

INSURANCE BOARD OF SRI LANKA

Annual Report

2006

IBSL

Contents

Vision	2
Mission	2
Part 1	
General Information	4
Members of the Board	5
Chairman's Statement	6
Director General's Review	8
Part 2	
General Review	11
Administration of the RII Act	
Legislation	11
Licensing and Market Structure	11
Company Status and Changes in Equity	11
Levy of CESS from Insurance Companies	12
Policy Holders Protection Fund	12
Insurance Tariff	12
Other Related Matters	13
Part 3	
Statistical Review of 2005/2006	15
Premium Income	15
Total Assets and Shareholders' Funds of Insurance Companies	15
Distribution of the Total Assets in the Financial System	17
Long Term Insurance Business	18
General Insurance Business	20
Performance of Insurance Brokers	24
Part 4	
Supervisory Activities	26
Regulatory Activities	30
Investigations	33
Market Development	34
Administrative and Financial Review	36
Part 5	
Financial Statements	39
Auditor General's Report	53
Responses of the Board to the matters raised by the Auditor General	56
Appendix i	60
Appendix ii	61

Vision

Vision

“To progressively strengthen the regulatory framework of the insurance industry and to be an effective risk based regulator adopting the Core Principles of the International Association of Insurance Supervisors (IAIS) to the extent practicable to Sri Lanka”

Mission

Mission

“To ensure that insurance business in Sri Lanka is carried on with integrity and in a professional and prudent manner with a view to safeguarding the interests of the policyholders and potential policyholders”



Part 1

General Information

- Office Address : Level 7-02, East Tower, World Trade Centre, Echelon Square, Colombo 1
Telephone: 2396184-9, Fax: 2396190
Web site - www.ibsl.gov.lk
- Legal Form : A statutory Board established in Sri Lanka in terms of the Regulation of Insurance Industry Act, No. 43 of 2000, which came into operation with effect from 01st March 2001 by Government Gazette Notification No. 1172/27 dated 23rd February 2001
- Object & Responsibility : The object and responsibility of the Board is to ensure that insurance business in Sri Lanka is carried on with integrity and in a professional and prudent manner with a view to safeguarding the interests of the policyholders and potential policyholders
- Accounting Year : 31st December
- Auditors : The Auditor General
- Bankers : Bank of Ceylon
People's Bank
Hong Kong & Shanghai Banking Corporation Limited



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Members of the Board

1. Dr. Gamini Wickramasinghe
Chairman

2. Mr. C P E Gunasingam
Member

3. Dr. (Mrs.) Ranee Jayamaha
Member

4. Mr. Channa de Silva
Member

5. Mr. Wilfred Wickramasinghe
Member

Absent

Mr. Graetian Gunawardhana
Member

Mr. Sumith Abeysinghe
Member



Chairman's Statement

I have great pleasure in submitting the Annual Report of the Insurance Board of Sri Lanka for the year 2006 to be laid before Parliament, as required in terms of section 106 of the Regulation of Insurance Industry Act No. 43 of 2000.

In order to meet the demands of the insurance industry and to make the industry more vibrant, efficient, fair, safe and stable the Board took far reaching decisions during the year.

- First step in this process was requesting all insurance companies to appoint compliance officers to oversee observance by the institution and its staff with relevant laws and required standards of business conduct and report to the board of directors at regular intervals.
- Decided to increase the paid up share capital to Rs.500 million on a staggered basis in order to increase the financial strength of insurance companies so that

their underwriting capacity could be increased.

- Presently 15 insurance companies are operating in the market where some are small companies with minimum paid up capital finding it difficult to increase the capital while the share capital of other insurance companies are much more than the minimum paid up capital requirement. In order to address this issue the Board has decided to introduce risk based capital model with effect from 2009 where the paid up capital would be based on the risks the insurance companies are subject to.
- The Board placed greater emphasis on corporate governance, internal control and ethics that are self-imposed upon the industry under the risk based supervision methodology as it was felt this would be far more effective than the practice of gauging the

efficacy of corporate governance by regulatory actions.

- The web site of IBSL was redesigned and launched on 1st January 2007 to provide with an overview of the activities of the IBSL. Further it has been designed in such a way that in addition to accessing data and information published by the IBSL, one could also access the web site of any of the registered insurance companies and to find out information relating to the company and the products and services it provides.

During the year the Board in association with the Securities and Exchange Commission of Sri Lanka laid down the foundation for the establishment of a Financial Services Academy for conducting suitable courses in insurance and capital markets to the personnel of the securities and insurance sectors, thereby fulfilling the long felt need of the two sectors.

Chairman's Statement Contd...

The ground work for the establishment of a Reinsurance Company was laid down during the year and it was proposed to obtain the services and collaboration from a well established Reinsurance Company in the Asian region.

Additional staff were recruited during the year to strengthen the regulatory function. IBSL commenced carrying out all its functions and discontinued some of the services that were out sourced to the Securities and Exchange Commission of Sri Lanka.

On behalf of the Board and the staff of the IBSL, I thank the Insurance Association of Sri Lanka, Sri Lanka Insurance Brokers Association, The Sri Lanka Insurance Institute, and others for extending their co-operation in fulfilling the supervisory and development functions of the Insurance Board.



Dr. Gamini Wickramasinghe
Chairman

28th May 2007



Director General's Review

The Sri Lankan insurance industry, with an overall gross written premium of Rs.43, 035 million from long-term as well as general insurance business, recorded a 15.61% growth during the year, a decline when compared with the previous year's 25.9% growth. Correspondingly, there was a marginal decrease in the insurance sector contribution to the GDP from 1.58% in 2005 to 1.54% in 2006. The high growth rate during 2005 may have been due to the public becoming more 'insurance conscious' following the heavy losses sustained as a result of the December 2004 tsunami.

The General Insurance sector has benefited from a significant growth in motor insurance premium mainly due to broader coverage of additional risks. In Life Insurance, demand during the year has remained positive with the increased risk awareness.

During the year the IBSL published a series of press articles in English titled "What You should Know about Insurance" to educate the public on the importance of insurance, highlighting the benefits and explaining in layman's language the facts a person intending to obtain an insurance cover should know and fully understand. The Sinhala and Tamil translations of this series were also published in

the press to ensure that the message reached the population at large. Brochures on Long Term Insurance and other related information titled "Know more about Insurance" were also distributed amongst the public. To facilitate education in the Advanced Level commerce stream, a book on insurance written in Sinhala by Mr. Nimal Perera - and translated into Tamil as well - was distributed among the two language medium schools.

New formats for quarterly and annual returns as well as for actuarial abstracts of insurance companies were developed by the Board to ensure more effective off-site supervision of the industry. The insurance companies were requested to submit quarterly returns in the new formats on a voluntary basis for the 4th quarter 2006; returns on the new formats became mandatory commencing January 2007. The Insurance Board was thus able to fast-track compliance with the new formats and obtain the information required for more effective monitoring of companies in the industry.

The insurance companies engaged in general insurance are required by the regulations to obtain the services of a general insurance actuary to certify the incurred but not reported (IBNR) claims reserve commencing from 2007. Actuarial certification

of IBNR Reserves will ensure prudential provisioning, enhance reliability and also strengthen the Balance Sheet of companies.

Having considered the representations made by the insurance companies to the IBSL seeking approval to invest in new investment instruments presently available in the market, the IBSL appointed a Committee in December 2005 consisting of representatives of the insurance industry, the financial sector and Fitch Rating to examine the proposals.

The Committee studied various investment instruments available in the market in detail and proposed amendments to Determination 1 and the Solvency Margin Rules to accommodate the following new investment instruments available in the market.

1. Corporate debts, including bonds, debentures, commercial paper, and other similar financial instruments, issued by a licensed commercial bank, or licensed specialized bank or a Multilateral Agency; or which are listed on a stock exchange or backed by a guarantee issued by a licensed commercial bank or licensed specialized bank or a multilateral Agency; or are carrying an investment grade rating;
2. Asset backed securities carrying an investment grade rating;

Director General's Review Contd...

3. Deposits with licensed finance companies carrying an investment grade rating;

4. Mutual Funds;

5. Gold.

The Committee finalized its deliberations and the draft amendments on the Determination and Solvency Margin Rules were discussed with the insurance industry prior to finalization. The amended Determination on investment of Technical Reserves of general insurance business and Long Term Insurance Fund and the Solvency Margin Rules were approved by the Board in April 2007 and is expected to come into operation shortly.

The changes to the investment parameters will broaden the investment horizons of insurance companies enabling them to maximize their return on investment.

The Insurance Board decided on a series of regulatory measures to strengthen the insurance companies and insurance broking companies with a view to protecting the interests of policy holders and potential policy holders. These regulatory measures include:

- Listing of all insurance companies on the Colombo Stock exchange.
- All insurance companies to be rated by a recognized rating agency acceptable to the Board.
- Abolishing the composite insurance company system and to permit an insurance company to engage only in one class of insurance business.
- To change the Auditors of insurance companies every five years.
- To increase the issued share capital of insurance companies to Rs.500 million on a staggered basis for each class of insurance business by the year 2010.

The Board, with the concurrence of Financial Intelligent Unit (FIU) of the Central Bank of Sri Lanka, issued Guidelines to insurance

companies and insurance brokers for the submission of Reports to FIU in compliance with the Anti-Money Laundering (AML) Act.

The Board also issued Guidelines to be followed by insurance companies engaged in the business of Linked Long Term Insurance Products.

In keeping with the on-going global trend for prudential supervision, the Board is focused on moving to a supervisory system based on sound risk assessment of insurance companies. The risk-based supervisory system which commenced last year was continued during 2006. This system places more emphasis on assessing the quality of the Boards and senior management of insurance companies in managing the risk they face given the size, scale and complexity of their businesses. The Supervision Division engaged in risk assessment of insurance companies applying the CARAMELS rating framework. The insurance companies cooperated with the IBSL in carrying out this exercise and viewed positively the observations conveyed to them regarding any shortfalls, lapses or irregularities in their operations by promptly complying with the Board's recommendations.

The Board recruited and trained around seven new senior staff, including a Director Supervision and an Assistant Director Legal, to strengthen the activities of the Board and also to fill vacancies created by trained staff accepting appointments offering better prospects outside the Board.

The Board, having considered the request made by the Insurance Association of Sri Lanka, decided to abolish the tariff on workmen's compensation insurance with effect from 1st January 2007 to encourage insurance companies to introduce competitive and innovative products which will benefit policyholders and potential policyholders.

With the abolishment of the tariff

on Workmen's compensation insurance, Sri Lanka's insurance industry has moved to a completely non-tariff regime; hopefully, this will be followed by improved industry practices providing an impetus for companies to adopt better risk management policies.

The Board continued with its quarterly consultative meetings with the insurance industry in order to have an effective dialogue on matters of mutual interest and also to encourage and strengthen the self-regulatory mechanism already in place.

The Board introduced a premium Payment Warranty for General Insurance Policies during the year whereby all general insurance policies issued by companies will stand automatically cancelled if the premium on the policies are not paid within sixty days.

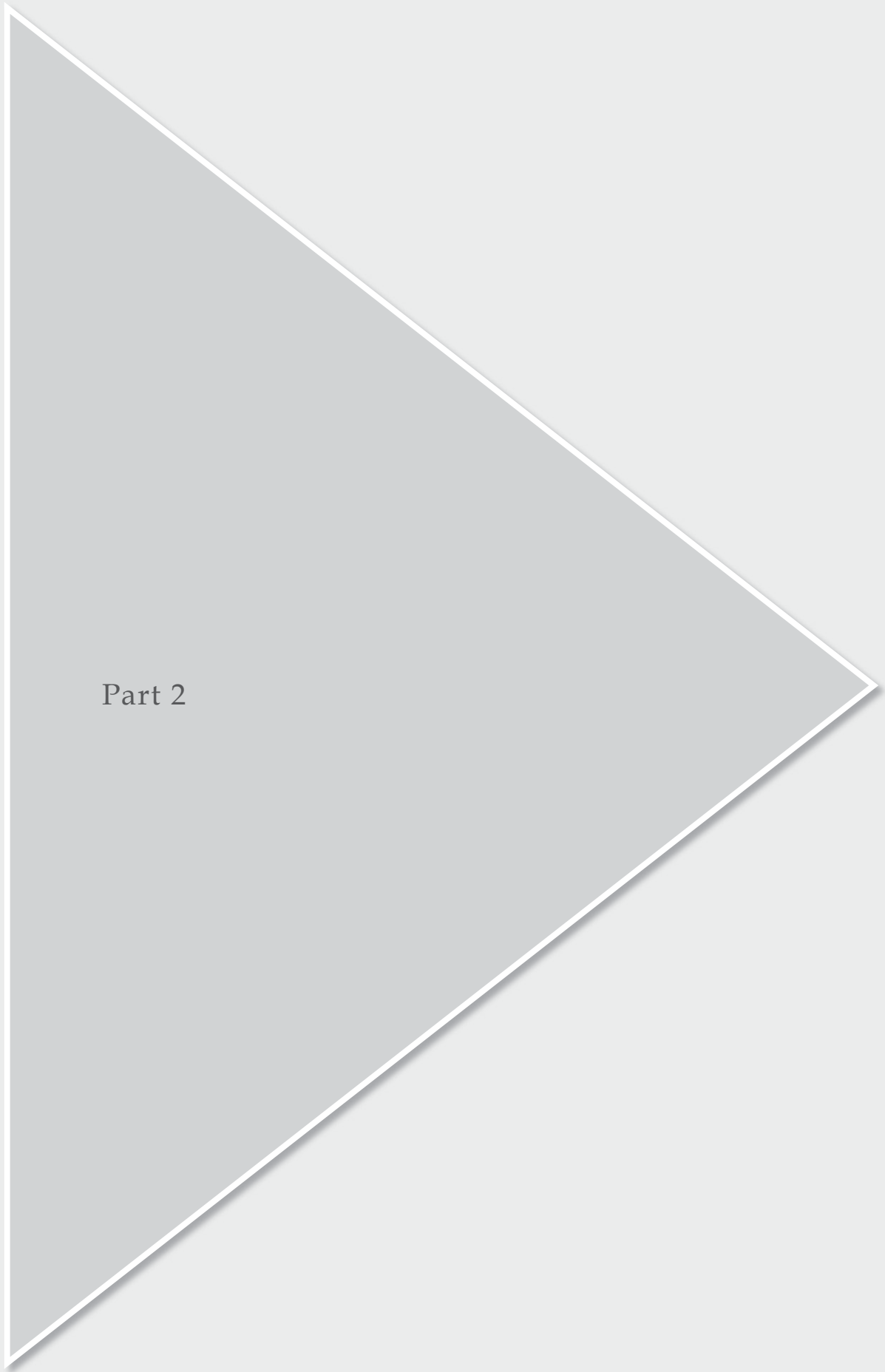
As a member of the International Association of Insurance Supervisors (IAIS), the Insurance Board of Sri Lanka continued to adopt the regulatory measures formulated by IAIS on a best-effort basis. The Board, as a founder member of the South Asian Insurance Regulators' Forum, is in close contact with other members of the Forum on an on-going basis.

Dr. Gamini Wickramasinghe, the Chairman of IBSL, and the Members of the Board have been instrumental in introducing innovative ideas for the improvement of the regulatory system and also guiding me and the Secretariat in carrying out our roles more effectively. I wish to thank the Chairman and the Board for their valuable contributions and also the consultants and the staff for the support given to me in implementing the vision and mission of the Board during the year.



Mrs. Lasinee Seresinhe
Director General

28th May 2007



Part 2

General Review

ADMINISTRATION OF THE REGULATION OF INSURANCE INDUSTRY ACT.

LEGISLATION

The insurance industry is regulated and supervised in terms of the provisions of the Regulation of Insurance Industry Act No.43 of 2000 (hereinafter referred to as the Act). The Insurance Board of Sri Lanka (hereinafter referred to as the Board) was established under this Act.

LICENCING AND MARKET STRUCTURE

Insurance Companies

A company interested in engaging in insurance business in Sri Lanka should incorporate a public company under the Companies Act and register as an insurer under the Act.

16 insurance companies were in operation during the year, out of which 13 companies engaged in composite insurance, carrying on both long term insurance business and general insurance business while 1 company engaged in long term insurance business and 2 companies engaged in general insurance business.

Janashakthi Insurance Company Ltd. acquired National Insurance Corporation Ltd. from the government in the year 2002. During the year Janashakthi Insurance Company Ltd. informed the Board that the company is interested in amalgamating National Insurance Corporation Ltd. with Janashakthi Insurance Company Ltd. with effect from 31st December 2006. All transactions relating to any transfer and amalgamation of insurance business is required to be approved by a District

Court, and when applying for approval, a copy of the Board's observation on such transfer and amalgamation should also be submitted to Court for its perusal. The Board in its observations on the amalgamation, required Janashakthi Insurance Company Ltd. to maintain the Long Term Insurance Fund and Technical Reserves of General Insurance Business of National Insurance Corporation Ltd. separately until all life policies in issue on the date of amalgamation matured and the liabilities on all general insurance policies in issue and outstanding reinsurance claims were settled.

Insurance Brokers

A company interested in engaging in insurance broking business in Sri Lanka should incorporate a public company or a private limited company under the Companies Act and register as an insurance broker under the Act.

Insurance Agents

Insurance agents are individuals appointed and registered by insurers and insurance brokers and they play a key role in marketing life insurance products. In Sri Lanka there are around 25,000 insurance agents and they procure around 95% of the life insurance business.

The Board in terms of section 78(4) of the Act has issued rules specifying the minimum educational qualifications and other entry requirements to appoint an individual as an insurance agent.

The Sri Lanka Insurance Institute (SLII) conducts pre-recruitment tests for insurance agents in respect of long term insurance in all three languages.

COMPANY STATUS AND CHANGES IN EQUITY

Insurance Companies

Hon. Minister of Finance in terms of the powers vested in him under the Act has issued Regulations increasing the minimum paid up share capital of insurance companies to Rs.100 million in respect of each class of insurance business with effect from 12th October 2005.

Further the Board has decided to increase the paid up share capital of insurance companies in respect of each class of insurance business to Rs.250 million by end of December 2008 and Rs.500 million by end of December 2010. The Board has also decided to request all insurance companies to obtain a rating of the Insurer's Financial Strength (IFS) which indicates the insurer's claim paying abilities, from a rating agency acceptable to the Board by end of December 2007 and publish the rating within one month from the date of obtaining the rating.

Six insurance companies i.e. Ceylinco Insurance PLC, Eagle Insurance PLC, Union Assurance PLC, Asian Alliance Insurance Company Ltd., HNB Assurance Ltd. and AmanaTakaful PLC are listed on the Colombo Stock Exchange.

Foreign equity participation has been permitted up to 100% in

General Review contd...

insurance companies in terms of the Gazette Notification No. 1232/14 dated 19th April 2002 published by the Controller of Exchange.

Out of the 16 insurance companies, 5 have foreign collaborations. Allianz Insurance Company Lanka Ltd. is a wholly owned subsidiary of Allianz Group of Germany. Majority shareholding of Eagle Insurance PLC, Hayleys AIG and Life Insurance Corporation (Lanka) Ltd. are held by Aviva Company, American International Group and Life Insurance Corporation of India respectively. Takaful Malaysia has 15% equity participation in Amana Takaful PLC.

Insurance Brokers

In terms of Rules made by the Board under section 80(1)(a) of the Act the paid up share capital requirement to register companies as insurance brokers was increased to Rs.1 million with effect from 29th September 2005.

The Board decided a further increase of the paid up share capital of insurance brokers on a staggered basis. Intending capital structure to be introduced to the insurance brokers will be announced shortly.

LEVY OF CESS FROM INSURANCE COMPANIES

In terms of section 7(2) of the Act, an order was made by the Hon. Minister of Finance for the levy of cess at the rate of 0.2% of the total net premium income of long term insurance business and 0.4% of the total net premium income

of general insurance business. This was published in the Gazette Notification No.1244/5 on 9th July 2002. The cess collection from insurers commenced from January 2003. Total amount of cess collected for the year 2006 was Rs.93 million.

POLICY HOLDERS PROTECTION FUND

The cess collected from insurance companies is deposited into the Policy Holders Protection Fund which was established in terms of section 103(1) of the Act. The amount lying to the credit of the Policy Holders Protection Fund is invested in Treasury Bills. The accumulated amount in the Fund as at 31st December 2006 was Rs.229 million.

INSURANCE TARIFF

Insurance Association of Sri Lanka (IASL) requested the Board to remove the tariff on Workmen's Compensation Insurance (WCI) giving the following reasons in support of the request:

- (i) Insurers will be able to offer higher benefit packages over and above statutory benefits by charging higher premium.
- (ii) Help the insurers to decide individually on additional covers such as 24 hour cover which would benefit the market.
- (iii) Presently the tariff is not observed in the market by the insurers.
- (iv) The tariff on other two major classes, fire insurance and motor insurance have already been removed.

The members of the Board after carefully examining the request made by the IASL, decided to de-tariff Workmen's Compensation

Insurance effective from 1st January 2007 which was the only tariff based class of the general insurance business.

Overseas Insurance - Travel, Health and Liability Insurance

In terms of section 101 of the Act, the Board has approved any person to place directly or indirectly health and travel insurance and also directors and employer's liability insurance with an insurer licensed or registered overseas even if such insurer is not registered in Sri Lanka under the Act.

Exemptions

Provisions of the Regulation of Insurance Industry Act do not apply in respect of the Agriculture and Agrarian Insurance Board established under the Agriculture and Agrarian Insurance Act No. 20 of 1999, the Sri Lanka Export Credit Insurance Corporation established under the Sri Lanka Export Credit Insurance Corporation Act No.15 of 1978 and the Social Security Board established under the Social Security Board Act No.17 of 1996.

The provisions of the Act do not apply to the enterprises which enter into agreements with the Board of Investments (BOI) under section 17 of the Greater Colombo Economic Commission Law, No. 4 of 1986 and are exempted by the Minister of Finance under the powers vested in him by the Insurance Corporation (Amendment) Act No. 43 of 1986 and published in the Government Gazette.

General Review contd...

OTHER RELATED MATTERS

Insurance Association of Sri Lanka

The Insurance Association of Sri Lanka (IASL) was established in 1989. Every insurance company registered under the Act is eligible for membership of the Association. Out of the 16 insurance companies 15 have obtained membership in the Association.

The Executive Committee is responsible for the overall management of the Association. The Executive Committee is assisted by the Life Insurance Forum, the General Insurance Forum and the Finance and Actuarial Sub-Committees, which consider and make recommendations to the Executive Committee on subjects relating to their respective areas.

The Association maintains a close working relationship with the Board.

Sri Lanka Insurance Brokers' Association

The Sri Lanka Insurance Brokers' Association (SLIBA) is the only Association of insurance brokers' that has been approved by the Board in terms of section 79 of the Act. Further in terms of Section 79 of the Act, it is mandatory that all registered insurance brokers and all applicants seeking registration as insurance brokers to be members of this Association prior to submitting an application to the Board. The members of the Association are subject to a code of conduct formulated by the Association.

SLIBA maintains a very cordial relationship with the Board.

The Sri Lanka Insurance Institute

The Sri Lanka Insurance Institute (SLII) was established in 1982. It is a non-profit making organization and its main objective is to develop the skills and knowledge of persons engaged or employed in the insurance business. Funding for the Institute is through contributions made by the insurance companies and the annual subscriptions from the members. The Institute conducts classes for those who are preparing for the examinations of the Chartered Insurance Institute of London, Insurance Institute of Australia and Insurance Institute of India.

Further the Institute is affiliated to the Chartered Insurance Institute, London and administers the examinations of professional bodies such as the Chartered Insurance Institute, London; Insurance Institute of Australia; Insurance Institute of India and the Actuarial Society of India. The Institute conducts short-term diploma courses in insurance for persons employed in the insurance industry.

The Board has entrusted the Institute with the responsibility of conducting the pre-recruitment tests for persons who are to be appointed as insurance agents. During the year the Institute conducted pre-recruitment tests in respect of long term insurance business in English, Sinhala and Tamil languages. In addition the Institute also has developed a syllabus in respect of general insurance business and has informed the Board that they intend holding the pre-recruitment test in respect of

general insurance commencing June 2007.

South Asian Insurance Regulators' Forum (SAIRF)

The South Asian Insurance Regulators' Forum was established in the year 2001. India, Nepal, Bhutan, Maldives, Bangladesh, Pakistan and Sri Lanka are members of this Forum.

During the year Mr. Sonam Wangchuk from the Royal Monetary Authority of Bhutan, was the Chairman of SAIRF, while Mr. C.S. Rao, Chairman, Insurance Regulatory and Development Authority of India (IRDA), Mr. Mahadhav Prasad Upadhyay, Chairman Beema Samiti (Insurance Board) of Nepal, Mr. Dasho Daw Tenzin from the Royal Monetary Authority of Maldives, Mr. Tarif Hassan from the Securities and Exchange Commission of Pakistan, Kabir Md. Ashraf Alam from the Department of Insurance of Bangladesh and Mrs. Lasinee Seresinhe from the Insurance Board of Sri Lanka were the Vice-Chairpersons.

The objectives of the Forum are to promote co-operation among South Asian Insurance Regulators to facilitate regulatory activities; the sharing of information and experiences; and harmonization of legislative approaches and financial reporting systems, to the extent feasible.

The 4th Annual Meeting of the Forum was held in Bhutan on 10 April 2006. Mrs. Lasinee Seresinhe, Director General, Insurance Board of Sri Lanka attended the meeting.



Part 3

Statistical Review of 2005/2006

Premium Income

The total overall gross written premium from long term insurance business and general insurance business during the year amounted to Rs.43,035 million (2005: Rs.37,224 million) with a growth rate of 15.61% indicating a decline compared with the previous year's growth rate of 25.94%.

General insurance business with a premium income of Rs.25,931 million (2005: Rs.22,410 million) contributed 60.26% (2005: 60.20%) of the total gross premium written, while gross written premium contribution from long term insurance was Rs.17,104 million (2005: Rs.14,814 million) which accounts for 39.74% (2005: 39.80%).

Accordingly the contribution from general insurance business for the last two years has been higher than long term insurance business. Insurance sector has contributed 1.54% to the Gross Domestic Product (GDP) for the year. Whilst previous year's contribution was 1.58%.

Table 1
Premium Income (in million rupees)

	2001	2002	2003	2004	2005	2006
Long Term Insurance	7,494	8,682	10,613	12,518	14,814	17,104
General Insurance	9,366	11,599	13,534	17,037	22,410	25,931
Total Premium Income	16,860	20,281	24,147	29,555	37,224	43,035
Total premium as a % of GDP	1.20	1.28	1.37	1.52	1.58	1.54
Growth Rate	13.39	20.29	19.06	22.40	25.94	15.61

Total Assets and Shareholders' Funds of Insurance Companies

Total assets of insurance companies for the year 2006 amounted to Rs.117,659 million. Total assets of long term insurance business was Rs.72,077 million while the total assets of general insurance business was Rs.45,582 million.

Total Shareholders' Funds of insurance companies as at 31st December 2006 was Rs.18,208 million.

Company-wise breakdown of assets of long term insurance business,

general insurance business and shareholders' funds for the year 2006 are given in Table 2. Chart 1 reflects the concentration of total assets company-wise. Chart 2 reflects the analysis of shareholder's funds company-wise.

Table 2
Total Assets and Shareholders' Funds of Insurance Companies - 2006

Insurer	Assets				Shareholders' Funds					
	Long Term Insurance Rs.'000	General Insurance Rs.'000	Total Rs.'000	%	Paid-up Capital Rs.'000	General Reserves Rs.'000	Retained Earnings/(Loss) Rs.'000	Other Reserves Rs.'000	Total Rs.'000	%
SLICL	33,522,888	19,423,802	52,946,690	45.00	6,000,000	601,342	1,908,958	572,372	9,082,672	49.88
NICL	1,282,255	3,835,548	5,117,803	4.35	75,000	175,991	667,940	871,272	1,790,203	9.83
CIPLC	16,235,627	8,048,306	24,283,933	20.64	200,000	1,557,436	890,095	301,898	2,949,429	16.20
UAPLC	5,996,511	3,595,214	9,591,725	8.15	250,000	45,048	666,212	16,667	977,927	5.37
EIPLC	11,270,492	3,589,258	14,859,750	12.63	300,000	700,000	274,149	441,320	1,715,469	9.42
JICL	1,543,490	4,216,025	5,759,515	4.90	275,000	-	27,409	-	302,409	1.66
COICL	152,751	266,208	418,959	0.36	106,725	-	26,939	-	133,664	0.73
AAICL	738,798	427,439	1,166,237	0.99	250,000	-	(82,140)	-	167,860	0.92
HAIGICL	-	455,559	455,559	0.39	168,462	-	(150,844)	-	17,618	0.10
HNBAL	697,195	778,290	1,475,485	1.25	250,000	-	200,811	-	450,811	2.48
ATPLC	168,031	299,271	467,302	0.40	125,000	-	(21,755)	-	103,245	0.57
LICLL	397,699	-	397,699	0.34	250,000	112,500	(182,254)	-	180,246	0.99
SSRS	31,762	136,095	167,857	0.14	71,664	-	(5,650)	1,766	67,780	0.37
AICLL	-	263,488	263,488	0.22	67,510	-	1,363	-	68,873	0.38
ABCICL	39,658	152,824	192,482	0.16	225,000	-	(111,717)	1,961	115,244	0.63
CTL	-	94,315	94,315	0.08	100,000	-	(15,466)	-	84,534	0.46
Total	72,077,157	45,581,642	117,658,799	100.00	8,714,361	3,192,317	4,094,050	2,207,256	18,207,984	100.00

Statistical Review of 2005/2006 Contd...

Chart 1
Concentration of Assets
Company-wise Analysis - 2006

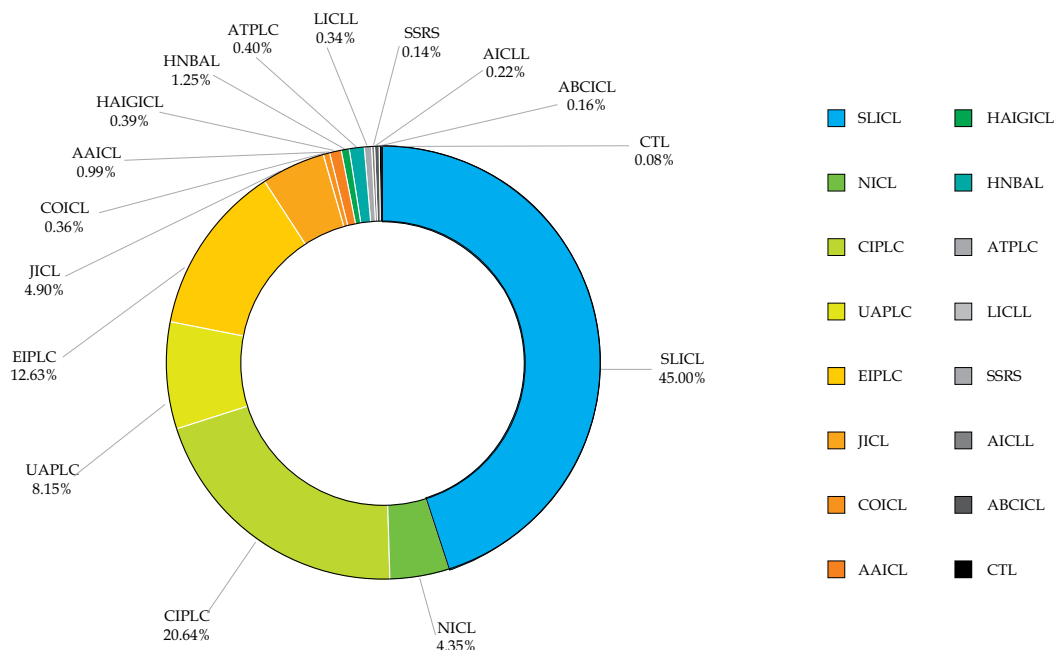
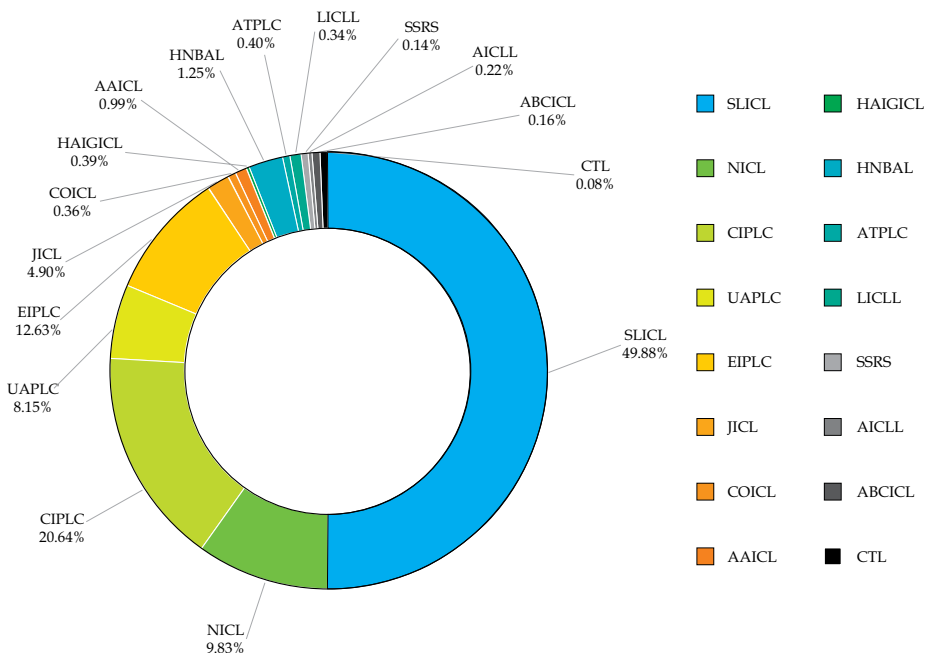


Chart 2
Company-wise Analysis of shareholders' Funds - 2006



Abbreviations

SLICL : Sri Lanka Insurance Corporation Ltd.
 NICL : National Insurance Corporation Ltd.
 CIPLC : Ceylinco Insurance PLC
 UAPLC : Union Assurance PLC
 EIPLC : Eagle Insurance PLC
 JICL : Janashakthi Insurance Company Ltd.

COICL : Co-operative Insurance Company Ltd.
 AAICL : Asian Alliance Insurance Company Ltd.
 HNBAL : HNB Assurance Ltd.
 ATPLC : Amana Takaful PLC
 LICLL : Life Insurance Corporation (Lanka) Ltd.
 SSRS : Seemasahitha Sanasa Rakshana Samagama
 ABCICL : ABC Insurance Company Ltd.

Statistical Review of 2005/2006 Contd...

Distribution of the Total Assets in the Financial System

Total assets of insurance companies which amounts to Rs.117.6 billion accounts for 3.2% of the total assets of the Financial System for the year 2006.

Table 3 shows the distribution of the total assets of the Financial System in different sectors for the year 2005 on actual basis and on a provisional basis for the year 2006.

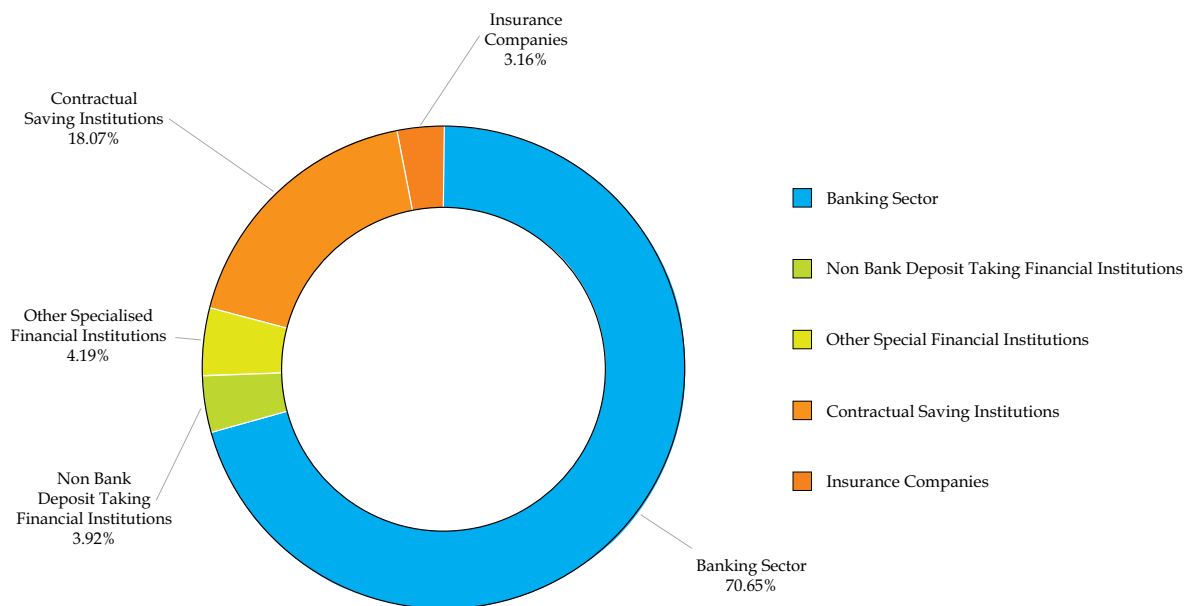
Chart 3 reflects the percentage share of each sector out of the total assets of the Financial System for the year 2006.

Table 3

		2005		2006	
		Rupees in billion	%	Rupees in billion	%
Banking Sector	*	2,208.4	70.1	2,625.8	70.7
Non Bank Deposit Taking Financial Institutions	*	119.2	3.8	145.8	3.9
Other Specialized Financial Institutions	*	129.3	4.1	155.8	4.2
Contractual Saving Institutions	*	588.8	18.7	671.5	18.1
Insurance Companies		105.2	3.3	117.6	3.2
Total		3,150.9	100.0	3,716.5	100.0

* Source : Annual Reprt - 2006 of Central Bank of Sri Lanka

Chart 3
Distribution of Assets in the Financial System - 2006



Statistical Review of 2005/2006 Contd...

Long Term Insurance Business

Gross Written Premium

Company-wise Market Share

Long term insurance business with a premium income of Rs.17,104 million shows a growth rate of 15.5%, when compared with the previous year's growth rate of 18.3% with a gross written premium of Rs. 14,814 million.

Table 4

Long Term Insurance Business – Gross Written Premium
Company-wise Market Share

Company	2002		2003		2004		2005		2006	
	Premium (Rs.'000)	%	Premium (Rs.'000)	%	Premium (Rs.'000)	%	Premium (Rs.'000)	%	Premium (Rs.'000)	%
SLICL	2,788,636	32.12	3,238,959	30.52	3,331,583	26.62	3,602,639	24.32	3,885,022	22.71
NICL	178,475	2.06	157,543	1.48	136,128	1.09	123,489	0.83	111,500	0.65
CICPLC	2,359,671	27.18	3,042,655	28.67	3,961,390	31.65	4,793,650	32.36	5,717,887	33.43
UAPLC	934,147	10.76	1,096,149	10.33	1,209,534	9.66	1,456,576	9.83	1,672,744	9.78
EICPLC	1,827,208	21.05	2,169,843	20.45	2,500,131	19.97	2,832,541	19.12	3,150,042	18.42
JICL	343,000	3.95	416,220	3.92	532,643	4.26	691,199	4.67	912,658	5.34
COICL	24,519	0.28	44,144	0.42	51,610	0.41	61,897	0.42	73,695	0.43
AAICL	163,280	1.88	274,470	2.59	421,280	3.37	577,693	3.90	747,934	4.37
HNBAL	35,297	0.41	104,436	0.98	205,883	1.64	354,181	2.39	503,322	2.94
ATL	19,439	0.22	39,990	0.38	60,658	0.48	86,272	0.58	90,895	0.53
LICLL	-	-	13,319	0.13	82,127	0.66	204,618	1.38	186,770	1.09
SSRS	-	-	480	0.00	5,245	0.04	18,737	0.13	27,826	0.16
ABCICL	-	-	-	-	-	-	2,055	0.01	23,891	0.14
Total	8,682,292	100.0	10,612,595	100.0	12,517,554	100.0	14,814,228	100.00	17,104,186	100.00
% Increase (Growth Rate)	15.9		22.2		17.9		18.3		15.5	

Analysis of Data Appearing in Table 4

Ceylinco Insurance PLC with a premium income of Rs.5,718 million (2005: Rs.4,795 million) and a market share of 33.43% (2005:32.36%), Janashakthi Insurance Company Ltd. with a premium income of Rs.913 million (2005: Rs.691 million) and a market share of 5.34% (2005:4.67%), Asian Alliance Insurance Company Ltd. with a premium income of Rs.748 million (2005: Rs.578 million) and market share of 4.37% (2005:3.90%) and HNB Assurance Ltd. with a premium income of Rs.503 million (2005: Rs.354 million) and a

market share of 2.94% (2005:2.39%) demonstrated an increase in their market share compared with the previous year.

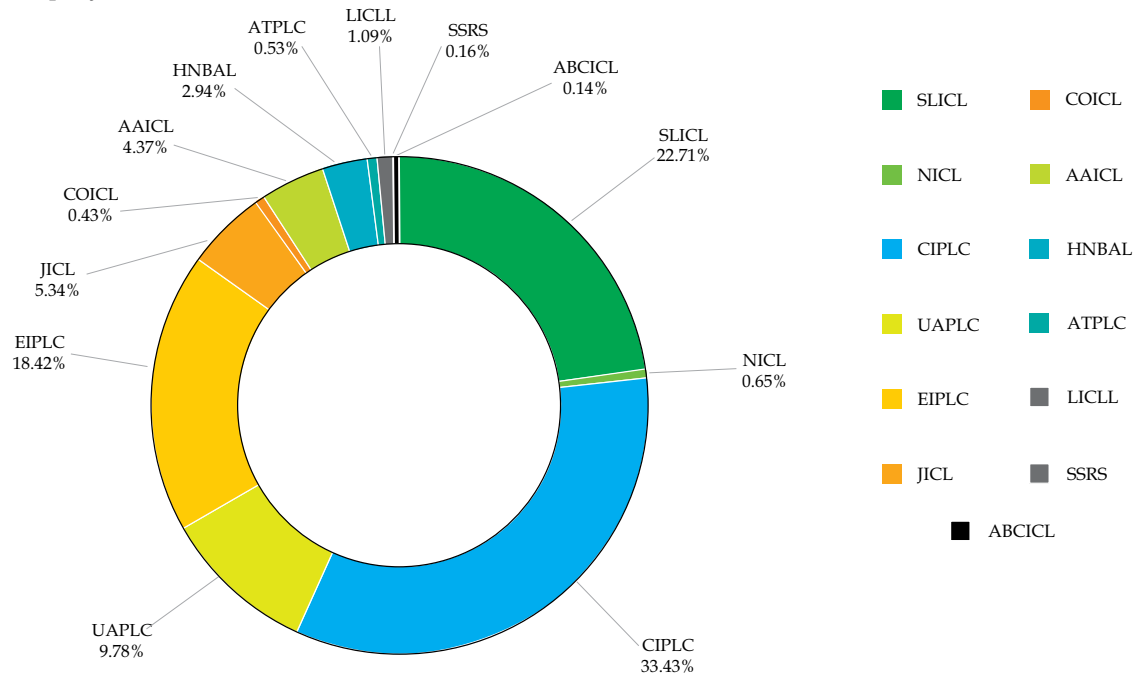
Sri Lanka Insurance Corporation Ltd. with a premium income of Rs.3,885 million (2005: Rs.3,603 million) and a market share of 22.71% (2005:24.32%), Eagle Insurance PLC with a premium income of Rs.3,150 million (2005: Rs.2,835 million) and market share of 18.42% (2005:19.12%), Union Assurance PLC with a premium income of Rs.1,673 million (2005:

Rs.1,457 million) and market share of 9.78% (2005: 9.83%) and Life Insurance Corporation (Lanka) Ltd. with a premium income of Rs.187 million (2005:Rs.205 million) and market share of 1.09% (2005:1.38%) reflects a decline in their market share. Chart 4 reflects the market share of Gross Written Premium income company-wise (Long Term Insurance Business).

(Only companies with a market share of 1% and above are included in the analysis)

Statistical Review of 2005/2006 Contd...

Chart 4
Long Term Insurance Business - Gross Written Premium
Company - wise Market Share - 2006



Abbreviations

SLICL : Sri Lanka Insurance Corporation Ltd.	COICL : Co-operative Insurance Company Ltd.
NICL : National Insurance Corporation Ltd.	AAICL : Asian Alliance Insurance Company Ltd.
CIPLC : Ceylinco Insurance PLC	HNBAL : HNB Assurance Ltd.
UAPLC : Union Assurance PLC	ATPLC : Amana Takaful PLC
EIPLC : Eagle Insurance PLC	LICLL : Life Insurance Corporation (Lanka) Ltd.
JICL : Janashakthi Insurance Company Ltd.	SSRS : Seemasahitha Sanasa Rakshana Samagama
	ABCICL : ABC Insurance Company Ltd.

Life Insurance Penetration

The five year data on the number of new life insurance policies issued and the number of life insurance policies that were in force at the end of each year reflects that there has been a gradual growth in the life insurance business.

Life insurance penetration as a percentage of the number of policies in force to the total population was 6.3 % in the year 2002 and has gradually increased to 8.8 % in 2006. While penetration in terms of number

of policies in force to labour force was 16.8 % in 2002 and increased to 24.3 % in 2006.

Table 5

Life Insurance Penetration	2002	2003	2004	2005	2006
No. of New Policies Issued	241,412	305,092	304,639	366,132	409,933
No. of Policies in Force	1,200,763	1,359,536	1,490,191	1,629,061	1,740,648
Total Population (in '000)	* 19,007	19,252	19,462	19,668	19,886
Total Labour Force (in '000)	* 7,150	7,564	8,061	8,141	7,599
Penetration as % of the Total Population	6.3	7.1	7.7	8.3	8.8
Penetration as % of the Labour Force	16.8	19.0	20.8	22.8	24.3

* Source : Annual Report 2006 of Central Bank of Sri Lanka

Statistical Review of 2005/2006 Contd...

GENERAL INSURANCE BUSINESS

Gross Written Premium

Company-wise Market Share

General insurance business with a gross written premium income of Rs.25,930 million (2005: Rs.22,410 million) during the year showed a growth rate of 15.7% which reflects a decline in the growth rate when compared with the previous year's growth rate of 31.5%. The high growth rate during the year 2005 may have been as a result of the Tsunami in December 2004.

Table 6

General Insurance Business - Gross Written Premium
Company -wise Market Share

Company	2002		2003		2004		2005		2006	
	Premium (Rs.'000)	%	Premium (Rs.'000)	%	Premium (Rs.'000)	%	Premium (Rs.'000)	%	Premium (Rs.'000)	%
SLICL	4,922,866	42.44	4,866,149	35.95	5,303,104	31.13	6,680,703	29.81	6,640,055	25.61
NICL	357,684	3.08	254,689	1.88	40,200	0.24	1,956	0.01	2,124	0.01
CIPLC	2,607,339	22.48	3,721,206	27.50	5,580,643	32.76	8,033,195	35.85	9,561,249	36.87
UAPLC	1,218,997	10.51	1,264,961	9.35	1,302,894	7.65	1,720,783	7.68	2,384,909	9.20
EIPLC	909,883	7.84	1,072,666	7.93	1,058,025	6.21	1,210,939	5.40	1,468,420	5.66
JICL	947,971	8.17	1,407,309	10.40	2,443,808	14.34	2,851,792	12.73	3,099,955	11.95
COICL	85,482	0.74	161,128	1.19	157,741	0.93	180,433	0.81	207,490	0.80
AAICL	285,607	2.46	271,097	2.00	310,400	1.82	354,167	1.58	417,680	1.61
HAIGICL	109,554	0.94	186,571	1.38	318,254	1.87	396,681	1.77	443,997	1.71
HNBAL	122,233	1.05	243,390	1.80	338,708	1.99	469,929	2.10	618,502	2.39
ATPLC	31,783	0.27	84,842	0.63	183,581	1.08	383,425	1.71	589,067	2.27
SSRS	-	-	-	-	-	-	39,985	0.18	110,855	0.43
AICLL	-	-	-	-	-	-	75,399	0.34	300,949	1.16
ABCICL	-	-	-	-	-	-	10,769	0.05	70,418	0.27
CTL	-	-	-	-	-	-	-	-	14,849	0.06
Total	11,599,399	100.0	13,534,008	100.0	17,037,358	100.0	22,410,156	100.00	25,930,519	100.00
% Increase (Growth Rate)	23.8		16.7		25.9		31.5		15.7	

Analysis of data appearing in Table 6

Union Assurance PLC with a premium income of Rs.2,385 million (2005: Rs.1,720 million) and market share of 9.20% indicates a significant increase in the market share when compared with the previous year's market share of 7.68%.

Similarly Amana Takaful PLC with a premium income of Rs.589 million (2005: Rs.383 Million) and market share of 2.27% (2005: 1.71%), Allianz Insurance Company Lanka Ltd. with a premium income of Rs.301 million (2005: Rs.75 million) and market share of 1.16% (2005: 0.34%) reflected a noticeable increase in their market share.

Ceylinco Insurance PLC with a premium income of Rs. 9,561 million (2005: Rs.8,003 million) and market share of 36.81% (2005:35.85%), Eagle Insurance PLC with a premium

income of Rs. 1,468 million (2005: Rs.1,211 million) and market share of 5.66% (2005:5.40%), HNB Assurance Ltd. with a premium income of Rs.619 million (2005: Rs.470 million) and a market share of 2.39% (2005:2.10%) and Asian Alliance Insurance Company Ltd. with a premium income of Rs. 418 million (2005: Rs.354 million) and market share of 1.61%(2005:1.58%) reflected a marginal increase in their market shares.

Hayleys AIG Insurance Company Ltd. with a premium income of Rs.444 million (2005:Rs.397 million) and market share of 1.71%, retained its market share at the same level as the previous year.

Janashakthi Insurance Company Ltd. with a premium income of Rs.3,100 million (2005: Rs.2,852 million) and a market share of

11.95% reflected a marginal decrease in its market share when compared with the previous year's market share of 12.73%.

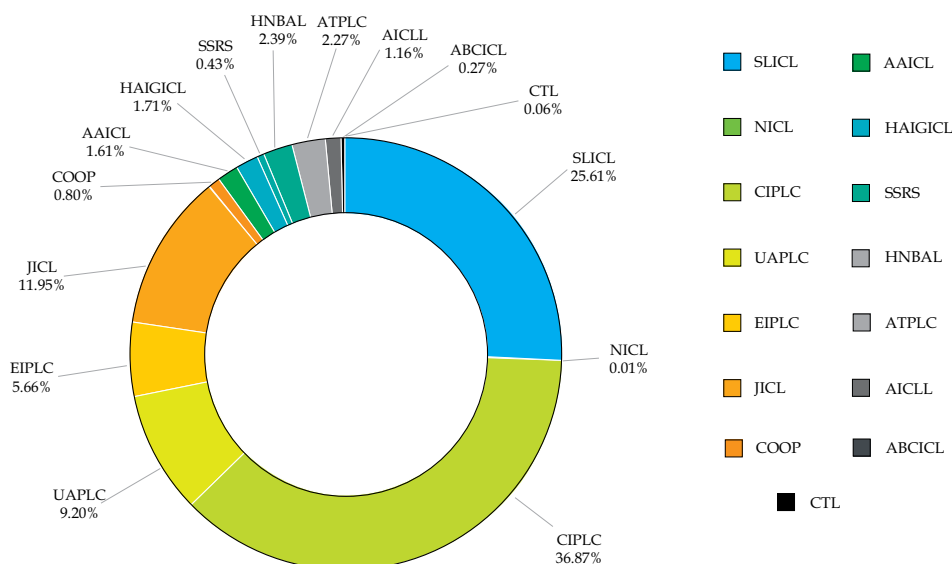
Sri Lanka Insurance Corporation Ltd. with a premium income of Rs.6,640 million (2005: Rs.6,681 million) accounts for 25.61% of the market share, reflecting a decline when compared with the previous year's market share of 29.81%.

In respect of general insurance business, out of the fifteen insurance companies operated during the year five insurance companies accounted for 89% of total gross written premium. Chart 5 reflects the Gross Written Premium income company-wise.

(Only companies with a market share of 1% and above are included in the analysis)

Statistical Review of 2005/2006 Contd...

Chart 5
Gross Written Premium
Company - wise Market Share - 2006



Abbreviations

SLICL : Sri Lanka Insurance Corporation Ltd.
 NICL : National Insurance Corporation Ltd.
 CIPLC : Ceylinco Insurance PLC
 UAPLC : Union Assurance PLC
 EIPLC : Eagle Insurance PLC
 JICL : Janashakthi Insurance Company Ltd.
 COICL : Co-operative Insurance Company Ltd.

AAICL : Asian Alliance Insurance Company Ltd.
 HAIGICL : Hayleys AIG Insurance Company Ltd.
 HNBAL : HNB Assurance Ltd.
 ATPLC : Amana Takaful PLC
 SSRS : Seemasahitha Sanasa Rakshana Samagama
 AICLL : Allianz Insurance Company Lanka Ltd.
 ABCICL : ABC Insurance Company Ltd.
 CTL : Ceylinco Takaful Ltd.

Distribution of Gross Written Premium

Motor insurance continues to be the major contributor to the general insurance gross written premium income. During the year motor insurance business with the gross written premium of Rs.14,005 million (2005:Rs.11,043 million) accounts for 54.01% (2005: 49.54%) of the total gross written premium exhibiting a significant growth when compared with the other classes of general insurance business.

Premium income from Miscellaneous Insurance during the year was Rs.5,744 million (2005: Rs.5,809 million) which accounts for 22.15% (2005:25.92%) of the total premium and reflects a decline in the premium income when compared with the previous year.

Fire insurance with a premium of Rs.4,627 million (2005: Rs.4,140 million) accounts for 17.84% (2005: 18.48%) of the total premium, reflecting a decline in the growth rate when compared with the previous year.

Marine insurance accounts for 6.00% (2005:6.05%) of the total premium with a premium income of Rs.1,554 million (2005: Rs.1,358 million) maintaining the growth rate at the same level of previous year.(Table 7 and Chart 6)

Table 7

Distribution of Gross Written Premium

Year	Fire Rs.'000	Marine Rs.'000	Motor Rs.'000	Misc. Rs.'000	Total Rs.'000
2002	2,475,897	942,868	4,498,495	3,682,139	11,599,399
2003	2,724,800	956,900	6,224,332	3,627,976	13,534,008
2004	2,978,979	1,172,810	8,367,447	4,518,122	17,037,358
2005	4,140,458	1,358,033	11,102,737	5,808,928	22,410,156
2006	4,627,075	1,554,560	14,005,560	5,743,624	25,930,819

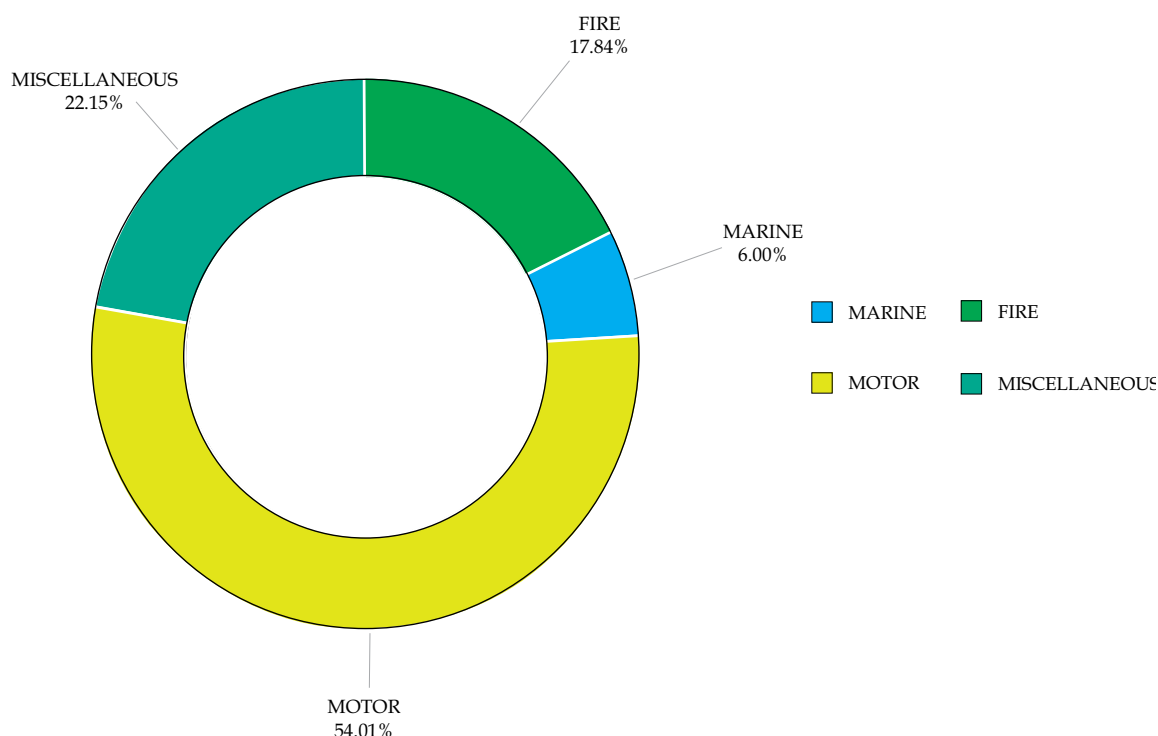
Percentage Growth

2002	5.82	16.47	19.18	50.75	23.84
2003	10.05	1.49	38.36	(1.47)	16.68
2004	9.33	22.56	34.43	24.54	25.89
2005	38.99	15.79	32.69	28.57	31.54
2006	11.75	14.47	26.15	(1.12)	15.71

Percentage Share

2002	21.35	8.13	38.78	31.74	100.00
2003	20.13	7.07	45.99	26.81	100.00
2004	17.48	6.88	49.11	26.52	100.00
2005	18.48	6.06	49.54	25.92	100.00
2006	17.84	6.00	54.01	22.15	100.00

Statistical Review of 2005/2006 Contd...

Chart 6
Class-wise Analysis of Gross Written Premium - 2006

General Insurance - Claims Ratio

The overall claims ratio of 60.64% during the year reflects a favourable claims experience to the insurance industry when compared with the previous years.

The overall high claims ratio of 70.70% during the year 2004 was a result of insurance claims consequent to the Tsunami occurred in December 2004, particularly due to the adverse claims ratio of 123.93% in respect of fire insurance and a high claims ratio of 83.54% in respect of miscellaneous insurance.

During the year, marine insurance showed the lowest claims ratio of 30.34% followed by motor insurance, with a claims ratio of 60.44%, miscellaneous insurance with a claims ratio of 65.20% and fire insurance accounted for the highest claims ratio of 68.81%. Table 8.

Table 8
Distribution of Gross Written Premium

	Earned Premium				
	2002 Rs.000	2003 Rs.000	2004 Rs.000	2005 Rs.000	2006 Rs.000
Fire	425,623	425,942	687,351	1,033,804	757,066
Marine	351,343	390,171	474,776	545,962	667,135
Motor	3,740,044	4,993,288	6,920,787	9,153,642	11,920,208
Miscellaneous	2,036,067	2,223,099	2,267,407	3,316,000	3,584,231
Total	6,553,077	8,032,500	10,350,321	14,049,408	16,928,640

	Claims Incurred				
	2002 Rs.000	2003 Rs.000	2004 Rs.000	2005 Rs.000	2006 Rs.000
Fire	165,378	203,143	851,804	486,354	520,944
Marine	198,871	112,796	150,590	122,131	202,379
Motor	2,881,487	3,117,013	4,421,530	5,810,762	7,204,754
Miscellaneous	1,612,231	1,684,102	1,894,192	2,338,487	2,337,018
Total	4,857,967	5,117,054	7,318,116	8,757,734	10,265,095

	Claim Ratio (%)				
	2002 Rs.000	2003 Rs.000	2004 Rs.000	2005 Rs.000	2006 Rs.000
Fire	38.86	47.69	123.93	47.05	68.81
Marine	56.60	28.91	31.72	22.37	30.34
Motor	77.04	62.42	63.89	63.48	60.44
Miscellaneous	79.18	75.75	83.54	70.52	65.20
Total	74.13	63.70	70.70	62.34	60.64

Statistical Review of 2005/2006 Contd...

Reinsurance and Retention of Gross Written Premium

Insurance companies have retained 72.66 % (2005: 73.48%) of the gross written premium amounting to Rs.18,843 million (2005: Rs. 16,468 million) out of the gross written premium of Rs.25,931 million (2005: Rs.22,410 million) reflecting a marginal decline in the retention level.

As in the previous years motor insurance continued to account for the highest rate of retention. Retention of motor insurance premium was 95.55% when compared with previous year's retention of 95.14%.

Retention out of the miscellaneous insurance premium during the year has been 71.37% (2005:74.44%) reflecting a marginal decline in the rate of retention. There has been a significant decline in the retention levels in respect of fire insurance and marine insurance where retention rate of marine insurance premium was 41.14% (2005:51.67%) while retention rate of fire insurance was 15.61% (2005: 21.24%) during the year. Table 9

Table 9
Distribution of Gross Written Premium

	Gross Written Premium				
	2002 Rs.000	2003 Rs.000	2004 Rs.000	2005 Rs.000	2006 Rs.000
Fire	2,475,897	2,724,800	2,978,979	4,140,458	4,627,075
Marine	942,868	956,900	1,172,810	1,358,033	1,554,560
Motor	4,498,495	6,224,332	8,367,447	11,102,737	14,005,560
Miscellaneous	3,682,139	3,627,976	4,518,122	5,808,928	5,743,624
Total Gross Written Premium	11,599,399	13,534,008	17,037,358	22,410,156	25,930,819

	Reinsurance Premium				
	2002 Rs.000	2003 Rs.000	2004 Rs.000	2005 Rs.000	2006 Rs.000
Fire	2,076,360	2,246,092	2,425,875	3,260,854	3,904,755
Marine	580,348	554,160	666,292	656,340	915,086
Motor	350,853	272,217	341,072	539,951	623,688
Miscellaneous	1,182,228	1,756,857	1,281,222	1,484,923	1,644,675
Total Re insurance Premium	4,189,789	4,829,326	4,714,461	5,942,068	7,088,204

	Net Premium Written (Retention)				
	2002 Rs.000	2003 Rs.000	2004 Rs.000	2005 Rs.000	2006 Rs.000
Fire	399,537	478,708	553,104	879,604	722,320
Marine	362,520	402,740	506,518	701,693	639,474
Motor	4,147,642	5,952,115	8,026,375	10,562,786	13,381,872
Miscellaneous	2,499,911	1,871,119	3,236,900	4,324,005	4,098,949
Total Net Written Premium	7,409,610	8,704,682	12,322,897	16,468,088	18,842,615

	Retention as a percentage of the Gross Written Premium				
	2002 Rs.000	2003 Rs.000	2004 Rs.000	2005 Rs.000	2006 Rs.000
Fire	16.14	17.57	18.57	21.24	15.61
Marine	38.45	42.09	43.19	51.67	41.14
Motor	92.20	95.63	95.92	95.14	95.55
Miscellaneous	67.89	51.57	71.64	74.44	71.37
Overall Retention	63.88	64.32	72.33	73.48	72.66

Statistical Review of 2005/2006 Contd...

Performance of
Insurance Brokers

Insurance brokers continued to concentrate in general insurance business as in the previous years. Fifty-six insurance brokers operated during the year. Total gross written premium of Rs.6,028 million (2005: Rs.5,208 million) was collected by the insurance brokers in respect of general insurance business procured by them which accounts for 23.8% (2005:23.2%) of the total gross written premium of Rs.25,931 million.

Contribution by insurance brokers in respect of life insurance business continued to be low. Insurance brokers collected premiums amounting to Rs.144 million (2005: Rs.103 million) in respect of life insurance business procured by them. Marginal increase in the premium contribution from 0.69% in the previous year to 0.84% during the year by insurance brokers to the total gross written premium in respect of life insurance business indicates that some of the insurance brokers have commenced concentrating in the procurement of life insurance business. (Table 10)

Sixteen insurance brokers accounted for 88.7% of the total premium collected in respect of life insurance business and general insurance business procured by them.

Table 10
Premium Income of Insurance Brokers – 2006

Name of Insurance Broker	Total		
	Life Rs.'000	General Rs.'000	Life & General Rs.'000
Alfino Insurance Brokers (Pvt) Ltd.	1,714	169,134	170,848
CF Insurance Brokers (Pvt) Ltd.	1,943	891,046	892,989
Commercial Insurance Brokers (Pvt) Ltd.	73,438	694,089	767,527
Delmege Insurance Brokers (Pvt) Ltd.	3,019	578,013	581,032
DP Insurance Brokers (Pvt) Ltd.	-	134,041	134,041
Essajee Carimjee & Co (Pvt) Ltd.	2,182	146,117	148,299
Finlay Insurance (Brokers) Ltd.	-	299,860	299,860
Industrial & Commercial Insurance Brokers (Pvt) Ltd.	12,033	460,403	472,436
Insurex Insurance Brokers (Pvt) Ltd.	272	169,715	169,987
Lanka Orix Insurance Brokers (Pvt) Ltd.	8,135	631,413	639,548
MLL Insurance Brokers (Pvt) Ltd.	-	196,159	196,159
Procure Insurance Brokers (Pvt) Ltd.	-	112,141	112,141
Protection & Assurance Insurance Brokers (Pvt) Ltd.	324	478,059	478,383
Senaratne Associates Ltd.	1,888	174,105	175,993
Volanka Insurance Services (Pvt) Ltd.	5,206	131,389	136,595
Zenith Insurance Brokers (Pvt) Ltd.	273	99,828	100,101
Sub-total	110,427	5,365,512	5,475,939
Other Insurance Brokers (39)	33,440	662,225	695,665
Grand Total	143,867	6,027,737	6,171,604

(Details of insurance brokers whose premium income were greater than Rs.100 million based on the quarterly returns submitted to the IBSL)



Part 4

Supervisory Activities

CORE FUNCTIONS

- Monitor the financial and operational performance of all insurance companies and insurance Broking Companies
- Monitor financial stability of Insurance Companies and Insurance Broking Companies
- Conduct on-site inspections of Insurance Companies and Insurance Broking Companies
- Conduct off-site supervision of Insurance Companies and Insurance Broking Companies based on filings of Quarterly Returns, Annual Returns and Audited Accounts
- Ensure that there is fairness and a level playing field in the Insurance Market

ACTIVITIES CARRIED OUT DURING THE PERIOD Insurance Companies Off-Site Supervision

Introduction of Statement of Recommended Practice for Insurance Contracts (SORP) for Insurance Companies

The IBSL liaised with The Institute of Chartered Accountants of Sri Lanka (ICASL) in developing a Statement of Recommended Practice (SORP) prescribing the basis of presentation of general purpose financial statements of insurance companies with the objective of standardizing accounting for Insurance Contracts and narrowing the range of accounting practices. The insurance companies were requested to adopt SORP on a voluntary basis for the financial statements for 2005 and on a mandatory basis from the year 2006 onwards. This standard will ensure a uniform financial statement reporting system facilitating extraction of more information for regulatory and supervisory purposes thereby

enhancing the usefulness of published accounting information.

New Quarterly Returns

To be consistent with the migration to the Risk Based Supervision Methodology and the development of an "Early Warning System", the Board undertook a major overhaul of the quarterly, annual and actuarial reporting requirements to ensure relevant, appropriate and complete information was filed on a timely basis to monitor solvency margins, financial condition and compliance with the Board's requirements. New regulatory reporting formats for quarterly returns were developed during the year, with the feedback obtained from the industry. The Board requested all insurance companies to adopt the new regulatory reporting format from the first quarter of year 2006, on a voluntary basis.

New Annual Statutory Returns

New Annual Statutory and Actuarial Return formats were developed subsequent to many discussions and meetings with the industry. The Board requested insurance companies to adopt the new regulatory reporting formats with effect from 1st January 2006, on a voluntary basis. Almost all the insurance companies complied with the request of the Board in adopting the new reporting formats and the Board further improved the formats based on the feedback received from companies.

Review of Quarterly Returns

Board instructed all Insurance Companies to submit their Quarterly Returns within forty-five days following the end of each quarter. The Supervision Division reviewed the Quarterly Returns submitted by Insurance Companies for all four quarters

Supervisory Activities Contd...

of the year 2006. The details in the Quarterly Returns pertaining to premium income, reinsurance, and other expenses and investments were analyzed in order to obtain a general overview of the performance of the insurance industry and to ascertain class-wise and company-wise performance within the industry based on premium income.

Investment of long term insurance fund of long term insurance business and the technical reserves of general insurance business were reviewed to ensure investments in government securities and review of other investment instruments have been carried out to monitor compliance with the provisions of the Act and the Determinations made thereunder. Further, the insurance companies maintained the required minimum Solvency Margins to the satisfaction of the Board.

Review of Annual Statutory Returns, Audited Accounts and Actuarial Reports

The Audited Accounts, Annual Statutory Returns and Actuarial Reports are required to be submitted to the Board within six months following the end of the financial year.

The IBSL also reviewed the Audited Accounts, Annual Statutory Returns and Actuarial Reports of Insurance Companies for the year ended 31st December 2005 with the assistance of an Actuarial Consultant from India. The Solvency Margins of the Insurance Companies were also verified as at 31st December 2005. Where discrepancies were observed in the above documents

the companies concerned were requested to take corrective action within a given time limit. Areas of concern identified from the review of Annual Statutory Returns, Audited Accounts and Actuarial Reports, which required further examination were addressed at meetings with companies and/or during onsite inspections and the necessary guidance for corrective action was provided to the insurance companies.

Compliance Certification – Circular 18

In addition to the quarterly returns and annual statements, the insurers are also required to file a half yearly compliance certificate certified by the CEO and the CFO stating that the company had complied with all the legal and regulatory framework of the Act, the company had arranged treaty and facultative reinsurance with approved reinsurers, reserving and solvency guidelines had been complied with and the equity capital of the company meets with the set minimum capital requirements. This certification is required to be submitted to the Board within 6 weeks of the end of every half-year.

The Board examined the compliance certifications and requested further details where necessary in order to verify the accuracy of these certifications. During on-site inspections of insurance companies, the supervision staff examined relevant documents in order to determine whether the certification provided to the Board was based on complete and accurate information.

Risk Assessment Summary

In order to obtain the information necessary to compile a data base relating to insurance companies, all the companies were requested to submit the updated Risk Assessment Survey (RAS) Questionnaire. The Board uses the RAS as the primary document to assess the risk profile, risk management and financial position of each insurance company and it helps to identify risks associated with each insurance company. The RAS was used as the basis for planning the nature, scope and extent of the on-site inspection work of each company prior to commencement of the on-site inspections of insurance companies. The RAS is updated annually to reflect the on-site inspection findings and the results of off-site supervision.

Reinsurance Arrangements of Insurance Companies

In terms of the guidelines issued by the Board, all insurance companies submitted the Statement of Reinsurance Arrangements and copies of Cover Notes, for the year 2006.

Statement of Reinsurance Arrangements and Cover Notes submitted by insurance companies were reviewed to ensure that the reinsurers possessed the minimum rating of “BBB” from Standard and Poor or an equivalent rating from any other recognized international rating agency. In respect of government owned reinsurers or where the reinsurer carries a guarantee from the government or if reinsurer is a recognized regional pool, approval was granted by the Board on a case by case basis after examining supporting documents.

Supervisory Activities Contd...

Insurance Companies On-Site Supervision

Risk Based Supervision

The Board carried out on-site inspections of four Insurance Companies during the year using the new Risk Based Supervision Methodology. The purpose of the inspections was to assess the financial condition and operations of the insurance companies, their ability to meet obligations as they fall due, and to assess compliance with the Act and Board requirements. The inspections focused on assessing and rating the risk profiles of the insurance companies, with regard to Capital

(C), Assets (A), Reinsurance (R), Actuarial Liabilities (A), Management (M), Earnings (E), Liquidity (L) and Subsidiaries (S). The Board refers to this methodology as the 'CAMELS' Rating Framework. The Risk Based Supervision Methodology includes review of relevant documents, procedures and interviews with senior officials of the company.

Prior to finalization of comprehensive on-site inspection reports, draft inspection reports were discussed in detail with

the company officials in order to obtain their views pertaining to the Board's observations and recommendations. This is followed by the issuance of a final inspection report setting out the Board's observations and recommendations requesting the company's response, together with an Action Plan for corrective action, within a prescribed time frame. The Board reviews the completeness and adequacy of responses from the companies and further information is requested wherever necessary.

Insurance Broking Companies Off-Site Supervision

Review of Quarterly returns of Insurance Brokers

All Insurance Brokers are required to submit quarterly returns within 45 days following the end of each quarter as specified by the Board by rules. During the review of these returns, if discrepancies are observed, the brokers are informed of them and explanations called for the discrepancies. In certain instances companies were requested to resubmit the returns so as to ensure accuracy of the information submitted in these returns. The review of the returns formed an integral part of prioritizing the companies to be subjected to on-site inspections and identifying risk areas that may need particular attention.

The Board identified the need to improve the standard of quarterly reporting formats of the broking

companies and introduced a new set of reporting formats with the consultation of the industry. These new quarterly reporting formats are published in Government Gazette No. 1412/30 - 29th September 2005. Insurance Brokers were required to submit the quarterly returns in the new formats commencing from the 4th quarter of Year 2005.

Evaluation of Financial Statements of Insurance Brokers

Every insurance broker requires to submit the Audited Financial Statements within 6 months of the expiry of the accounting period. These financial statements are reviewed in order to evaluate the financial position, performance and changes in financial position. The information obtained from the evaluation of the financial statements is used during the process of renewing the

registration annually of the broking firms.

Interim Financial Statements of the Insurance Brokers

The Board requested all Insurance Brokers to submit quarterly Financial Statements in terms of Circular number 23 dated 07th June 2006. The objective of the above circular is to specify and encourage Insurance Brokers to prepare Financial Statements in accordance with the Sri Lanka Accounting Standards providing information on the financial position, performance and changes in financial position of those entities, that will be useful for supervisory and regulatory purposes.

Further, in order to promote harmonization of financial reporting formats the Board issued specimen formats, which were developed in accordance

Supervisory Activities Contd...

with the Sri Lanka Accounting Standards and forwarded to the Sri Lanka Insurance Brokers' Association for their comments and suggestions.

Monitoring of Premium Outstanding of Insurance Brokers.

The Board identified the need to gather more information regarding, remittance of premium collected by the insurance brokers on behalf of the insurers within two weeks of such collection. In order to identify and monitor the above requirement, the Board amended the relevant sections of the Quarterly Reporting formats, which were published in the Government Gazette No. 1412/30-29th September 2005 and issued Circular number 24 dated 17th July 2006 with the consultation of the Sri Lanka Insurance Brokers' Association.

In terms of Circular number 24 Insurance Brokers are required

to indicate the total amount of premium collected from policyholders and not remitted to the particular insurer within 14 days of the collection. As a result of this initiative the Board was able to streamline the remittances to a greater extent.

Meeting with the Principal Officers of the Insurance Broking Companies.

The Board convened a meeting with the Principal Officers of the Insurance Broking Companies in order to discuss and enlighten the principal officers and representatives of the Insurance Broking Companies about the regulatory requirements and issues relating to the insurance brokers. The meeting helped the Board to educate them about the regulatory requirements and the necessity of strong regulatory framework for the well being of the industry.

Insurance Broking Companies On-Site Supervision

Review of activities of Insurance Broking Companies

During the year the division carried out on-site inspections of five Insurance Broking Companies in order to ensure that these entities carry out their business in a professional and prudent manner in compliance with the Act. During our inspections, there were several areas of weaknesses identified such as delays in processing claims, non maintenance of the register of policies and the register of agents, premium amounts not deposited

with insurers within two weeks of receipt of such premium and premium amounts outstanding for more than two months without a bank guarantee being furnished to the insurer. These items of non-compliances with regulations stipulated in the Act were dealt according to enforcement provisions of the Act. Further, it was also noted that the figures in the quarterly returns, submitted to the Board did not correspond as per the details depicted in the books and records of the broking companies.

The Companies were requested to take remedial action, based on the inspection findings and recommendations given by the Board.

Regulatory Activities

CORE FUNCTIONS

- Formulate amendments to the Regulation of Insurance Industry Act, No. 43 of 2000 (Act) and subordinate legislation made thereunder
- Provide legal support to the Board and its various Divisions
- Provide advisory services on complaints made by policyholders and aggrieved persons
- Process and recommend applications for the grant of registration of persons as insurers to carry out insurance business in Sri Lanka
- Process and recommend applications for the grant and renewal of registration of persons as insurance brokers to carry out insurance broking business in Sri Lanka
- Enforce compliance with legal requirements stipulated under the Act
- Carry out Legal research to identify the most suited regulatory practices that may be adopted to support the development of the insurance industry
- Liaise with the Attorney General's Department, Legal Draftsman's Department and Exchange Control Department of the Central Bank on relevant matters

ACTIVITIES CARRIED OUT DURING THE PERIOD

During the year under review the Legal Division, inter alia, carried out the following activities:

1. Renewals & New Registrations of Insurance Brokers

Pursuant to processing of applications for renewal of registration and new registration of insurance brokers, the Division renewed the registration of 53 companies to carry out insurance broking business for the year 2006. Out of the 53 companies, 40 companies have been authorised to carry out both general and long-term insurance business and 13 companies have been authorised to carry out only general insurance business.

The Division also granted registration to 02 companies to carry out insurance broking business in both classes.

Appendix 02 sets out information regarding the above companies.

2. Registration of Insurance Companies

The Board received one application for registration as an insurer from a company. The Division after examining the application with the requirements of the Act noted that the company has failed to disclose certain facts in its application. The matter has been referred to the Hon. Attorney General for an opinion with regard to the non-disclosure.

3. Regulatory/Advisory Measures

- The Board issued the following Circulars to the industry for compliance during the year under review:

- Circular # 22 dated February 14, 2006 - Accounting and Financial Statement Presentation Practices of Insurers

This Circular was issued pursuant to reviews carried out by the Board in respect of accounting and financial

statement presentation practices of insurers with regard to the treatment of shortfalls in the Long Term Insurance Fund following Actuarial valuation.

- Circular # 23 dated June 07, 2006 - Interim Financial Statements of Insurance Broking Companies
This Circular specifies the constituents of the Interim Financial Statements.
- Circular # 24 dated July 17, 2006 - Amendments to the Quarterly Returns of Insurance Broking Companies
- Circular # 25 dated December 01, 2006 - Premium Payment Warranty for policies of General Insurance
By this Circular the Board has requested all insurance companies to indicate in their policy documents, renewal certificates, endorsements or cover notes in respect of General Insurance (where immediate payment is not effected), the following clauses with effect from December 01, 2006:

Regulatory Activities Contd...

1. "Notwithstanding anything herein contained but subject to clause 2 and 3 hereof, it is hereby agreed and declared that the full premium due and payable in respect of this insurance is required to be settled to the Insurer (The Company) on or before the premium due date specified in the Schedule of this Policy, Renewal Certificate, Endorsement or Cover Note (which shall be a date not exceeding 60 days from the date of inception of the policy) and in the absence of any such premium due date, the full settlement of the premium is required to be made or effected on or before the expiry of the 60th day from the date of inception of this Policy, Renewal Certificate, Endorsement or Cover Note (hereinafter referred to as the "due date").

For the purpose of this warranty the "due date" shall be recognised from the date of inception or commencement of the coverage.

2. It is also declared and agreed that the settlement of the full premium on or before the due date shall operate as a condition precedent to the insurer's (The Company's) liability or an obligation to settle a claim under this Policy, Renewal Certificate, Endorsement or Cover Note.

In the event any claim arises between date of commencement of this insurance and the "due date" for the settlement of premium, the insurer (The Company) may defer any decision on liability or postpone the settlement of

any such claim until full settlement of the premium is effected on or before the "due date".

3. It is also declared and agreed that where the full premium payable hereunder remains outstanding as at the closure of business of the insurer on the "due date", then the cover under this insurance and any obligations assumed or imputed under this insurance shall stand to be cancelled, ceased and revoked immediately.

However such cancellation will not prejudice the rights of the insurer (The Company) to invoke any legal defences or to recover the full or any part of the defaulted premium attributable to the expired period of the insurance.

- Revision of application forms of insurance brokers

The Board revised the application forms pertaining to registration and renewal of registration of brokers.

The revisions have been made with a view to obtaining more information from broking companies prior to considering such companies for registration and renewal of registration purposes.

- Abolition of tariff on Workmen's Compensation Insurance

The Workmen's Compensation Act was amended by increasing the amounts of compensation payable to workmen. As a result of which the Board abolished the tariff on Workmen's Compensation Insurance, which had been in existence for many decades. The tariff will not apply with effect from 1st January 2007

enabling insurers to offer competitive packages and negotiate with their clients mutually acceptable terms, conditions and rates.

It is the responsibility of the public to ensure that risks covered under Workmen's Compensation Insurance Policy obtained by them from insurers satisfy their needs and that the terms and conditions stated in the policy are acceptable to them. Policyholders should be aware of any restrictions, limitations or deductibles that may apply.

- Amendments to the Investment Framework of Insurance Companies

Pursuant to the constitution of a Stakeholder Committee in January 2006, the Board completed the revisions to the investment framework contained in Determination (1) made by the Board in October 2002 and Solvency Margin Long Term and General Insurance Rules. Prior to finalising the revisions, the Board had extensive consultations with industry players.

The revisions have been made with the objective of broadening the investment framework by introducing new instruments for investment, such as asset backed securities; strengthening the investment framework of insurance companies; and revising the limits of investments to correspond with the type of insurance business carried out.

- Guidelines on Linked Long Term Insurance Business

The Board drafted guidelines on linked long term insurance business taking into

Regulatory Activities Contd...

consideration the regulations pertaining to same in the Asian region. These guidelines have been finalised after a consultative process with the industry and is effective from 1st May 2007.

4. Ensuring Compliance with other statutes

- Safeguarding the interests of policyholders and potential policyholders

The Board has been notified that certain leasing companies are compelling their clients to obtain insurance cover through their related insurance broking company. In order to address the issue the Board has requested the Consumer Affairs Authority to carry out an investigation in terms of the provisions of the Consumer Affairs Authority Act.

5. Dispute Resolution

- The Board successfully resolved two complaints received to it from two insurance companies, both alleging that a particular insurance broker has failed to remit to such insurers the premium collected from clients in relation to policies issued by such insurers, thereby violating section 89 of the Act.

Section 89 of the Act, *inter alia*, requires a broker to remit premia collected by them on behalf of an insurer, within two weeks of such collection and non-compliance with or contravention of the provisions of the Act would amount to committing of an offence.

- The Board also facilitated the forum for an insurance company and a broking company to resolve their issues pertaining to non-payment of brokerage commission. The matter was resolved amicably.

6. Amendments to the Act

The Board having considered the need to introduce further amendments to the draft amendment to the Act has recommended such amendments to the Ministry of Finance. Some of the important amendments proposed during the year are:

- Replacement of the Director General of the Securities and Exchange Commission of Sri Lanka with the Registrar of Companies as a Member of the Board.
- Permitting the Board to register a company as an insurer to carry on only one class of insurance business.

Existing insurance companies carrying on both classes of insurance business will be given a period of three years from the date on which the amendment comes into force to segregate their business into two companies.

- Empowering the Board to issue general directions to insurers with a view to safeguarding the interests of policyholders and potential policyholders.
- Empowering the Board to issue general directions to brokers and loss adjusters respectively with a view to safeguarding the interests of policyholders and potential policyholders.
- Empowering the Board to deal with disputes relating to general insurance business.

7. Enforcement Action taken during the year

- Misappropriation of monies by an insurance agent

The Board required an insurance company to take appropriate action regarding

an insurance agent whose name transpired with misappropriating premiums paid by policyholders whilst working as an insurance agent for another insurance company.

We have advised the industry to share such information between themselves in order to prevent appointing agents who are not suitable to be associated with the industry.

- Warnings issued in terms of section 84(1)(d) of the Regulation of Insurance Industry Act, No. 43 of 2000 and subsequent suspension and cancellation of registration as an insurance broker

The Board during the period under review issued letters of warnings to 20 broking companies for having violated the following provisions of the Act:

- Sec: 86 (2) – which requires insurance broking companies to furnish to the Board its audited accounts within a period of six months of the expiry of the accounting period.
- Sec: 89 – which requires insurance brokers to remit premia collected by them on behalf of an insurer, within two weeks of such collection.
- Sec. 94 – which requires insurance brokers to appoint as its Principal Officer a person having such qualifications determined by the Board.

The Board has cancelled the registration of one company for not having submitted its audited accounts on time and suspended another company for not having appointed a suitable person as its Principal Officer.

Investigation

CORE FUNCTIONS

- Investigate into suspected irregular activities in the insurance industry
- Conduct investigations into complaints made by policyholders
- Conduct investigations into alleged violations of laws and regulations governing the insurance industry

ACTIVITIES CARRIED OUT DURING THE PERIOD

The Board under section 98 of the Act is empowered to deal with disputes relating to settlement of claims on policies of long term insurance business in which the sum assured does not exceed Rupees Five Million.

The Board during the year initiated investigations into complaints received by it and made orders in that respect. It was observed that issues regarding claims have arisen mainly due to unethical practices of insurance agents and ambiguous policy wordings. These issues were brought to the notice of respective companies and instructions were issued to them to take prompt action to rectify such situations.

The Board at its meeting held in September 2006 decided that all complaints relating to claim settlements should be referred to the Insurance Ombudsman and the Board should deal with appeals, if any, arising from a decision of the Insurance Ombudsman and any other type of complaints such as policy wordings and ethical issues etc.

Statistics of Complaints

Complaints Brought forward from previous year	Complaints Received during year
07	76
Complaints Resolved during year	Complaints carried forward to next year
60	03
Complaints Referred to Ombudsman	
20	

Nature of Complaints received during the year

The Board received 76 complaints during the year and the nature of the complaints received are summarized below:

Nature of Complaint	No. of Complaints
Non-payment of Motor Insurance Claims	20
Non-payment of Insurance miscellaneous claims	17
Non-payment of Hospitalization claims	10
Non-settlement of Guarantee Bonds	06
Complaints on Life Insurance Policies issued by Insurance Companies	05
Complaints against Insurance Companies on inadequate compensation	04
Misappropriation of premiums by agents	02
Complaints regarding lapsed policies	02
Request for cancellation of insurance policies	02
Non-payment of fixed deposit - no documentary evidence provided by the complainant	01
Complaint regarding payment of surrender value	01
Non payment of Maturity claim	01
Delay in settling insurance claims	01
Non-payment of commission due to agents by insurance companies.	01
Complaints received by Nidahas Sevaka Sangamaya, Agricultural Agrarian Insurance Board & J M C Thilakaseeli which falls outside the purview of Board	03

Market Development

CORE FUNCTIONS

- Coordinate International Relations
- Publish books, booklets, brochures and other documents to assist market development
- Conduct training programmes
- Disseminate market development information to the industry and public

ACTIVITIES CARRIED OUT DURING THE PERIOD

During the year under review, the Market Development Division, inter alia, carried out the following activities:

Meetings with the Industry

Inaugural Meeting with the Principal Officers of Insurance Broking Companies

The Board organised its inaugural meeting with the Principal Officers of Insurance Broking companies. The meeting was held on 26th July at the SEC secretariat. It was decided that this to be made an annual event.

Quarterly meeting with the Insurance Companies

The Board had its Quarterly meetings with the industry on 07th April (1st Quarterly meeting), 28th July (2nd Quarterly meeting) and 31st October (3rd Quarterly meeting) at the SEC secretariat. Matters of mutual interest were discussed at these meetings relating to development of the industry and market conduct related issues.

Web

The web site of the Board was revamped during the year 2006 in order to accommodate more information and to make the web site more user friendly with simple navigational tools. The revamped web site was launched on 1st January 2007.

Publications

Paper Articles

a) "What you should know about insurance"

Initiated a series of newspaper

articles in all three languages (English, Sinhala & Tamil) on the Insurance Industry of Sri Lanka with the intention of making the subject of insurance easier to understand. The subject of insurance is sometimes difficult to understand due to the technical nature of the subject and the Board with the intention of facilitating understanding of various important aspects involved in insurance that the public should be aware in insuring oneself, made an effort through these articles to educate the public on the subject.

The articles, before publication, were perused by professionals in the Insurance Industry. The Board wishes to place on record its appreciation for their fullest cooperation in compilation of these articles.

Wijeya News Papers Limited and Associated Newspapers of Ceylon Limited agreed to publish English and Sinhala language articles free of charge on a monthly basis. We commend their gesture in taking a keen interest to educate the public on the subject of insurance. First article in English language appeared in the Financial Times of Sunday Times on 12/11/2006. First article in Sinhala language was published in January 2007. The series started with an overview of the Insurance Industry and class of Life Assurance business.

Express Newspapers Ceylon Limited agreed to publish Tamil language version of this series of articles free of charge. First article was published in the "Sunday Virakesari" on 03/12/2006.

b) "Surrender Value"

The Board published an article on surrender value in Financial Times of Sunday Times on 10/12/2006 to educate the public on the aspects of surrender value of life policies. The Sinhala translation of this article has been sent to Sunday Lankadeepa for publication for the benefit of Sinhala readers, which is expected to be published during the month of March.

Publication of Booklet on "Life Assurance"

Life Assurance products provide a definite amount of security to the dependents of the insured in case the life insured dies during his active earning income period or becomes disabled on account of an accident causing reduction/complete loss in his income earnings, and at the same time an individual can also protect his old age when he ceases to earn and has no other means of income by purchasing an annuity product. Thus, life assurance products offer protection and security to the families and provide happiness to the society.

Market Development Contd...

The Insurance Board of Sri Lanka emphasizing the need and importance of having a life assurance product, is planning to publish a booklet on "Life Assurance", the contents of which has been prepared. It has been compiled with the concurrence of the professionals in the industry. The booklet will be ready for distribution by end March 2007.

Publication of "Insurance Queries"

The consumers who are willing to purchase various types of insurance products, be it Life Assurance products or General Insurance policies such as Fire insurance, Motor Insurance, Personal Accident cover etc., may be having certain doubts in their minds regarding risk coverage/benefits that they receive from those products. The "insurance queries" are prepared to make the public aware on common issues pertaining to insurance.

Guidelines

Introduction of Anti-money Laundering Guidelines to the industry

The Financial Transactions Reporting Act, No.6 of 2006 and the Prevention of Money Laundering Act, No. 5 of 2006 brought into force with effect from 06th March 2005, by the Government of Sri Lanka, are applicable to all the financial institutions, which include Insurance Companies and Insurance Broking Companies. The Insurance Board of Sri Lanka recognizing the importance of having a legal regime to guard against any abuses of the Insurance Industry for the purposes of Money Laundering, issued guidelines addressing the prevention of such activities.

International regulatory authorities have emphasized the application of anti-money laundering measures to institutions in the Insurance Industry, as a key element in combating money laundering. Accordingly, the Board decided to put in place the regulatory guidelines to the insurers and brokers as part of an anti-money laundering programme for the insurance sector. The Board has taken into consideration the Forty recommendations issued by the Financial Action Task Force (FATF), Guidance Paper on Anti-money Laundering and combating the Financing of Terrorism by International Association of Insurance Supervisors (IAIS) and the regulations/guidelines of other countries such as Singapore, United Kingdom, Philippines, Japan and India in preparation of these guidelines for the industry.

Training/Awareness Programmes

Awareness Programmes for University students

The division contacted the Deans of Management, Finance and Commerce faculties regarding awareness programmes on insurance and regulatory aspects to be conducted at universities. Several universities have responded positively on the said awareness programmes and have requested for guest lectures from the professionals in the industry and facilitate internship programmes for their final year students. This was discussed at the quarterly meetings and the companies agreed to provide training to lecturers in their companies for a particular period depending on the requirement. Further the companies agreed, in principle, to facilitate

internship programmes for the undergraduates. The Board contacted the universities regarding internship programmes and is awaiting reply from them.

Awareness Programmes for School Children

The division contacted the Directors of Provincial Educational Departments regarding awareness programmes on insurance and regulatory aspects to be conducted at schools and is awaiting their reply.

Residential Training Programme for the Staff of the Board

A two-day residential training programme was organised for the staff of the Board. It was held at the Browns Beach Hotel in Negombo. The resource personnel from Image Academy of Personality Development conducted the training programme.

Research

The Division has performed studies in the following areas.

1. Qualifications of Insurance Brokers (Principal Officer)
2. Investment Regulations for Insurance Companies
3. Guidelines for Insurance Companies on Investment Linked Insurance
4. Anti-money Laundering Guidelines for Insurance Industry
5. Regulatory schemes on Institutional (Corporate) Agents
6. Regulations on Loss/Claims Adjusters
7. Micro Insurance Sector in Sri Lanka - History and the Current Situation

Administrative and Financial Review

CORE FUNCTIONS

- Financial Control and Budgeting including preparation of monthly, quarterly and annual financial statements
- Managing Policy Holders Protection Fund
- Human Resource Management
- Supervising and general maintenance and upkeep of the office

ACTIVITIES CARRIED OUT DURING THE PERIOD

Staffing

Expansion of the activities of the Board required recruitments of new staff. During the year Director Supervision, Assistant Director Supervision, Senior Executive Legal and four Executives were recruited to strengthen the activities of the Board.

Training

The Board has placed more emphasis on sharpening the technical skills of the staff. Accordingly number of local and overseas training opportunities were provided. Supervisory Challenges and Financial Stability, Insurance Regulation and Supervision, Insurance Supervision Leadership Program were some of the areas covered.

Staff Welfare

The annual residential programme was held in August 2006. The training was on "Corporate Image Dynamics for Enhanced Professionalism".

Indoor and out-door medical scheme and a personal accident

insurance cover are offered as benefits to the staff of the Board, their spouses and children.

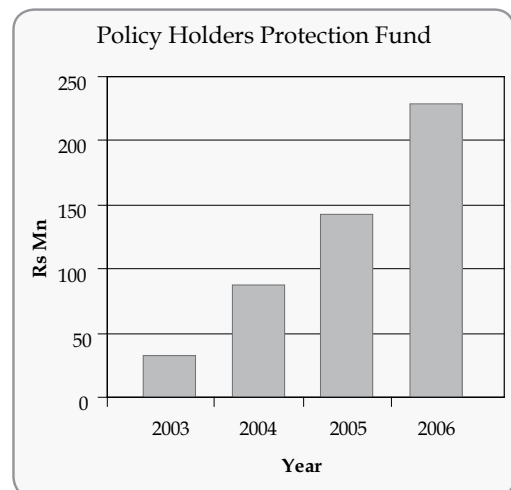
Office Expansion

It was decided to increase the floor area during early 2007 in order to accommodate new staff.

Policy Holders Protection Fund

Section 103 of the Regulation of Insurance Industry Act, No 43 of 2000 states that the Board shall establish a fund to be known as the "Policy Holders Protection Fund" to which shall be credited money realized from the CESS levied and charged under section 7 which states that there shall be charged, levied and paid a CESS at such rates as may be determined by the Minister with the concurrence of the Board from time to time by order published in the Gazette.

In terms of the Gazette notification No 1244/5 dated 9th July 2002 a levy of CESS was introduced for long term insurance business and



Administrative and Financial Review Contd...

general insurance business at the rate of 0.2% and 0.4% respectively on annual net premium income. The effective date of the Gazette was 9th January 2003. The CESS is received on a quarterly basis and falls due on or before end of the first month after an end of a quarter.

The monies lying to the credit of the Fund shall be utilized for the general protection of policy holders and for any other specific purpose as may be determined by the Board, by rules made in that behalf.

The collection of CESS credited to the Policy Holders Protection Fund amounted to Rs 93 Mn as at end of the year under review in comparison to Rs 72 million as at 31st December 2005. The balance of the fund as at 31st December 2006 amounted to Rs 229 Mn.

The growth of the fund during the period 2003 - 2006 is depicted below.

According to Section 103(3) of the Act any money which is not immediately required for any of the purposes referred to in subsection (2), shall be invested by the Board in a prudent manner as would yield a good return and safeguard the investment. To achieve the said purpose the excess of the Policy Holders Protection Fund is invested in government securities and an additional income is earned as an interest income.

Financial Highlights

The overall income of the Board has grown by 20% compared to year 2005. The main reason for the increase is due to the increase in registration fees and renewal of registration fee of insurance intermediaries. The surplus of the Fund of the Board was invested in government securities and was able to earn an additional income.



Part 5

Balance Sheet

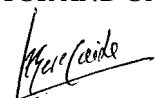
as at 31st December 2006

	Notes	As at 31.12.06 Rs.	As at 31.12.05 Rs.
ASSETS			
NON CURRENT ASSETS			
Property, Plant & Equipment	1	13,885,486	8,632,547
Policy Holders Protection Fund - Deposits	2	2,731,440	1,737,240
CURRENT ASSETS			
Inventories	3	211,149	176,119
Policy Holders Protection Fund - Others	2	226,314,059	141,409,395
Receivables	4	2,597,683	11,874,022
Advance & Prepayments	5	1,574,051	158,462
Investments in Government Securities		29,172,054	1,500,000
Cash & Cash Equivalents	6	4,509,639	5,979,759
TOTAL ASSETS		280,995,561	171,467,544
RESERVES AND LIABILITIES			
RESERVES			
Accumulated Fund	7	33,062,693	15,816,240
Policy Holders Protection Fund	8	229,045,499	143,146,635
LIABILITIES			
NON CURRENT LIABILITIES			
Grant - Policy Holders Protection Fund	9	12,629,797	6,757,547
Retirement Benefit Obligation		151,428	-
Lease Creditor	11	1,168,262	1,785,479
		<u>13,949,487</u>	<u>8,543,026</u>
CURRENT LIABILITIES			
Receipt in Advance		2,725,040	2,130,185
Accrued Expenses	10	1,595,625	1,307,633
Lease Creditor	11	617,217	523,825
		<u>4,937,882</u>	<u>3,961,643</u>
Total Net Assets & Liabilities		280,995,561	171,467,544

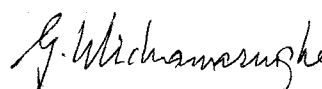
The Accounting Policies and Notes appearing on pages 44 to 52 form an integral part of the Financial Statements.

The Members of the Insurance Board of Sri Lanka are responsible for the preparation and presentation of these Financial Statements.

FOR AND ON BEHALF OF THE INSURANCE BOARD OF SRI LANKA



Lasinee Seresinhe
DIRECTOR GENERAL



Gamini Wickramasinghe
CHAIRMAN

Colombo.
28th March 2007

Income & Expenditure Statement

for the year ended 31st December 2006

	Notes	Year Ended 31.12.06 Rs.	Year Ended 31.12.05 Rs.
INCOME			
Government Grants		-	4,250,000
Annual Fees		19,366,217	15,314,652
Registration Fees		2,506,665	1,283,117
Sundry Income		640,992	1,805
Interest Income		1,865,014	-
Recognition of Grant	9	1,487,393	654,892
		<u>25,866,281</u>	<u>21,504,466</u>
Less:			
EXPENDITURE			
Staff Costs	12	12,009,470	10,196,177
Professional Charges	13	2,225,108	2,498,323
Administration & Establishment Expenses	14	11,161,087	8,473,899
Finance & Others	15	274,151	337,357
Contribution to set up an Insurance Ombudsman Office		-	1,000,000
Total Expenditure		<u>25,669,816</u>	<u>22,505,756</u>
Excess/ (Deficit) income over expenditure		196,465	(1,001,290)
Transfer from Policy Holders Protection Fund	8	17,049,988	17,267,962
Net Surplus/ (Deficit) for the period		<u>17,246,453</u>	<u>16,266,672</u>

The Accounting Policies and Notes appearing on pages 44 to 52 form an integral part of the Financial Statements.

Statement of Changes in Reserves

for the year ended 31st December 2006

	Year Ended 31.12.06 Rs.	Year Ended 31.12.05 Rs.
Accumulated Fund		
Balance at the beginning of the period	15,816,240	(450,432)
Net Surplus/(Deficit) for the period	17,246,453	16,266,672
Balance at the end of the period	<u>33,062,693</u>	<u>15,816,240</u>

The Accounting Policies and Notes appearing on pages 44 to 52 form an integral part of the Financial Statements.

Cash Flow Statement

for the year ended 31st December 2006

	Notes	Year Ended 31.12.06 Rs	Year Ended 31.12.05 Rs
Cash flow from operating activities			
Net Surplus/ (Deficit) for the period		17,246,453	16,266,672
Adjustment for Depreciation		2,106,704	1,279,892
Provision for Retirement Benefit		151,428	-
Recognition of Grant		(1,487,393)	(654,892)
Net Increase before Working Capital changes		<u>18,017,192</u>	<u>16,891,672</u>
Change of Working Capital			
(Increase)/Decrease in Inventories		(35,030)	(99,270)
(Increase)/Decrease of Receivables		9,276,339	(11,846,892)
(Increase)/Decrease of Advance & Prepayments		(1,415,589)	(158,462)
Increase/(Decrease) of Receipt in Advance		594,855	2,076,843
Increase/(Decrease) of Creditors & Accruals		287,992	715,863
Cash Flow from Operating Activities		<u>8,708,567</u>	<u>(9,311,918)</u>
Net Cash Flow from Operating Activities		26,725,759	7,579,754
Cash Flow from Investing Activities			
Investment in Government Securities		(29,172,054)	-
Purchase of Property Plant & Equipments		(7,359,643)	(9,912,439)
Net Cash used in Investing Activities		<u>(36,531,697)</u>	<u>(9,912,439)</u>
Cash Flow from Financing Activities			
Capital Transfer from Policy Holders Protection Fund		7,359,643	7,412,439
Increase/(Decrease) in Finance Lease		(523,825)	2,309,304
Net Cash Flows from Financing Activities		<u>6,835,818</u>	<u>9,721,743</u>
Net Increase/(Decrease) in Cash and Cash Equivalents		(2,970,120)	7,389,058
Cash and Cash Equivalents at beginning of period		7,479,759	90,701
Cash and Cash Equivalents at end of period		<u>4,509,639</u>	<u>7,479,759</u>
Cash at Bank	6	4,509,639	5,979,759
REPO Investments		-	1,500,000
		<u>4,509,639</u>	<u>7,479,759</u>

The Accounting Policies and Notes appearing on pages 44 to 52 form an integral part of the Financial Statements.

Policy Holders Protection Fund Cash Flow Statement

for the year ended 31st December 2006

	Note	Year Ended 31.12.06 Rs	Year Ended 31.12.05 Rs
Cash Flows from Operating Activities			
Net Increase of Policy Holders Protection Fund		<u>85,898,864</u>	<u>56,585,991</u>
Net increase before working capital changes		85,898,864	56,585,991
Change of Working Capital			
(Increase)/Decrease of Interest Receivable on Government Securities		(4,803,286)	(7,079,029)
(Increase)/Decrease of CESS Receivable		(17,749)	-
(Increase)/Decrease of Rent Deposit		(994,200)	(1,737,240)
		<u>(5,815,235)</u>	<u>(8,816,269)</u>
Net Cash from Operating Activities		<u>80,083,629</u>	<u>47,769,722</u>
Cash Flow into Investing Activities			
Investments in Government Securities		(78,623,365)	(45,206,572)
Net Cash from Investing Activities		<u>(78,623,365)</u>	<u>(45,206,572)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents		1,460,264	2,563,150
Cash and Cash Equivalents at beginning of period		2,791,556	228,407
Cash and Cash Equivalents at end of period		<u>4,251,820</u>	<u>2,791,557</u>
Cash at Bank	2	<u>4,251,820</u>	<u>2,791,557</u>

The Accounting Policies and Notes appearing on pages 44 to 52 form an integral part of the Financial Statements.

Accounting Policies

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

The Financial Statements of the Board are presented in Sri Lankan Rupees rounded to the nearest Rupee.

The Financial Statements are prepared under the historical cost convention in accordance with the Sri Lanka Accounting Standards adopted by the Institute of Chartered Accountants of Sri Lanka.

Where appropriate accounting policies are disclosed in succeeding notes.

1.2 STATEMENT OF COMPLIANCE

The financial statements of the Insurance Board of Sri Lanka have been prepared in accordance with the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and are in compliance with the said standards.

1.3 EVENTS AFTER THE BALANCE SHEET DATE

All material events after the Balance Sheet date are considered and appropriate adjustments or disclosure made in the financial statements where necessary.

1.4 COMPARATIVE FIGURES

Comparative figures have been adjusted to conform to the changes in presentation in the current financial year.

1.5 TAXATION

The Board has requested the Ministry of Finance to consider exemption of its profits and income from Income Tax under Section 7 (b) of the Inland Revenue Act No. 10 of 2006 and expects that the request will be considered favorably. Accordingly, no tax on income has been provided in these Financial Statements.

1.6 CONVERSION OF FOREIGN CURRENCY

All foreign exchange transactions are converted to Sri Lanka Rupees, which is the reporting currency, at the rates of exchange prevailing at the time of the transaction.

2. ASSETS & BASES OF VALUATION

2.1 PROPERTY, PLANT & EQUIPMENT

OWNED PROPERTY PLANT & EQUIPMENT

Property, Plant & Equipment together with any incidental expenses thereon are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the estimated useful lives of same applying the following rates.

	Rate per annum
Motor Vehicles	25.00%
Furniture, Fixtures and Fittings	12.50%
Office and EDP Equipment	25.00%
Training Equipment	25.00%

Full year depreciation is provided for all assets purchased during the first half of the financial year and no depreciation is provided for assets purchased during the second half of the year. In the year of disposal depreciation is provided up to the date of receiving disposal proceeds.

2.2 LEASE ASSETS

The assets on finance lease which effectively transfer to the Board substantially all of the risk and benefits incidental to ownership of the leased item is capitalized at cash cost and the resulting lease obligations are included in creditors net of finance charges. Depreciation and finance charges arising out of such leasehold assets are charged to the Income & Expenditure account whilst the payments of lease rental are recognized to reduce the lease liability.

Assets held under finance leases are depreciated over the shorter of lease term or the useful lives of equivalent owned assets.

2.3 INVESTMENTS

Government Treasury bills are stated at cost.

2.4 INVENTORIES

Inventories are stated at lower of cost or net realizable value. The cost of inventories is valued on first-in, first-out (FIFO) basis.

Accounting Policies Contd...

2.5 RECEIVABLE

Receivables are stated at estimated realizable value.

2.6 CASH & CASH EQUIVALENTS

For the purpose of cash flow statement, cash and cash equivalents consist of cash at banks and deposits held on call with banks.

3. LIABILITIES AND PROVISIONS**3.1 RETIREMENT BENEFITS****3.1.1 DEFINED BENEFIT PLANS - GRATUITY**

Full provision has been made on account of gratuity from the first year of service of the employee in conformity with Sri Lanka Accounting Standard No 16 "Retiring Benefit Cost". However, according to the payment of Gratuity Act No 12 of 1983, the liability to an employee arises only on completion of five years of continued service.

3.1.2 DEFINED CONTRIBUTION PLANS - EPF AND ETF

All permanent employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Board contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

3.2 LIABILITIES

Liabilities classified as current liabilities in the balance sheet are those, which fall due for payment on demand or within one year from the balance sheet date. The non-current liabilities are those balances that fall due for payment after one year from the balance sheet date.

All known liabilities have been accounted at cost in preparing these financial statements.

3.3 GRANT

Capital Expenditure transferred from Policy Holders Protection Fund is treated as a grant and recognized on the estimated useful life of the asset.

4. INCOME & EXPENDITURE**4.1 REVENUE RECOGNITION**

Revenue is recognized on accrual basis.

Cess received consists of Cess receivable for the last quarter of the preceding year falling due during the first month of the current financial year along with the Cess received for the first, second and third quarters of the current financial year.

4.2 GOVERNMENT GRANT

No Government grants were received during the period under review.

4.2 EXPENDITURE RECOGNITION

All expenditure incurred in maintaining the Board has been charged to revenue in ascertaining the income over expenditure.

4.4 CASH FLOW STATEMENT

The Cash Flow Statement has been prepared using the indirect method.

Notes to the Financial Statements

1. PROPERTY, PLANT & EQUIPMENT

	Motor Vehicles	Furniture, Fixtures & Fittings	Office Equipment (EDP & Others)	Training Equipment	Assets on Finance Lease Motor Vehicles	Total
COST						
Balance as at 1st January 2006	-	3,055,820	4,215,169	141,450	2,500,000	9,912,439
Additions during the Year	5,425,000	1,234,217	700,426	-	-	7,359,643
Balance as at 31st December 2006	<u>5,425,000</u>	<u>4,290,037</u>	<u>4,915,595</u>	<u>141,450</u>	<u>2,500,000</u>	<u>17,272,082</u>
ACCUMULATED DEPRECIATION						
Balance as at 1st January 2006	-	373,615	281,277	-	625,000	1,279,892
Depreciation Charge for the Year	-	392,193	1,054,148	35,363	625,000	2,106,704
Balance as at 31st December 2006	<u>-</u>	<u>765,808</u>	<u>1,335,425</u>	<u>35,363</u>	<u>1,250,000</u>	<u>3,386,596</u>
WRITTEN DOWN VALUE AS AT 31ST DECEMBER 2006						
	<u>5,425,000</u>	<u>3,524,229</u>	<u>3,580,170</u>	<u>106,087</u>	<u>1,250,000</u>	<u>13,885,486</u>
WRITTEN DOWN VALUE AS AT 31ST DECEMBER 2005						
	<u>-</u>	<u>2,682,205</u>	<u>3,933,892</u>	<u>141,450</u>	<u>1,875,000</u>	<u>8,632,547</u>

Notes to the Financial Statements Contd...

2. POLICY HOLDERS PROTECTION FUND INVESTMENTS AND OTHERS

	As at 31.12.06	As at 31.12.05
NON CURRENT ASSETS		
Rent Deposits	<u>2,731,440</u>	<u>1,737,240</u>
CURRENT ASSETS		
Investment in Government Securities	209,002,853	130,379,488
Interest Receivable on Government Securities	13,041,637	8,238,351
CESS Receivable	17,749	-
Balance at Bank	4,251,820	2,791,556
	<u>226,314,059</u>	<u>141,409,395</u>
Total Assets	<u>229,045,499</u>	<u>143,146,635</u>
3 INVENTORIES		
Printing, Stationery & Computer Accessories	120,628	143,800
Publications	89,322	32,319
Stamps	1,199	-
	<u>211,149</u>	<u>176,119</u>
4 RECEIVABLES		
Annual Fee	598,340	11,847,697
Debit Notes	1,614	-
GST/VAT receivables	85,424	26,325
Interest receivable - Treasury Bills	1,246,680	-
Staff Loans	665,625	-
	<u>2,597,683</u>	<u>11,874,022</u>
5 ADVANCE & PREPAYMENTS		
Medical, Fire and Personal Insurance	96,892	83,841
Office Equipment Maintenance	97,170	-
Subscription for Membership & Periodicals	-	60,986
Internet/ Email	8,370	-
Rent, Service Charges and Parking Fee	1,048,938	-
Vehicle Insurance and Maintenance	118,380	-
Redisigning of Website	119,301	-
Festival Advance payments	85,000	13,635
	<u>1,574,051</u>	<u>158,462</u>
6 CASH & CASH EQUIVALENTS		
Cash at Banks		
People's Bank - Mudalige Mawatha	1,362,956	148,695
Bank of Ceylon 1877	3,033,768	2,319,952
Bank of Ceylon 1866	-	3,466,955
HongKong & Shanghai Bank	102,915	44,157
Cash in Hand	10,000	-
	<u>4,509,639</u>	<u>5,979,759</u>
7 ACCUMULATED FUND		
Balance as at beginning of the period	15,816,240	(450,432)
Net Surplus/(Deficit) for the period	17,246,453	16,266,672
Balance as at end of the period	<u>33,062,693</u>	<u>15,816,240</u>

Notes to the Financial Statements Contd...

	As at 31.12.06 Rs.	As at 31.12.05 Rs.
8 POLICY HOLDERS PROTECTION FUND		
Opening Balance	143,146,635	86,560,645
Cess Received during the year	92,594,543	72,168,212
Interest on Treasury Bill Investment	17,392,189	8,930,441
Interest on Repo & Call Account	456,943	167,738
	<u>253,590,310</u>	<u>167,827,036</u>
Less:		
Transfers for Operational Expenses	17,049,988	
Transfer for Capital Expenditure	7,359,643	
Total transfer- Policy Holders Protection Fund	<u>24,409,631</u>	24,680,401
Debit Tax	131,243	-
Bank Charges	3,937	-
	<u>24,544,811</u>	<u>24,680,401</u>
Closing Balance	<u>229,045,499</u>	<u>143,146,635</u>
9 GRANT - POLICY HOLDERS PROTECTION FUND		
Balance Brought Forward	6,757,547	-
Capital Expenditure from Policy Holders Protection Fund	7,359,643	7,412,439
Less: Recognition of Grant	<u>(1,487,393)</u>	<u>(654,892)</u>
	<u>12,629,797</u>	<u>6,757,547</u>
Note - Recognition of Grant		
Capital Transfer from policy Holders Protection Fund		
Recognition of Grant in accordance with the SLAS 24 at the following rates.		
Motor Vehicle		25%
Office Equipment - Others & EDP		25%
Furniture Fixtures & Fittings		12.50%
10 ACCRUED EXPENSES		
Telephone Expenses	105,324	88,527
Postage and Courier Charges	6,735	24,994
Electricity charges	23,000	11,391
Audit Fees - Auditor General's Office	100,000	75,000
Annual Report Printing	700,000	500,000
Professional Charges - Foreign Consultants	-	166,650
Overtime	-	5,356
Newspapers	1,475	1,395
VAT Payable	68,916	345,820
Management Fee	-	59,500
Trade Tax	10,000	5,000
Office Upkeep	-	12,000
Directors Fuel	7,192	12,000
Staff Welfare	6,467	-
Meeting Expenses	314	-
Travelling	1,150	-
Medical Expenses	45,210	-
Members Fee	5,000	-
Payrall System	138,000	-
Annual Bonus	376,842	-
	<u>1,595,625</u>	<u>1,307,633</u>
11 LEASE CREDITOR		
Lease Creditor	2,107,163	2,922,839
Less : Interest in Suspense	321,684	613,535
	<u>1,785,479</u>	<u>2,309,304</u>
Current Portion of Finance Lease Liabilities	617,217	523,825
	<u>1,168,262</u>	<u>1,785,479</u>

Notes to the Financial Statements Contd...

12 STAFF COSTS	Year Ended 31.12.06 Rs.	Year Ended 31.12.05 Rs.
Salaries & Allowances	5,450,119	2,912,573
EPF 12%	614,678	296,372
ETF 3%	153,669	74,093
Interns Allowance	31,712	-
Temporary Allowances	-	1,032,001
Salaries - Seconded Staff	1,402,044	2,065,176
Management Fee	450,800	1,496,375
Overtime	975	147
Exgratia / Annual Bonus	376,842	50,185
Staff Training - Overseas	1,292,505	1,266,976
Advertising	214,401	147,200
Travelling Overseas - Commission Members	259,029	248,724
Staff Training - Local	395,394	117,915
Staff Medical Expenses & Insurance	355,673	95,561
Staff Welfare	268,797	122,879
Honorarium - Contract Staff	591,404	270,000
Staff Gratuity	151,428	-
	<u>12,009,470</u>	<u>10,196,177</u>
13 PROFESSIONAL CHARGES		
Local Consultants	1,609,356	1,703,815
Foreign Consultants	615,752	794,508
	<u>2,225,108</u>	<u>2,498,323</u>
14 ADMINISTRATION COSTS		
Rent	3,961,152	2,970,864
Rent - Car Parking	273,585	108,630
Electricity	211,199	125,141
Telephone - General, Directors resi, Internet	998,667	855,908
Printing & Stationery	1,215,191	1,010,198
Public Awareness	-	170,445
Entertainment	23,996	180,793
Travelling - Local	8,258	15,199
Reimbursement of Fuel	200,676	98,837
Vehicle Hire Charges	61,030	33,310
Vehicle Maintenance	22,776	-
Office Equipment & Maintenance	77,767	40,235
Office Upkeep	179,427	99,934
Insurance	126,264	42,792
International Membership of IAIS	771,429	756,199
Advertising	134,573	205,266
Board Members' Meeting Fees	51,000	59,414
Meeting Expenses	210,250	16,164
Library Books & Newspapers	49,208	281,399
Cost of Publications	317,610	2,208
Postage and Courier charges	118,833	51,651
Audit Fees - External	25,000	25,000
Legal Expenses	-	39,420
General Expenses	11,492	-
Trade Tax	5,000	5,000
Depreciation	2,106,704	1,279,892
	<u>11,161,087</u>	<u>8,473,899</u>
15 FINANCE & OTHERS		
Bank Charges	23,867	29,711
Debit Tax	42,433	154,872
Finance Lease Charges	207,851	152,774
	<u>274,151</u>	<u>337,357</u>

Notes to the Financial Statements Contd...

16. CAPITAL COMMITMENTS

There were no capital commitments as at 31st December 2006

17. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31st December 2006

18. EVENTS AFTER THE BALANCE SHEET DATE

Additional office space refurbishment cost estimated Rs 1,884,000/- other than that no material events have occurred after the Balance Sheet date necessitating any adjustments or disclosure in the Financial Statements.

19. RELATED PARTY DISCLOSURES

Mr Gamini Wickramasinghe was appointed to the post of the Chairman of the Insurance Board of Sri Lanka on 3rd February 2006.

The following Members of the Board assumed office as stated below.

Ex officio Members re-appointed

Mr Channa de Silva	w.e.f	Year 2006
Dr Mrs Ranee Jayamaha	w.e.f	22nd February 2006
Mr S Abeysinghe	w.e.f	22nd February 2006

Newly appointed Members

Mr C P E Gunasingam	w.e.f	3rd February 2006
Mr Graetian Gunawardhana	w.e.f	3rd February 2006
Mr Wilfred Wickramasinghe	w.e.f	30th May 2006

Notes to the Financial Statements Contd...

The following table depicts the relationships held by the members of the Board as at end of the year.

Name	Name of Institution	Position
Mr Gamini Wickramasinghe	Informatics (Pvt) Ltd.	Director
	Informatics Institute of Technology Ltd.	Director
	Informatics Information Systems (Pvt) Ltd.	Director
	Informatics Agrotech (Pvt) Ltd.	Director
	Visual Computing Systems (Pvt) Ltd.	Director
	Informatics International Ltd.	Director
	Informatics Hospitality Systems Ltd.	Director
	Informatics International Lanka (Pvt) Ltd.	Director
	Informatics Holdings Ltd.	Director
	Charles Exports (Pvt) Ltd.	Director (w.e.f 8th June 2006)
	Industrial and Financial Systems Solutions Ltd.	Director
	Systems Integrators (Private) Ltd.	Director
	Informatics Trading (Private) Ltd.	Director
	Industrial and Financial Systems Sri Lanka Ltd.	Director
Securities and Exchange Commission of Sri Lanka	Chairman	
Dr (Mrs) Ranee Jayamaha	Securities and Exchange Commission of Sri Lanka	Ex officio Member
	Credit Information Bureau	Chairperson
	National Council for Economic Development Financial Sector Cluster	Co-Chairperson
	National Payments Council	Chairperson (from March 2006)
Mr S Abeysinghe	Technical Committee on Regulation of Share Ownership in Banks	Chairperson (from October 2006)
	Bank of Ceylon	Director (Treasury Nominee)
	Securities and Exchange Commission of Sri Lanka	Member (Treasury Nominee)
	De-La Rue Lanka President Fund	Director (Treasury Nominee) Member of the Board
Mr Channa de Silva	Securities and Exchange Commission of Sri Lanka	Director General
	Public Enterprises Reforms Commission (PERC)	Board Member (from year 2006)
	Private Sector Infrastructure Development Company Ltd (PSIDC)	Board Member (1st January 2006 to 16th October 2006)
	Construction Guarantee Fund (CGF)	Board Member
	Sri Lanka Accounting Auditing Standards Monitoring Board (SLAASMB)	Board Member
Mr C P E Gunasigham	National Payment Council	Board Member
	Jaguar (Pvt) Ltd.	Director
Mr Graetian Gunawardhana	Securities and Exchange Commission of Sri Lanka	Member of the Board (w.e.f 3rd February 2006)
	National Development Health Fund	Member of the Board of Trustee
Mr. Wilfred Wickramasinghe	Hands International (Pvt) Ltd.	Member of the Board
	Chelsea Enamels (Pvt) Ltd	Chairman / Managing Director
	Euro Asia Airfreight Ltd Peliyagoda Warehouse complex Co. Ltd	Managing Director Managing Director Director

Notes to the Financial Statements Contd...

The Board incurred the following expenditure in respect of goods & services obtained from the SEC.

	Rs.
Remuneration for seconding staff from SEC from January -December 06	1,402,044.23
Management Fee	450,800.00
Office equipment maintenance	12,282.00
Vehicle hire	61,030.00
Stationery	27,459.50
Car Parking	128,800.00
Meeting Expenses	1,800.00
Total	<u>2,084, 215.73</u>

Other than the transactions in the ordinary course of business at market rates and the above mentioned no transactions were recorded with the said institution during the year.

Auditor General's Report



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கணக்காய்வாளர் தலைமை அறிப்பறி திணைக்களம்
AUDITOR-GENERAL'S DEPARTMENT



මගේ අංකය. }
எனது இல. } LP/F/IBSL/2007/01
My No. }

මගේ අංකය. }
உமது இல. }
Your No. }

දිනය. }
திகதி. } 11th June 2007
Date. }

The Chairman,

Insurance Board of Sri Lanka.

Report of the Auditor General on the Financial Statements of the Insurance Board of Sri Lanka (IBSL) for the year ended 31 December 2006 in terms of Section 14(2) (c) of the Finance Act No. 38 of 1971.

The audit of financial statements of the Insurance Board of Sri Lanka (IBSL) for the year ended 31 December 2006 was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act No. 38 of 1971 and Section 8(3) of the Regulation of Insurance Industry Act No. 43 of 2000. My observations which I consider should be published with the annual report of the Board in terms of Section 14(2) (C) of the Finance Act appear in this report. A detailed report in terms of Section 13(7)(a) of the Finance Act will be furnished to the Chairman of the Board in due course.

1:2 Scope of Audit

Audit opinion, comments and findings in this report are based on a review of the financial statements presented to audit and substantive test of samples of transactions. The scope and the extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitation of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka Auditing Standards, methods and practices to obtain reasonable assurance as to whether the financial statements are free of material misstatements. The audit included examination of evidence supporting the amounts and disclosures in financial statements and assessment of accounting principles and significant estimates and judgements made in the preparation of financial statements, evaluation of their overall presentation and determining whether accounting policies adopted were appropriate, consistently applied and adequately disclosed. Sub-sections (3) and (4) of Section 13 of the Finance Act No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

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කොළඹ 07, ශ්‍රී ලංකාව.

சுதந்திர சதுக்கம்,
கொழும்பு 07, இலங்கை

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Auditor General's Report Contd...

2. Accounts**2:1 Opinion**

So far as appears from my examination and to the best of my information and according to the explanations given to me, I am of opinion that the Insurance Board of Sri Lanka had maintained proper books of account for the year ended 31 December 2006 and the financial statements which are in agreement with the said books have been prepared and presented in accordance with Sri Lanka Accounting Standards and the stated accounting policies and notes (Nos. 01 to 19) to the financial statements give a true and fair view of the financial position of the Insurance Board of Sri Lanka as at 31 December 2006, and the results of its operations and cash flow for the year then ended.

2:2 Comments on Accounts**2:2:1 Non-compliance with Laws, Rules and Regulations**

Following instances of non-compliance were observed in audit.

Reference to Laws, Rules, Regulations and Management decisions	Particulars
(a) Section 11.1 of Chapter XV of the Establishment Code	The Business class of air travel had been used for the top level officers of the Board without obtaining the requisite approval from the authorities. An additional sum of Rs. 259,880 had been spent in this connection during the year under review.
(b) Department of Management Services Circular No. 28 of 10 April 2006.	An Executive Secretary had been recruited for the Board since June 2005 on contract basis and paid a sum of Rs. 522,400 during the year 2006 without obtaining the approval of the Ministry of Finance. However, Department of Management Services had given the approval to create the post of Executive Secretary with effect from 29 December 2006 only.

3. Financial and Operating Review**3:1 Financial Results**

According to the financial statements presented, the operations of the board for the year ended 31 December 2006 had resulted in a surplus of Rs. 17,246,453 as compared with the corresponding surplus of Rs. 16,266,672 for the preceding year, thus indicating an improvement of Rs. 979,781 in the financial results for the year under review.

Some of the employees of the Securities and Exchange Commission of Sri Lanka (SEC) had been released on secondment basis when relocating the IBSL as an identified unit with separate staff. However, the management fees to the employees of the SEC from May 2005 had been continuously paid. Accordingly a sum of Rs. 510,300 had been paid to the employees of the SEC during the year under review without specific approval.

3:2 Uneconomic Transaction

The IBSL had been relocated in the World Trade Centre in the last year without following the tender procedure and paid a sum of Rs. 4,270,255 during the year under review as rent, service charge, insurance and car parking fees etc. It was not possible to justify in audit about the necessity to having the office premises of the IBSL in the World Trade Centre itself bearing a huge rent and other expenses.

3:4 Idle and Under utilized Assets

Four telephone lines out of the 16 direct telephone lines purchased during the previous year had been remained unutilized. Rental charges paid for these four lines for the year 2006 was Rs. 52,670.

3:3 Transactions not supported by Adequate Authority**3:5 Internal Audit and Audit and Management Committee Meeting**

An Internal audit had not been carried out in respect of the activities of the Board during the year 2006. Although an Audit and Management

Auditor General's Report Contd...

Committee had been appointed, no meeting had been held during the year under review.

4. Performance of the Board

Following observations are made.

- (a) Following table shows the overall insurance penetration rate (i.e. Total gross premium income as a percentage of Gross Domestic Product) in Sri Lanka during the preceding five years.

	2001	2002	2003	2004	2005
Overall Insurance Penetration Rate (Total Premium Income as a % of GDP)	1.20	1.28	1.37	1.52	1.58

It was observed that the above indicator which shows the level of the Insurance industry in the country is still relatively low and much more yet to be done to promote insurance product.

- (b) Insurance Companies and insurance brokers had to be registered individually as Insurance Agents and performance of the Insurance industry in the country mainly depend on the function of those agents. However, following unsatisfactory features were observed pertaining to the monitoring of the insurance agents in Sri Lanka.
- (i) The existing regulatory framework of the Insurance Board of Sri Lanka does not provide the adequate provisions to monitor the Insurance Agents.
- (ii) Updated Insurance Agents Register which should be prepared based on the information provided by the insurance companies and brokers in terms of Section 78 (2) of the Incorporated Act, was not made available in the Insurance Board of Sri Lanka.
- (iii) Insurance Agents for general insurance have been appointed without prerecruitment test by the Insurance Companies and Insurance Brokers in terms of Rule made by the Board under Section 78 of the Regulation of Insurance Industry Act No. 43 of 2000.
- (iv) Overall pass rate of the pre-recruitment test for Insurance Agents in respect of long term is remained at lower level of 35%.
- (c) Following activities included in the Action Plan for the year 2006 had not been completed.

- (i) Examine the regulations of other countries, particularly in the Asian Region and identify any difference.
- (ii) Discuss with Sri Lanka Insurance Institute regarding the possibility of introducing a tailor made study course, which will enable the staff to gain the necessary technical competencies.
- (iii) Introduce a study course and an examination for selected staff of Brokers who will be recognized by awarding a certificate, in the successful completion.
- (iv) Ensure that the necessary training for Agents had been carried out and that the examinations were being held by the Sri Lanka Insurance Institute, to enable the Agents to obtain the required qualification, prior to any new Agents being registered.
- (v) Preparation of an Administration Manual for the IBSL. (which includes the training component)
- (vi) Provide training on insurance to school teachers in association with the National Institute of Education (NIE).
- (vii) Conduct seminars in schools with the assistance of the Provincial Education Departments.
- (viii) Print and distribute small booklets relating to insurance industry and financial planning specially target to ETF and EPF members, in addition to the source book which will be released by the IBSL for the use of the universities and schools.
- (ix) Launch a public education programme on insurance through a media campaign (both print and electronic) with the support and involvement of the Insurance Industry Association.
- (d) No. of complaints resolved as per the previous year Annual Report was 31. However, the actual figure was only 26 according to the complain register.

5. Systems and Controls

Special attention is needed in respect of usage of telephones.



P A Pematilaka
Auditor General

Responses of the Board to the matters raised by the Auditor General

Responses of the Board to the matters raised by the Auditor General in the report of the Auditor General on the Accounts of the Insurance Board of Sri Lanka for the year ended 31st December 2006 in terms of Section 14(2) (C) of the Finance Act No 38 of 1971

2:2 Comments on Accounts

2:2:1 Non Compliance with Laws, Rules and Regulations

Following instances of non-compliance were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions

(a) Section 11.1 of Chapter XV of the Establishment Code

The Business class of the air travel had been used for the top level officers of the Board without obtaining the requisite approval from the authorities. An additional sum of Rs. 259,880 had been spent in this connection during the year under review.

The Chairman, Members of the Board and the Director General from the inception of the Board travelled in business class. The board, as the regulatory body of the insurance industry, should maintain at least the same standard as a Chairman or a Managing Director of a leading insurance company. This is not a luxury but a necessity to maintain the image of the IBSL.

(b) Department of Management Service Circular No. 28 of 10 April 2006

An Executive Secretary had been recruited for the Board since June 2005 on contract basis and paid a sum of Rs. 522,400 during the year 2006 without obtaining the approval of the Ministry of Finance. However, Department of Management Services had given the approval to create the post of Executive Secretary with effect from 29 December 2006 only.

The appointment was approved by the Board in terms of RII Act. The Ministry of Finance on a previous occasion has written to IBSL stating that the Board is not required to obtain such approvals from the Ministry regarding contract employees.

3:2 Uneconomic Transaction

The IBSL had been relocated in the World Trade Centre in the last year without following the tender procedure and paid a sum of Rs. 4,270,255 during the year under review as rent, service charge, insurance and car parking fees etc. It was not possible to justify in audit about the necessity of having the office premises of the IBSL in the World Trade Centre itself bearing a huge rent and other expenses.

The IBSL has been located at the World Trade Centre (WTC) from its appointed day of 1st March 2001. The Board has obtained approval from the Ministry of Finance to acquire office space on lease from Overseas Realty (Ceylon) Limited subject to approval of the Board, which the Board has approved.

3:3 Transactions not supported by adequate authority

Some of the employees of the Securities and Exchange Commission of Sri Lanka (SEC) had been released on secondment basis when relocating the IBSL as an identified unit with separate staff. However, the management fees to the employees of the SEC from May 2005 had been continuously paid. Accordingly a sum of Rs. 510,300 had been paid to the employees of the SEC during the year under review without specific approval

The IBSL implemented this process in terms of the RII Act and with Board approval until it was able to recruit suitable staff. Payment of allowances to SEC staff was discontinued whenever recruitments were done or whenever it was able to achieve operational independence. All payments to the SEC in this respect was discontinued by end March 2007 on achieving operational independence.

Responses of the Board to the matters raised by the Auditor General Contd...

3:4 Idle and under utilized Assets

Four telephones out of the 16 direct telephone lines purchased during the previous year had been remained unutilized. Rental charges paid for these four lines for the year 2006 was Rs. 52,670.

2396180 is the telephone line allocated for the Chairman. 2396182 and 2396183 telephone lines are allocated for Director Legal and Director Supervision respectively. The Director Legal will assume duties shortly.

3:5 Internal Audit and Audit and Management Committee Meeting

An Internal audit had not been carried out in respect of the activities of the Board during the year 2006. Although the Audit and Management Committee had been appointed, no meeting had been held during the year under review.

The committee was appointed subsequent to the completion of appointments of members to the Board during the year 2006.

4. Performance of the Board

Following observations are made.

- (a) Following table shows the overall insurance penetration rate (i.e. Total gross premium income as a percentage of Gross Domestic Product) In Sri Lanka during the preceding five years.

	2001	2002	2003	2004	2005
Overall Insurance Penetration Rate (Total Premium Income as a % of GDP)	1.20	1.28	1.37	1.52	1.58

It was observed that the above indicator which shows the level of the Insurance industry in the country is still relatively low and much more yet to be done to promote insurance product.

- (a) Promoting insurance products is done by the insurance companies. However, we wish to bring to your notice that there has been a gradual growth in the gross written premium in respect of life and general insurance businesses since the year 2000, which is reflected in the statistics published in the Annual Report of the IBSL for the year 2005.

The Insurance Board of Sri Lanka is involved in public awareness programmes to promote the importance of insurance among the general public.

During the year following activities were performed:

- (i) Publishing a book on insurance in Tamil and Sinhala.
(ii) Publishing a brochure on insurance for the general public.
(iii) Newspaper articles on insurance in all three languages (English, Sinhala and Tamil)
(iv) Initiate setting up of the Financial Services Academy (FSA) to conduct programmes to insurance industry, undergraduates and public.
- (b) Insurance Companies and insurance brokers had to be registered individually as Insurance Agents and performance of the insurance industry in the country mainly depend on the function of those agents. However, following unsatisfactory features were observed pertaining to the monitoring of the insurance agents in Sri Lanka.
- (i) The existing regulatory framework of the Insurance Board of Sri Lanka does not provide the adequate provisions to monitor the insurance agents.

- (i) The insurance agents are appointed by the insurance companies and insurance brokers. They are not registered by the IBSL. However they are required to pass the pre-recruitment test in terms of the Rules prescribed by the IBSL before they are being appointed as insurance agents. The RII Act provides powers to take disciplinary action against errant agents. This is the practice in many other foreign jurisdictions.

Responses of the Board to the matters raised by the Auditor General Contd...

<p>(ii) Updated Insurance Agents register which should be prepared based on the information provided by the insurance companies and brokers in terms of Section 78(2) of the Incorporated Act, was not made available in the Insurance Board of Sri Lanka.</p> <p>(iii) Insurance Agents for general insurance have been appointed without prerecruitment test by the Insurance Companies and Insurance Brokers in terms of Rule made by the Board under Section 78 of the Regulation of Insurance Industry Act No. 43 of 2000.</p> <p>(iv) Overall pass rate of the pre recruitment test for insurance agents in respect of long term is remained at lower level of 35%.</p>	<p>(ii) IBSL has requested all insurance companies to maintain a separate web page in respect of the insurance agents appointed by them, which could be accessed and monitored by the IBSL. The above is being done and the companies have made filings with the Board in terms of section 78(2) of the Act.</p> <p>(iii) Course material for the pre-recruitment test was not available in all three languages.</p> <p>(iv) This has been the average pass rate.</p>
<p>(c) Following activities included in the Action Plan for the year 2006 had not been completed.</p> <p>(i) Examine the regulations of other countries, particularly in the Asian Region and identify any difference.</p> <p>(ii) Discuss with Sri Lanka Insurance Institute regarding the possibility of introducing a tailor made study course, which will enable the staff to gain the necessary technical competencies.</p> <p>(iii) Introduce a study course and an examination for selected staff of Brokers who will be recognized by awarding a certificate, in the successful completion.</p> <p>(iv) Ensure that the necessary training for Agents had been carried out and that the examinations were being held by the Sri Lanka Insurance Institute, to enable the Agents to obtain the required qualification, prior to any new Agents being registered.</p> <p>(v) Preparation of an Administration Manual for the IBSL. (which includes the training component).</p> <p>(vi) Provide training on insurance to school teachers in association with the National Institute of Education (NIE)</p> <p>(vii) Conduct seminars in schools with the assistance of the Provincial Education Department.</p>	<p>(c) The activities stated in the Action Plan - 2006 are expected to be continued in the year 2007 and thereafter, as reflected in the Corporate Plan depending on the nature of the activity and surrounding circumstances.</p> <p>(i) IBSL has examined the regulations of other countries and several amendments have been proposed to the Regulation of Insurance Industry Act No. 43 of 2000. Final draft amendments are now with the Ministry of Finance to be submitted to the Parliament.</p> <p>(ii) Staff has followed courses conducted by the Institute as appropriate.</p> <p>(iii) It is being addressed.</p> <p>(iv) Training for the agents is being done by the Institute and respective companies. All exams are available now.</p> <p>(v) The Board has granted the approval for the Administration Manual of the Securities and Exchange Commission.</p> <p>(vi) The IBSL has written to National Institute of Education (NIE) regarding our availability to conduct training programmes. The NIE has to allocate slots in their training schedule for IBSL to conduct training programmes. This programme is to be pursued during year 2007.</p> <p>(vii) Has initiated conducting seminars in schools during the year 2007 with the assistance of Provincial Departments of Education. Work in this respect commenced in 2006.</p>

Responses of the Board to the matters raised by the Auditor General Contd...

<p>(viii) Print and distribute small booklets relating to insurance industry and financial planning specially target to ETF and EPF members, in addition to the source book which will be released by the IBSL for the use of the universities and schools.</p> <p>(ix) Launch a public education programme on insurance through a media campaign (both print and electronic) with the support and involvement of the Insurance Industry Association.</p> <p>(d) No. of complaints resolved as per the previous year Annual Report was 31. However, the actual figure was only 26 accounting to the complain register.</p>	<p>(viii) IBSL has distributed the book on insurance to all schools and also the brochure on insurance to the public during the year 2006.</p> <p>(ix) The Board effected a change to this item in the Action Plan.</p> <p>(d) As per the data provided by the investigation officer number of complaints resolved during the year 2005 were 31 which include oral complaints that were resolved by him through amicable discussions held with the complainants and the representatives of the respective insurance companies.</p>
<p>5. Systems and Controls</p>	
<p>Special attention is needed in respect of Usage of telephones.</p>	<p>Usage of telephones are within the specified limits.</p>

Appendix I

Insurance Companies Registered Under the RII Act for the year ended 31st December 2006

ABC Insurance Company Ltd.

Allianz Insurance Company Ltd.

Amana Takaful PLC

Asian Alliance Insurance Company Ltd.

Ceylinco Insurance PLC

Ceylinco Takaful Ltd.

Cooperative Insurance Company Ltd.

Eagle Insurance PLC

Hayles AIG Insurance Company Ltd.

HNB Assurance Ltd.

Janashakthi Insurance Company Ltd.

Life Insurance Corporation (Lanka) Ltd.

National Insurance Corporation Ltd.

Seemasahitha Sanasa Rakshana Samagama

Sri Lanka Insurance Corporation Ltd.

Union Assurance PLC

Appendix II

Insurance Brokers Registered for the year 2006

Insurance Brokers	Period of Registration	Class of Business
1. A. M. W. Insurance Brokers (Pvt) Ltd.	01.01.2006 - 31.12.2006	Life & General
2. ADZ Insurance Brokers (Pvt) Ltd.	01.01.2006 - 31.12.2006	Life & General
3. Alfinco Insurance Brokers (Pvt) Ltd.	01.01.2006 - 31.12.2006	Life & General
4. Amity Insurance Brokers (Pvt) Ltd.	17.01.2006 - 31.12.2006	Life & General
5. Arcadia Insurance Brokers (Pvt) Ltd.	02.03.2006 - 31.12.2006	Life & General
6. Brilliance Insurance Brokers (Pvt) Ltd.	01.01.2006 - 31.12.2006	Life & General
7. Cee Lanka Insurance Brokers (Pvt) Ltd.	01.01.2006 - 31.12.2006	Life & General
8. Ceylon Insurance Brokers (Pvt) Ltd.	01.01.2005 - 31.12.2006	Life & General
9. Ceyexxe Insurance Brokers Ltd.	01.01.2006 - 31.12.2006	Life & General
10. CF Insurance Brokers (PVT) Ltd.	03.01.2006 - 31.12.2006	Life & General
11. CFL Insurance Brokers (Pvt) Ltd.	03.10.2006 - 02.10.2007	Life & General
12. Commercial Insurance Brokers (Pvt) Ltd.	01.01.2006 - 31.12.2006	Life & General
13. Delmage Insurance Brokers (Pvt) Ltd.	01.01.2006 - 31.12.2006	Life & General
14. Equity Insurance Brokers (Pvt.) Ltd.	01.01.2006 - 31.12.2006	Life & General
15. Essajee Carimjee & Co. (Pvt) Ltd.	01.01.2006 - 31.12.2006	Life & General
16. Finlay Insurance (Brokers) Ltd.	01.01.2006 - 31.12.2006	Life & General
17. Industrial & Commercial Insurance Brokers (Pte) Ltd.	01.01.2006 - 31.12.2006	Life & General
18. Insurex Insurance Brokers Co. (Pvt) Ltd.	01.01.2006 - 31.12.2006	Life & General
19. Jay Insurance Consultants (Pte) Ltd.	01.01.2006 - 31.12.2006	Life & General
20. JF Insurance Brokers (Pvt) Ltd.	01.01.2006 - 31.12.2006	Life & General
21. Kaido Insurance Brokers (Pvt) Ltd.	22.07.2005 - 21.07.2006	Life & General
22. L. M. & A. Insurance Brokers & Consultants (Pvt) Ltd.	06.02.2006 - 31.12.2006	Life & General
23. Lak Insurance Brokers (Pvt.) Ltd.	01.01.2006 - 31.12.2006	Life & General
24. Lanka ORIX INSURANCE Brokers (Pvt) Ltd.	01.01.2006 - 31.12.2006	Life & General
25. Mackwoods Insurance Brokers (Pvt) Ltd.	05.01.2006 - 31.12.2006	Life & General
26. Maxwell Enterprises Ltd.	01.01.2006 - 31.12.2006	Life & General
27. Oasis Insurance Brokers (Pvt) Ltd.	29.08.2005 - 28.08.2006	Life & General
28. Pragathi Insurance Brokers (Pvt) Ltd.	20.07.2006 - 19.07.2007	Life & General
29. Premier Insurance Brokers (Pvt) Ltd.	25.01.2006 - 31.12.2006	Life & General
30. Protection & Assurance Insurance Brokers (Pvt) Ltd.	01.01.2006 - 31.12.2006	Life & General

Appendix II

Insurance Brokers Registered for the year 2006

31. Protection & Utmost Insurance Brokers (Pvt) Ltd.	01.01.2006 - 31.12.2006	Life & General
32. RO-PA Insurance Brokers (Pvt) Ltd.	01.01.2006 - 31.12.2006	Life & General
33. Senaratne Associates Ltd.	01.01.2006 - 31.12.2006	Life & General
34. Sun Shine Insurance Brokers (Pvt) Ltd.	01.01.2006 - 31.12.2006	Life & General
35. Super Insurance Brokers (Pvt) Ltd.	08.02.2006 - 31.12.2006	Life & General
36. Suriya Insurance Brokers (Pvt) Ltd.	01.01.2006 - 31.12.2006	Life & General
37. United Life & General Assurance Brokers (Pvt) Ltd.	01.01.2006 - 31.12.2006	Life & General
38. United Insurance Brokers (Pvt) Ltd.	01.01.2006 - 31.12.2006	Life & General
39. Veracity Insurance Brokers (Pte) Ltd.	01.01.2006 - 31.12.2006	Life & General
40. Vertec Insurance Brokers (Pvt) Ltd.	04.08.2006 - 31.12.2006	Life & General
41. Victor Emmanuel Insurance Brokers (Pvt) Ltd.	01.01.2006 - 31.12.2006	Life & General
42. Visionwide Insurance Broking & Financial Services (Pvt) Ltd.	01.01.2006 - 31.12.2006	Life & General
43. Volanka Insurance Services (Pvt) Ltd.	01.01.2006 - 31.12.2006	Life & General
44. Zenith Insurance Brokers (Pvt) Ltd.	01.01.2006 - 31.12.2006	Life & General
45. Austasia Insurance Brokers (Pvt) Ltd.	01.01.2006 - 31.12.2006	General
46. DP Insurance Brokers Ltd.	20.01.2006 - 31.12.2006	General
47. Eastern Insurance Consultant (Pvt) Ltd.	04.01.2006 - 31.12.2006	General
48. Hiru Insurance Brokers (Pvt) Ltd.	21.02.2006 - 31.12.2006	General
49. Interbroker (Pvt) Ltd.	02.03.2006 - 31.12.2006	General
50. Kandurata Insurance Brokers (Pvt) Ltd.	23.01.2006 - 08.11.2006	General
51. Koshiha Insurance Brokers (Pvt) Ltd.	04.01.2006 - 31.12.2006	General
52. Mark Lloyd & Co. (Pvt) Ltd.	10.01.2006 - 31.12.2006	General
53. Micro Insurance Brokers (Pvt) Ltd.	01.01.2006 - 31.12.2006	General
54. MLL Insurance Brokers Ltd.	01.01.2006 - 31.12.2006	General
55. Procure Insurance Brokers (Pvt) Ltd.	10.01.2006 - 31.12.2006	General
56. Vanik Insurance Brokers (Pvt) Ltd.	07.04.2006 - 31.12.2006	General

Insurance Board of Sri Lanka

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