deferred Tax Liability	40,145,971	9,635,033	19,751,744	5,530,489

## 18. REINSURANCE PAYABLE

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.

	2021	2020
	Rs.	Rs.
Reinsurance Payable	43,905,335	12,562,370
	43,905,335	12,562,370

## 19. AMOUNTS DUE TO RELATED PARTIES

		2021	2020
	Relationship	Rs.	Rs.
Sanasa Life Insurance Company Limited	Parent	-	8,920,860
		-	8,920,860

## 20. OTHER LIABILITIES

Other liabilities include government levies payable other than income tax payable. These liabilities are recorded at amounts expected to be payable as at the reporting date.

	2021	2020
	Rs.	Rs.
Commission Payable	19,341,854	20,067,312
Premium Advances	2,252,285	1,091,640
Other Payables	24,941,478	18,703,549
Future Premium Liability	43,748,622	53,063,640
Tax Payable	9,424,127	22,279,892
	<b>99,708,367</b>	<b>115,206,034</b>

## 21. OPERATING SEGMENTS

### Basis of Segmentation

Operating segment is a component of an entity 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, 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 for which discrete financial information is available.

For the management purposes, the Company has mainly classified overall business in to motor and non-motor segments and non-motor segment has been further classified in to two main segments based on their products and services as follows.

1. Motor Insurance - Provides cover for motor vehicles against loss or damage caused by accidents, fire and theft and legal liability to third parties in the event of physical injuries or property damage
2. Fire Insurance - Provides property cover for damage and losses caused by fire and other incidents as applicable to property
3. Miscellaneous insurance - other general insurance which are not categorised under other segments

# Sanasa General Insurance Company Limited

## NOTES TO THE FINANCIAL STATEMENTS

### Segment Results 2021

Description	Note	Operating Segments				Total
		Motor	Fire	Miscellaneous		
Gross written premium	21.1	608,724,727	14,488,000	266,894,537	890,107,264	
Less: Premium Ceded to Reinsurers	22	25,320,137	8,688,931	90,613,371	124,622,439	
Net Written Premium		583,404,590	5,799,069	176,281,629	765,485,288	
Net Change in Reserve for Unearned Premium	23	(7,731,057)	(251,845)	182,092	(7,800,810)	
Net earned premium		575,673,533	5,547,224	176,463,721	757,684,478	
Net claims	26	181,988,370	8,722,820	79,252,044	269,963,234	
Underwriting and net acquisition costs	27	49,961,235	(556,479)	24,245,475	73,650,232	
Underwriting results before other operating and administrative expenses		343,723,928	(2,619,117)	72,966,202	414,071,012	
Other operating and administrative expenses and finance cost					555,759,296	
Underwriting results					(141,688,284)	
Investment income					42,276,428	
Other income					168,570,590	
Profit before tax					69,158,734	
Income tax					(21,815,796)	
<b>Profit for the year</b>					<b>47,342,475</b>	

### 21. OPERATING SEGMENTS (Contd.,)

#### Segment Results 2020

Description	Note	Operating Segments				Total
		Motor	Fire	Miscellaneous		
<b>Gross written premium</b>	<b>21.1</b>	<b>739,867,000</b>	<b>14,009,368</b>	<b>117,212,000</b>	<b>871,088,368</b>	
Less: Premium Ceded to Reinsurers	22	28,030,512	9,098,141	42,558,644	79,687,297	
<b>Net Written Premium</b>		<b>711,836,488</b>	<b>4,911,088</b>	<b>74,653,356</b>	<b>791,400,931</b>	
Net Change in Reserve for Unearned Premium	23	70,584,056	129,050	(3,593,310)	67,119,796	
Net earned premium		782,420,544	5,040,138	71,060,046	858,520,727	
Net claims	26	287,732,419	2,859,856	21,972,225	312,564,500	
Underwriting and net acquisition costs	27	61,232,192	(731,996)	21,024,285	81,524,482	
Underwriting results before other operating and administrative expenses		433,455,933	2,912,277	28,063,536	464,431,746	
Other operating and administrative expenses and finance cost					522,385,372	
Underwriting results					(57,953,626)	
Investment income					52,820,305	
Other income					141,237,858	
Profit before tax					136,104,538	
Income tax					(44,492,456)	
Profit for the year					91,612,082	

Chief operating decision maker uses only operating segments' profit or loss in assessing segment performance and deciding how to allocate resources. Therefore, according to SLFRS 8 - Operating Segments, the Company discloses only operating segments' profit or loss in the financial statements.

The Company operates in Sri Lanka and the economic environment in which the Company operates is not subject to significant change in risk and rewards. Therefore, disclosures are not provided geography wise.

## 21.1 Gross Written Premium

### Accounting policy

Gross written premium (GWP) represents the premium charged by the Company to underwrite risks and accounted on accrual basis. Gross written premium comprises the total premiums received/receivable for the whole period of cover provided by contracts entered into during the accounting period and is recognised on the date on which the policy commences.

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

Class wise	2021			2020		
	Basic	SRCC/TC*	Total	Basic	SRCC/TC*	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Motor	524,865,988	83,858,739	608,724,727	648,650,397	91,216,604	739,867,000
Fire	9,113,939	5,374,061	14,488,000	8,003,830	6,005,538	14,009,368
Miscellaneous	257,595,942	9,298,595	266,894,537	109,818,167	7,393,833	117,212,000
	<b>791,575,868</b>	<b>98,531,396</b>	<b>890,107,264</b>	<b>766,472,393</b>	<b>104,615,974</b>	<b>871,088,368</b>

\*SRCC/TC - Strike, Riot and Civil Commotion Cover and Terrorism Cover; both ceded to the SRCC and TC Fund

## 22. PREMIUM CEDED TO REINSURERS

### Accounting policy

Gross reinsurance premium written comprises the total reinsurance 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.

Class wise	2021	2020
	Rs.	Rs.
Motor	25,320,137	28,030,512
Fire	8,688,931	9,098,141
Miscellaneous	90,613,371	42,558,644
	<b>124,622,439</b>	<b>79,687,297</b>

## 23. CHANGE IN RESERVE FOR UNEARNED PREMIUM

### Accounting policy

Unearned premium reserve represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premium is calculated on the 1/24th basis. 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.

Class wise	2021	2020
	Rs.	Rs.
Motor	(7,731,057)	70,584,056
Fire	(251,845)	129,050
Miscellaneous	182,092	(3,593,310)
	<b>(7,800,810)</b>	<b>67,119,796</b>

# Sanasa General Insurance Company Limited

## NOTES TO THE FINANCIAL STATEMENTS

### 24. INVESTMENT INCOME

#### Accounting policy

#### Interest Income

Interest income is recognised in Profit or Loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial asset or liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liabilities. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes all transaction costs and fees that are an integral part of the effective interest rate. Transaction cost include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

#### Dividend Income

Dividend income is recognised when the right to receive income is established which is usually the ex-dividend date of equity securities.

#### Net Realised Gains

Net Realised Gains comprises gains and losses related to Financial Investments. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original/fair value of prior year or amortised cost which are recorded on occurrence of the sale.

#### Net fair value gains

Net fair value gains recorded in the statement of profit or loss on investment include fair value gains/(losses) on financial assets at FVPL.

For the year ended	2021	2020
	Rs.	Rs.
Interest Income	48,688,426	50,324,723
Dividend Income	5,761,644	7,688,556
Net realised gains/(losses)	16,904,174	191,262
Net fair value gains/(losses)	(29,077,816)	(5,384,236)
	<b>42,276,428</b>	<b>52,820,305</b>

### 25. OTHER INCOME

Other income includes disposal gains/(losses) on property, plant and equipment and miscellaneous income. Profit or loss on sale of property, plant and equipment is recognised in the period in which the sale occurs and is classified under other income. and fee for policy administration services and other contract fees. These fees are recognised as revenue upon receipt or become due.

	2021	2020
	Rs.	Rs.
Other Income	168,570,590	141,237,858
	<b>168,570,590</b>	<b>141,237,858</b>



## 26. NET INSURANCE CLAIMS &amp; BENEFITS

**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.

**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.

		2021	2020
	Note	Rs.	Rs.
Claims paid	26.1	285,104,863	287,295,891
Claims recovered from reinsurers	26.2	(30,030,557)	(17,733,888)
Net change in contract liabilities	26.3	14,888,929	43,002,495
		<b>269,963,234</b>	<b>312,564,498</b>

**26.1 Claims paid**

	2021	2020
Class wise	Rs.	Rs.
Motor	177,964,604	208,827,674
Fire	10,368,818	1,965,249
Miscellaneous	96,771,441	76,502,968
	<b>285,104,863</b>	<b>287,295,891</b>

**26.2 Claims recovered from reinsurers**

	2021	2020
Class wise	Rs.	Rs.
Motor	-	-
Fire	467,296	249,644
Miscellaneous	29,563,261	17,484,244
	<b>30,030,557</b>	<b>17,733,888</b>

**26.3 Net change in contract liabilities**

	2021	2020
Class wise	Rs.	Rs.
Motor	4,023,766	78,904,743
Fire	(1,178,702)	1,144,251
Miscellaneous	12,043,865	(37,046,499)
	<b>14,888,929</b>	<b>43,002,495</b>

## Sanasa General Insurance Company Limited

### NOTES TO THE FINANCIAL STATEMENTS

#### 27. UNDERWRITING & NET ACQUISITION COST

##### 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.

	2021	2020
	Rs.	Rs.
Net Underwriting & Policy Acquisition Cost	83,687,777	87,992,475
Deferred Acquisition Cost	5,415,245	2,010,040
Reinsurance Commission	(15,452,790)	(8,478,033)
	<b>73,650,232</b>	<b>81,524,482</b>

##### For the year ended

2021

Class wise	Net Underwriting & Policy Acquisition Cost	Deferred Acquisition Cost	Reinsurance Commission	Total underwriting and net acquisition cost
	Rs.	Rs.	Rs.	Rs.
Motor	45,893,901	4,067,334	-	49,961,235
Fire	1,299,063	(48,623)	(1,806,919)	(556,479)
Miscellaneous	36,494,813	1,396,533	(13,645,871)	24,245,475
	<b>83,687,777</b>	<b>5,415,245</b>	<b>(15,452,790)</b>	<b>73,650,232</b>

##### For the year ended

2021

Class wise	Net Underwriting & Policy Acquisition Cost	Deferred Acquisition Cost	Reinsurance Commission	Total underwriting and net acquisition cost
	Rs.	Rs.	Rs.	Rs.
Motor	59,722,472	1,509,720	-	61,232,192
Fire	1,131,743	(18,048)	(1,845,691)	(731,996)
Miscellaneous	27,138,260	518,368	(6,632,342)	21,024,285
	<b>87,992,475</b>	<b>2,010,040</b>	<b>(8,478,033)</b>	<b>81,524,482</b>

#### 28. OTHER OPERATING & ADMINISTRATIVE EXPENSES

##### Accounting policy

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.

	2021	2020
	Rs.	Rs.
Staff Costs (Note 28.1)	290,245,865	252,083,004
Operational & Administrative Expenses	190,741,275	180,822,026
Sales & Marketing Expenses	59,023,892	71,791,884
	<b>540,011,032</b>	<b>504,696,913</b>

**28. OTHER OPERATING & ADMINISTRATIVE EXPENSES (Contd.....)****28.1 Staff Costs****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 Company 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.

**Defined benefit plans**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company 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 38 on defined benefit obligations.

**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 (ETF) under the Employees' Trust Fund Act No. 46 of 1980, covering all employees are recognised as an employee benefit expense in the statement of profit or loss when they are due. The Company contributes 12% and 3% of gross emoluments of employees' as employees' provident fund and trust fund contributions respectively.

	<b>2021</b>	<b>2020</b>
	<b>Rs.</b>	<b>Rs.</b>
Salaries & Wages	261,053,951	227,003,198
EPF & ETF	20,710,648	17,817,323
Gratuity	1,773,749	2,699,592
Others	6,707,518	4,562,891
	<b>290,245,865</b>	<b>252,083,004</b>

**29. FINANCE COST**

	<b>2021</b>	<b>2020</b>
	<b>Rs.</b>	<b>Rs.</b>
Finance Cost on Lease Liability	7,861,279	6,349,629
Bank Charges/Debit Tax	2,757,715	1,730,452
Others	5,129,270	9,608,378
	<b>15,748,264</b>	<b>17,688,458</b>

# Sanasa General Insurance Company Limited

## NOTES TO THE FINANCIAL STATEMENTS

### 30. PROFIT BEFORE TAXATION

Profit from operation for the year is stated after charging all the expenses including the followings:

	2021	2020
	Rs.	Rs.
Depreciation & Amortization	17,582,155	10,948,961
Auditors Remuneration	1,580,352	1,439,024
Professional Fees	8,665,443	5,504,252

### 31. INCOME TAX

#### Accounting policy

#### Recognition of income tax expenses

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

#### 31.1 Income Tax Expense

	2021	2020
	Rs.	Rs.
(Loss)/Profit Before Tax	69,158,271	136,104,677
<b>Adjustment</b>		
Allowable Exp. General	(51,425,829)	(45,903,582)
Disallowable Exp. General	91,555,793	62,399,075
Income from Other Sources & Exempt Income	(87,322,812)	(58,225,541)
<b>Business Profit / (Loss) for the Year</b>	<b>21,965,423</b>	<b>94,374,629</b>
Business Income	21,965,423	94,374,629
Interest Income	48,687,551	50,324,723
Dividend Income	5,761,644	7,688,556
<b>Taxable Income</b>	<b>76,414,618</b>	<b>152,387,908</b>
Income Tax provision for the year @ 14% from Taxable Income	806,630	1,076,398
Income Tax provision for the year @ 24% from Taxable Income	16,956,714	40,515,818
Under/(Over) provision of current taxes in respect of previous years	(52,092)	(1,001,503)
Deferred Tax Expense	4,104,544	3,901,743
<b>Total Tax Expense</b>	<b>21,815,796</b>	<b>44,492,456</b>

#### 31.2 Carried Forward Taxable Losses

	2021	2020
	Rs.	Rs.
Brought Forward Taxable Losses	-	67,629,645
Losses transferred from Sanasa Life Insurance Company Limited	-	-
	-	67,629,645
Losses Claimed for the Year of Assessment	-	(67,629,645)
Losses Carried Forward	-	-

## 32. EARNINGS /(LOSSES) PER ORDINARY SHARE

### Basic Earnings /(Losses) per Ordinary Share

The computation of the basic Earning /(Losses) per Ordinary Share has been done based on net profit attributable to ordinary shareholders for the year divided by weighted average number of ordinary shares in issue as at the Balance Sheet date and calculated as follows.

	2021	2020
Amounts used as the Numerator	Rs.	Rs.
Net Profit /(Loss) Attributable to Ordinary Shareholders	47,342,475	91,612,221
Amounts used as the Denominator		
Weighted Average Number of Ordinary Shares in Issue (Nos.)	50,899,561	50,899,561
Basic Earnings/(Losses) Per Ordinary Share (Rs.)	0.93	1.80

## 33. RELATED PARTY TRANSACTIONS

The Company carries out transactions in the ordinary course of its business on an arm's length with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS) 24 - Related Party Disclosures. Details of the related party transactions are reported below.

### 33.1 Transactions and outstanding balances with the parent - Sanasa Life Insurance Company

Transactions For the Year ended	2021	2020
	Rs.	Rs.
Shared services Salary	14,779,767	13,959,520
IT Service Fee and Maintenance Fee	17,805,226	15,822,040
Software Maintenance	4,068,000	8,136,000
Admin Expenses	12,947,982	19,384,425
Settlements	59,975,535	61,539,404

### Outstanding Balances

For the year ended	2021	2020
	Rs.	Rs.
Shared services Salary	-	1,223,467
IT Service Fee and Maintenance Fee	-	863,453
Software Maintenance	-	678,000
Admin Expenses	(1,453,700)	6,155,939
	<b>(1,453,700)</b>	<b>8,920,860</b>

### 33.2 Transactions and outstanding balances with the key management personnel

According to the LKAS 24 - Related Party Disclosures, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Sanasa General Insurance Company considers its Board of Directors and Chief Executive Officer as key management personnel of the Company.

#### 33.2.1 Key management personnel compensation

Transactions For the Year ended	2021	2020
	Rs.	Rs.
Short-term employment benefits Director Fees	17,911,135	14,464,400

# Sanasa General Insurance Company Limited

## NOTES TO THE FINANCIAL STATEMENTS

### 33.2.2 Other transactions with key management personnel Transactions

	Nature of the Transaction	Company	
		2021	2020
		Rs.	Rs.
key management personnel Transactions	Insurance Premium	757,248	622,686
	Claim Received	235,909	415,835
	Payment for Rented premises	1,000,000	-

### 34. EVENTS AFTER THE REPORTING DATE

#### Accounting policy

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

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

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the financial statements.

### 35. CAPITAL COMMITMENTS AND CONTINGENCIES

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the statement of financial position but are disclosed unless they are remote.

#### 35.1 Capital commitments

There were no significant capital commitments as at the reporting date (2020 - Nil).

#### 35.2 Contingencies

In the opinion of the Directors and the Company's lawyers, pending litigations against the Company will not have a material impact on the reported financial results or future operations of the Company. All pending litigations for claims have been evaluated and adequate provisions have been made in the financial statements.

### 36. COMPARATIVE INFORMATION

The presentation and classification in the financial statements have been amended where appropriate to ensure comparability with the current year.



## Acquisition Expenses

All expenses which vary with and are primarily related to the acquisition of new insurance contracts and the renewal of existing insurance contracts. E.g. commissions

## Actuarial valuation

A determination by an actuary at a specific date of value of the value of General Insurance Company's assets and its liabilities. The purpose of a valuation is to determine if the company holds adequate assets to fund the company's liabilities.

## Admissible Assets

Assets that may be included in determining an insurer's statutory solvency. Such assets are specified under the Rules made under the Regulation of Insurance Industry Act, No.43 of 2000 and amendments thereto.

## Claims

The amount payable under a contract of insurance arising from the occurrence of an insured event.

## Claims Incurred

The aggregate of all claims paid during the accounting period together with attributable claims handling expenses, where appropriate, adjusted by Claims Outstanding provisions at the beginning and end of the accounting period.

## Claims Incurred But Not Reported (IBNR)

At the end of the period of account a reserve in respect of property, liability and pecuniary insurances to cover the expected cost of losses that have occurred but not yet been reported to the insurer.

## Claims Incurred But Not Enough Reported (IBNER)

A reserve made in respect of property, liability and pecuniary insurances to cover the expected cost of losses that have occurred but no comprehensive information is available to make adequate provisions as at the reporting date.

## Claims Outstanding Reserve

The amount provided to cover the estimated cost of settling claims arising out of events which have occurred by the Balance Sheet date, including Incurred But Not Reported (IBNR), Claims Incurred But Not Enough Reported (IBNER) claims and claims handling expenses, less amounts already paid in respect of those claims.

## Deferred Acquisition Cost

Under the annual basis of accounting, acquisition costs relating to the unexpired period of risk of contracts in force at the Balance Sheet date which are carried from one accounting period to subsequent accounting periods.

## Earnings Per Share

Profit of the company after Tax divided by the number of issued ordinary shares.

## Ex-Gratia Payment

A payment made to an insured where there is no liability to pay under the terms of the policy, in some cases insurer may feel there has been a mistake or a misunderstanding and it may pay claim, even though he does not appear to be liable.

## Lapsed policy

A policy terminated at the end of the grace period because of non-payment of premiums.

## Liability Adequacy Test

An annual assessment of sufficiency of insurance and/or investment contact with, liabilities, to cover future insurance liabilities.

## Net Written Premium

The balance of the Gross Written Premium after deduction of any premium paid or payable by the insurer for reinsurance ceded. Commonly identifies as Net Premium.

## Policy Loan

A loan from the insurer to a policy holder on the security of the surrender value of a long term insurance policy. The loan is normally limited to a percentage of the current surrender value of the policy and interest is charged on such loans.

## Reinsurance

An arrangement whereby one party (the reinsurer), in consideration for a premium, agrees to indemnify another party (cedent – the primary insurer) against part or all of the liability assumed by the cedent under policy or policies of insurance.

## Premium Ceded to Reinsurers

The premium paid by the ceding Company to the reinsurer in consideration for all or part of the risk assumed by the reinsurer.

## Reinsurance Commission

Commission/discount received or receivable in respect of premiums paid or payable to a reinsurer.

## Unearned Premium

It represents the portion of premiums already entered into the accounts as due but which relates to a period of risk subsequent to the reporting date.

## Unearned Premium Reserve

A fund kept by a Non - Life insurer to provide for claims that may arise in the future under the insurance policies that are still in force.

## Key Insurance Ratios

$$\begin{aligned} \text{Net Claims Ratio} &= \frac{\text{Net claims incurred} \times 100}{\text{Net earned premium}} \\ \text{Expense Ratio} &= \frac{\text{Net Expense incurred} \times 100}{\text{Net earned premium}} \\ \text{Combined Ratio} &= \frac{(\text{Net claims incurred} + \text{Expenses}) \times 100}{\text{Net earned premium}} \end{aligned}$$

## NOTICE OF MEETING

### SANASA GENERAL INSURANCE COMPANY LIMITED

### EIGHTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the eighth Annual General meeting of Sanasa General Insurance Company Limited will be held as an Online virtual Meeting on 25th June ( Saturday ) 2022 at 9.30 am at the Board Room of Sanasa General Insurance Company Limited , No 172, Elvitigala Mawatha, Colombo 08 for the following purposes.

#### General Resolutions;

- 1.To receive and consider the Financial Statements and Auditors Report for the year ended 31st December 2021.
- 2.To re – appoint Mr. Keerthi Kumara Weerakkody as a Non-Executive Director of the Company , who retires at the Annual General Meeting, having attained age of 70 years and to adopt the following resolution.  
  
“ That Mr. Keerthi Kumara Weerakkody who has attained the age of 70 years on 5th October 2021 be and is hereby re – appointed as a Non-Executive Director of the Company in terms of section 211 of the Companies Act No 07 of 2007 and it is hereby declared that the age limit of 70 years referred to in section 210 of the companies Act, shall not apply to the said director”.
- 3.To re – appoint Mrs. D.Prasadika Senadheera as a Non-Executive Director of the Company, who retires at the Annual General Meeting in terms of Article 27(5) of the Articles of Association of the Company and to adopt the following resolution.  
  
“That Mrs. D.Prasadika Senadheera who retires at the Annual General Meeting in terms of Article 27(5) of the Articles of Association of the Company is hereby re – appointed as a Non-Executive Director of the Company in terms of Article 27(5) of the Articles of Association of the Company”.
- 4.To re – appoint Prof. J.M.U.K Jayasinghe as a Non-Executive Director of the Company, who retires at the Annual General Meeting in terms of Article 27(5) of the Articles of Association of the Company and to adopt the following resolution.  
  
“That Prof. J.M.U.K Jayasinghe who retires at the Annual General Meeting in terms of Article 27(5) of the Articles of Association of the Company is hereby re – appointed as a Non-Executive Director of the Company in terms of Article 27(5) of the Articles of Association of the Company”.
- 5.To appoint Messrs Ernst & Young, Chartered Accountants as Auditors for the financial year 2022 and to authorize the Board to determine their remuneration.
- 6.To authorize the Directors to determine donations for the year 2022.

By order of the Board,



Duleeka Vidanapathirana  
Company Secretary  
On this 31st Day of May 2022

#### Instructions

A dully filled “Form of Attendance” should be received at the address “Company Secretary , Sanasa General Insurance Company Limited , No 172, Elvitigala Mawatha, Colonbo 08” through registered post or e mail to duleeka@sgic.lk , not less than 48 hours before the time fixed for the meeting in order to make necessary arrangements for the Online meeting.

No person will be allowed to join for the Online meeting unless they forward the duly filled form of attendance.

# SANASA GENERAL INSURANCE COMPANY LIMITED

## EIGHTH ANNUAL GENERAL MEETING – AGENDA

**Date** – 25th June 2022

**Venue** – Online virtual Meeting at Board Room of Sanasa General Insurance Company Limited , No 172, Elvitigala Mawatha, Colombo 08.

**Time** – 9.30 am

- Sanasa Pledge
- Remembrance - passed away officers of Sanasa Movement
- Notice of meeting
- Confirmation of the minutes of the 7th Annual General Meeting held on 30th April 2021
- General Resolutions
  - Receive and consider the Financial Statements and Auditors Report for the year ended 31st December 2021.
  - To re – appoint Mr. Keerthi Kumara Weerakkody as a Non-Executive Director of the Company, who retires at the Annual General Meeting, having attained age of 70 years .
  - To re – appoint Mrs. D.Prasadika Senadheera as a Non-Executive Director of the Company, in terms of Article 27(5) of the Articles of Association of the Company.
  - To re – appoint Prof. J.M.U.K Jayasinghe as a Non-Executive Director of the Company, in terms of Article 27(5) of the Articles of Association of the Company.
  - To appoint Messrs Ernst & Young, Chartered Accountants as Auditors for the financial year 2022 and to authorize the Board to determine their remuneration.
  - To authorize the Directors to determine donations for the year 2022.
- Any other Business
- Chairman's Address
- Vote of thanks

## SANASA GENERAL INSURANCE COMPANY LIMITED EIGHTH ANNUAL GENERAL MEETING FORM OF PROXY

I/We ..... of ..... being a shareholder/shareholders of Sanasa General Insurance Company Limited hereby appoint ..... of ..... (or failing him ..... of ..... or failing him.....) as my/ our proxy to vote for me/ us and on my/ our behalf for/or against the resolution and/or to speak at the eighth Annual General Meeting of the Company to be held as an Online virtual Meeting on 25th June (Saturday ) 2022 at 9.30 am at the Board Room of Sanasa General Insurance Company Limited , No 172, Elvitigala Mawatha, Colombo 08 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

**Please indicate your Preference by placing "X" against the resolutions**

	FOR	AGAINST
1) To receive and consider the Financial Statements and Auditors Report for the year ended 31st December 2021.	<input type="checkbox"/>	<input type="checkbox"/>
2) To re – appoint Mr. Keerthi Kumara Weerakkody as a Non-Executive Director of the Company , who retires at the Annual General Meeting, having attained age of 70 years.	<input type="checkbox"/>	<input type="checkbox"/>
3) To re – appoint Mrs. D.Prasadika Senadheera as a Non-Executive Director of the Company, in terms of Article 27(5) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4) To re – appoint Prof. J.M.U.K Jayasinghe as a Non-Executive Director of the Company, in terms of Article 27(5) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5) To appoint Messrs Ernst & Young, Chartered Accountants as Auditors for the financial year 2022 and to authorize the Board to Determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
6) To authorize the Directors to determine donations for the Year 2022.	<input type="checkbox"/>	<input type="checkbox"/>

For Societies/Union/Companies

.....  
Chairman

Seal

.....  
Vice Chairman/Secretary

.....  
Date

.....  
Proxy Holder's Signature

For Individuals

.....  
Date

.....  
Signature

.....  
Proxy Holder's Signature

**INSTRUCTIONS**

1. A shareholder who is unable to attend the meeting is entitled to appoint a Proxy to attend and vote in his/her/its place.
2. A Proxy need not be a shareholder of the Company.
3. A shareholder wishing to vote by proxy at the meeting may use the Form of Proxy enclosed.
4. The completed Form of Proxy should be received at the address given below, not less than 48 hours before the time fixed for the meeting.
5. In Perfecting the Form of Proxy please ensure that all details are legible.

**Company Secretary**  
**Sanasa General Limited Company Limited**  
**no. 172, Elvitigala Mawatha**  
**Colombo 08**

## CORPORATE INFORMATION

### Name of the company

Sanasa General Insurance Company Limited  
(Subsidiary of Sanasa Life Insurance Company PLC)

### Legal Form

A limited liability company bearing registration no PB 5182,  
Incorporated under companies Act, No. 07 of 2007.

Licensed as a Company authorized to carry on General Insurance  
Business under the Regulation of Insurance Industry Act, No. 43 of  
2000 and amendment thereto.

### Company Registration Number

PB 5182

### Tax Payer Identification Number (TIN Number)

139051823

### VAT Number

139051823-7000

### Statement of Financial Position Date

31st December

### Registered office/ Head office

No 172, Elvitigala Mawatha, Colombo 08  
Contact : +94 112 003 000  
Website : www.sgic.lk  
Email : info@sgic.lk

### Founder of Sanasa Movement

Dr.P.A.Kiriwandeniya

### Board of Directors

- Mr. S. M. Tishan H Subasinghe - Chairman
- Mr. Indika K Kiriwandeniya - Managing Director
- Dr. T. Senthilverl - Non Executive Director
- Prof. J.M.U.K. Jayasinghe - Non Executive Director
- Mr. K.K. Weerakkody - Non Executive Director
- Mr. J.M.D. Ananda Wishwakeerthi - Non Executive Director
- Mr. J.A. Lahiru S. Jayasinghe - Independent Director
- Mrs. D.Prasadika Senadheera - Non Executive Director
- Mr. W.Denzil Indrajith Perera - Independent Director

### Chief Executive Officer / GM , Principal Officer / Specified Officer

Mr. Nimal R. Perera

### Company Secretary

Ms. Duleeka Vidanapathirana

### Auditors

Ernst & Young  
201, De Saram Place, Colombo 10

### Consultant Actuaries

NMG Financial Service Consulting (Pte) Ltd  
30,Hill Street, #03-02A  
Singapore 179360

### Reinsurers

- GIC of India
- Santam Re
- Kuwait Re
- Saudi Re
- Oman Re
- National Insurance Trust Fund - Sri Lanka

### Bankers

- Sampath Bank PLC
- People's Bank
- Seylan Bank PLC
- Sanasa Development Bank PLC
- Bank of Ceylon
- Commercial Bank of Ceylon PLC
- Pradeshiya Sanwardhana Bank
- Housing Development Finance Corporation Bank of Sri Lanka
- Cargills Bank Ltd
- Amana Bank PLC
- National Savings Bank

Concept  
& Layout designed by





සරස  
**General**

சணச ஂ஁னரல் இன்சுரன்ஸ்  
**SANASA GENERAL INSURANCE**

SANASA GENERAL INSURANCE COMPANY LIMITED  
172, Elvitigala Mawatha, Colombo 08.  
011 200 3000 | info@sgic.lk | www.sgic.lk