

Sri Lanka Insurance Corporation General Limited - 2024

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Sri Lanka Insurance Corporation General Limited (the “Company”) for the year ended 31 December 2024 comprising the statement financial position of as at 31 December 2024 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, 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 provisions of the National Audit Act No. 19 of 2018 .My comments and observations which I consider should be report to Parliament appear in this report. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

I draw attention to Note 39 of the financial statements, which describe the status of segregation process implemented as per the section 53 of the Insurance Regulatory Act No. 3 of 2011 and the status of the administrative process in respect of Sec. 30 of Insurance Industry (Amendment) Act No. 03 of 2011. My opinion is not modified in respect of this matter.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management

determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Company, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company;
- Whether the Company has performed according to its powers, functions and duties; and
- Whether the resources of the Company had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Inappropriate Valuation or Estimation

Audit Issue	Management Comment	Recommendation
<p>a. It was observed that the Company's Fixed Asset Registers including those maintained by branches, contain a considerable number of fully depreciated assets. Despite being fully depreciated, these assets continue to be actively used in business operations. However, no prospective adjustments have been made in the Financial Statements by way of revising useful lives, reassessing residual values, or carrying out revaluation of such assets in accordance with the requirements of LKAS 16 – Property, Plant and Equipment.</p> <p>Following table shows some of those financially significant 'fully depreciated but still in use' assets under their respective asset's classes.</p>	<p>Agree with the Auditors recommendation.</p> <p>The company has successfully completed the bidding process in order to engage a service provider to conduct the assets verification to make sure the physical existence and the condition of assets while allocating to the respective line of business that is life and General. We are currently at the stage of onboarding the selected party. At the asset valuation it will reassess the remaining life time of assets and expected economic benefits of the assets. Then it will provide values for the fully depreciated assets.</p>	<p>It is recommended that the Company assess the value of assets that remain in usable condition, either by determining their current market value or by re-estimating their remaining useful lives, in order to reflect a more accurate value in the Financial Statements.</p>

Assets Class	Num. of Items	Value (Rs.)
Computer & Office Equipment	4886	119,958,053
Furniture & Fittings	18422	81,563,150
Software	16	261,162,915

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue	Management Comment	Recommendation										
<p>a. It was observed that negative balances had been recorded in receivables, specifically in relation to staff loans, agent officer motorcycle loans, and dividend receivables. The following table summarized the negative balances that had been recorded under other receivables.</p> <table border="1"> <thead> <tr> <th>Description</th> <th>Amount (Rs.)</th> </tr> </thead> <tbody> <tr> <td>Shortages in Bank Rec.</td> <td>(482,671)</td> </tr> <tr> <td>Medi 60 Policy Impairment on Other Receivables</td> <td>(1,570,153)</td> </tr> <tr> <td>Initial Stock upload</td> <td>(418,409)</td> </tr> <tr> <td></td> <td>(3,911,811)</td> </tr> </tbody> </table>	Description	Amount (Rs.)	Shortages in Bank Rec.	(482,671)	Medi 60 Policy Impairment on Other Receivables	(1,570,153)	Initial Stock upload	(418,409)		(3,911,811)	<p>Shortages in Bank Rec Rs 482,671/ Still in the process of reconciling the balance and will take necessary action at year end 2025.</p> <p>Initial Stock Upload Rs. (3,911,811/=)</p> <p>This is an opening balance of the stock ledger at the time of SAP Implementation in 2015. Still in the process of reconciling and will take necessary actions at year end 2025.</p> <p>Impairment on other receivable balance of Rs 418,419</p> <p>We observe the balance and recommended to write off.</p> <p>Medi 60 (Rs 1,570,173)</p> <p>The matter is already identified. The amount collected from the policyholders for the initial expenses should be considered as other income and will make the necessary adjustment by year end 2025.</p>	<p>It is recommended that the management should review receivables to ensure that negative balances are legitimate. If these are not legitimate, it is recommended to write off those balances or classify to correct financial statement area.</p>
Description	Amount (Rs.)											
Shortages in Bank Rec.	(482,671)											
Medi 60 Policy Impairment on Other Receivables	(1,570,153)											
Initial Stock upload	(418,409)											
	(3,911,811)											

1.7 Related Parties and Related Party Transactions not disclosed

Audit Issue				Management Comment	Recommendation
<p>a. During the review of related party transactions and balances, it was observed that the closing balances recorded by the Company for the below-mentioned related parties differ from the balances confirmed directly by those related parties through balance confirmations. Furthermore, the Company did not maintain a systematic reconciliation process to investigate and resolve variances in related party balances confirmed by counterparties.</p>				<p>Agree with the auditor's recommendation. we perform quarterly reconciliations for the year 2025. Lanka hospitals corporation and Lanka hospitals Diagnostic are still in progress for the period ending 30th September 2025.</p>	<p>It is recommended that the Company should implement a structured process for periodic reconciliation of related party balances, with timely resolution of discrepancies and proper documentation to strengthen internal controls and reporting reliability.</p>
Description	As per the Closing Description Balance	As per the Confirmation (Rs.)	Difference (Rs.)		
The Lanka Hospitals Corporation PLC	3,894,052	12,657,278	(8,763,226)		
Lanka Hospital Diagnostics (Pvt) Ltd	2,770,972	2,377,273	393,699		
<p>b. During the review of related party transactions, it was observed that the Company did not have a comprehensive and formalized mechanism to identify and monitor such transactions, particularly in relation to insurance premiums, claims, and balances under other assets and liabilities. This weakness increased the risk of omissions or misclassifications and may result in incomplete or inaccurate related party disclosures in the Financial Statements.</p>				<p>Agree with the auditor's comment and with the implementation of new system, we will rectify the matter.</p>	<p>It is recommended that Management should establish a formal mechanism to systematically identify and monitor related party transactions, supported by an up-to-date related party list and integration of identification procedures into relevant systems.</p>

1.8 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
a. Section 3.4 of the Guidelines on Operation Manual.	Under Section 3.4 of the Guidelines on Operational Enterprises, Every SOE should ensure that its Human Resource requirements are properly identified and planned for. Such a plan must identify the vacancies, the new posts to be created and the skills required for the post. It is also required that each SOE has a "Succession Plan". However, it was observed that the Company does not have a Succession Plan.	The succession planning framework has been included in the recruitment and promotion policy which is currently in the drafting stage to be in effect from 2026 onwards. The same fact has been included in the corporate plan 2026 as well.	It is recommended that the Company should develop a formal Succession Plan to ensure leadership continuity, preserve organizational knowledge, support employee growth, and maintain compliance.
b. Section D.5.2 of the Guidelines on Corporate Governance of CA Sri Lanka.	Under Section D.5.2 of the Guidelines on Corporate Governance of CA Sri Lanka, "The board should establish a Related Party Transaction (RPT) Review Committee, consisting of three independent non-executive directors, with a chairman appointed by the board, and meet	The recommendation to establish a Related Party Transactions (RPT) Committee has been noted. The Company is in the process of establishing the Related Party Transaction Review Committee.	It is to recommend to establishing the Related Party Transaction Review Committee as stipulated by the relevant Guideline.

quarterly". However, it was observed that the Company does not have a Related Party Transaction Review Committee.

1.9 Cash Management

Audit Issue	Management Comment	Recommendation
a. It was observed that the Bank of Ceylon A/C no.405035 is in an inoperative status.	The bank account will remain open for the time being, as management has decided to retain it for potential future requirements.	If the bank accounts are not essential, it is recommended to close down such bank accounts with the approval of the board of directors.
b. It was observed that an unidentified credit balances of Rs. 102,636,900 has been recorded under unidentified credits in bank reconciliations.	<p>Unidentified Credits</p> <p>Mainly these unidentified credit balances are reflecting in the bank reconciliation due to the non-availability of the correct policy number or proper identification in the transaction description to credit the deposits to the relevant policy. The finance department must put an additional effort to identify the relevant policy details by coordinating with other departments and it will take additional time for the same. To overcome this issue and for smooth the operation, we have already developed an "Application Programming Interface" (API) system with Commercial Bank and People's Bank and we are planning to extend the same with other banks. We anticipate that the completion of these initiatives will significantly reduce the occurrence of unidentified amounts in bank reconciliations moving forward.</p>	It is recommended to conduct a comprehensive review for identifying the source of the unidentified debits and credits. This involves reviewing the supporting documentation (such as invoices, receipts, bank transfer details) to trace the origins of the transactions to take correct actions.

1.10 IT General Controls

Audit Issue	Management Comment	Recommendation
a. As per Section 11.3.9 of the "Logical Access Control Policy- V2.0", the IT Department is responsible for ensuring that user accounts inactive for 90 days are automatically disabled. However, a recent review of the user list for the Claims1 system revealed the presence of active user accounts that have not been utilized within the specified timeframe, indicating non-compliance with the policy.	System is still under stabilization stage and expect to streamline this as soon as possible. Periodic user policy is done quarterly and last policy review is done in October.	It is recommended for Management to conduct periodic user access reviews to disable inactive accounts in line with the 90-day policy requirement.
b. It was identified that the Company has not implemented privileged user account monitoring across application, database, and operating system layers for critical systems, including SAP, B-Insurance, Claims1, AS400, the HR system, and Workflow Management Systems. This gap was potentially exposing the organization to elevated security and compliance risks due to a lack of oversight over privileged access activities.	Privileged user account monitoring being planned for 2025 with budget approval. Currently AD based privilege is used at certain systems like cognos, WAF, Firewall rules. This will be extended to other systems and A PAM solution is also proposed to be implemented in 2026 to strengthened the privilege access monitoring.	It is recommended that the organization implement a robust monitoring framework for privileged user activities, including periodic reviews of privileged accounts to ensure access rights are appropriate and activities remain legitimate and aligned with business need.
c. As per the Section 4.1.1 of Change Management Procedure V 2.0, all change requests shall be logged, whether approved or rejected, on a standardized and central system. The approval of all change requests and the results thereof shall be documented. However, it was observed that the Company does not have a centralized system to log the change request details, and there is no documented list of changes with the approved or rejected status maintained in the company. Further, it was observed that the change management documentation for the below mentioned changes	ITSM 2000 practice is being rolled out with a new ITSM system, Phase I will be rolled out in December and expect to complete full compliance by Q1, 2026 Manual CR process will be replaced with ITSM workflow.	It is recommended that the company establish a comprehensive change management framework aligned with the approved Change Management Procedure V2.0 to ensure consistency and compliance.

that occurred in the SLIC General Company was not available within the company.

	Change Title
Change Request	
40063	API Requirement Automate Motor Third Party Insurance.
40065	API for Non-Motor New Business receipting and Renewal Receipting

- d. It was observed that the company has not yet achieved full compliance with the requirements of ISO/IEC 27001 – Information Security Management Systems and ISO/IEC 20000 – Service Management. Furthermore, in accordance with the Personal Data Protection Act, No. 9 of 2022, the organization’s readiness to ensure the integrity and confidentiality of personal data being processed through the implementation of appropriate technical and organizational measures such as encryption, anonymization, access controls, or other suitable safeguards remains at an initial stage.
- Planning to implement. It is recommended that the company expedite the implementation of measures to achieve full compliance with ISO/IEC 27001 – Information Security Management Systems and ISO/IEC 20000 – Service Management requirements. In line with the Personal Data Protection Act, No. 9 of 2022, the organization should prioritize the adoption of robust technical and organizational controls such as encryption, access restrictions, and continuous monitoring to ensure the integrity and confidentiality of personal data.

composite organization in 2023 and with the segregation in 2024, it’s imitated again and currently internal audit finding is being fixed and expect to complete external audits and compliance by Dec, 2025.

e. It was observed that the insurance systems which is currently in use does not maintain a comprehensive audit trail to capture critical user activities such as log-ins, data entry, modifications, deletions, and approvals. The absence of such an audit trail weakens accountability, increases the risk of unauthorized changes going undetected, and reduces the reliability of information generated by the system.

Login information captured in some systems. Transaction audit yet to verify. Still in the process of verification.

It is recommended that management configure the system to generate a secure and tamper-proof audit trail that records all significant user activities, and ensure that this audit trail is regularly reviewed and monitored to strengthen accountability and maintain system integrity.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit of Rs. 2,661,338,186 and the corresponding profit in the preceding year amounted to Rs. 14,807,495. Therefore, an improvement amounting to Rs. 2,646,530,691 of the financial result was observed. The reasons for the improvement was the increase in gross written premium by Rs 23,570,648,023 due to segregation of general insurance business.

2.2 Trend Analysis of major Income and Expenditure items

An analysis of the major income and expenditure items for the year under review, compared with the approved budget, along with the corresponding percentage increases or decreases, is presented in the following table.

	Budget	Actual	Variance	Increase/ Decrease
	Rs. 000	Rs. 000	Rs. 000	
Revenue	20,702,863	20,199,038	(503,825)	-2%
Gross written premium	26,743,515	23,570,648	(3,172,867)	-12%
Net earned premium	17,793,502	16,561,097	(1,232,405)	-7%
Investment income	2,547,980	3,987,625	1,439,645	57%
Other income	361,381	70,123	291,258	-80%
Total Other income	2,909,361	3,637,941	728,580	25%
Net benefits and claims paid	(10,049,335)	(9,482,391)	566,944	6%
Underwriting and net acquisition costs	(775,083)	(221,274)	553,809	71%
Other operating and administrative expenses	(8,231,834)	(6,922,050)	1,309,784	16%
Income tax expense	(246,992)	(911,985)	(664,993)	-296%
Net Profit for the year	1,399,619	2,661,338	1,261,719	90%

2.3 Ratio Analysis

The key ratios of the Company calculated for current year are given in the following table.

Company Specific Ratios	2024
Retention Ratio	70%
Claim ratio	57%
Expense Ratio	43%
Combined ratio	100%
Profitability Ratio	13%
ROA	7%
ROE	12%
Investment Yield	11%
Financial Assets to Total Assets	94%
Net Profit Ratio	16%
EPS	2.07
Net Assets Per Share	15.70
Market Share	19.40%

- a) The combined ratio of 100 percent indicates that underwriting operations leaving no margin for underwriting profit. This implies that premium income is only sufficient to cover claims and expenses, without generating any surplus.
- b) The expense ratio of 43 percent is relatively high and represents elevated operating expenses point to inefficiencies in cost management, which may adversely impact on long-term competitiveness.
- c) The company has achieved a profitability ratio of 13 percent and a net profit ratio of 16 percent, primarily driven by investment performance rather than insurance operations. An investment yield of 11 percent and the fact that 94 percent of total assets are held in financial instruments indicate a significant reliance on investment income to sustain overall profitability.

3. Operational Review

3.1 Identified Losses

Audit Issue	Management Comment	Recommendation
a. According to the established operational guidelines, all cash collections from the previous day are required to be deposited before 10.00 a.m. of the following day. It was observed	The complaint is currently under investigation, and all necessary documents have been submitted to the police. In addition, the company	It is recommended that management should reinforce adherence to cash handling and deposit procedures across all branches, enhance monitoring controls to prevent frauds, and

that an amount of Rs.5,199,233 has implemented following ensure timely accountability (comprising Rs. 229,900 from Life preventing Actions to mitigate for any future events. Insurance and Rs. 4,970,223 from the risk of further losses.

General Insurance) collected at the • A system has been Maharagama branch had not been introduced to generate deposited in accordance with the said vouchers that must exactly guidelines and fraud has occurred. A correspond to the total receipt full investigation was carried out, and value issued during the day. the Disciplinary Board determined The system restricts voucher generation if any discrepancy exists between the voucher amount and the daily receipt recovery of the loss from the Cashier value. and the initiation of appropriate legal action. However, no information or • A verification supporting documentation was made system has been available to the audit regarding the implemented in status of the recovery process of the collaboration with People's Bank (the collecting bank) to ensure that the voucher value matches the actual cash deposited. For verification purposes, the SLICGL database has been integrated with the bank's system. In the event of any discrepancy between the voucher amount and the physical cash deposit, the bank will not accept the deposit.

• Accordingly, the above two steps are interdependent, and if the receipt issuing amount does not reconcile, the bank will not accept the deposit. Furthermore, if the cashier fails to generate a voucher on the same day for the daily collections, the system will automatically restrict operations for the following day. In such instances, the cashier must request the

Head Office to unlock the system with the approval of the Branch Manager. Additionally, there is a voucher authorization step required to complete the transaction. At this stage, the Branch Manager is advised to verify the daily receipt amount, the corresponding voucher amount, and the deposit amount. In the event of any discrepancy, the Branch Manager is not permitted to authorize the voucher, which will result in the system being blocked. If the system remains blocked due to non-authorization of the voucher within three working days, the Branch Manager must request the Head Office to unlock the system with the approval of the Regional Manager.

3.2 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
<p>a. It was observed that, the ownership of certain motor vehicles transferred physically from Sri Lanka Insurance Corporation (SLIC) has not been legally transferred to the Company. According to the scheme of arrangement established by management for the segregation process, motor vehicles were to be allocated to the Sri Lanka Insurance Corporation Life Limited (SLICLL) and to the Company</p>	<p>Agree with the Auditor's comment. Company is in the process of transferring the vehicle ownership to Sri Lanka Insurance Corporation General Ltd.</p>	<p>It is recommended to ensure the immediate transfer of motor vehicle ownership to the Company as per the segregation plan to ensure updated financial records to reflect the correct ownership, reallocate depreciation expenses accurately, comply with regulatory requirements and conduct an internal review to confirm all assets' legal</p>

based on their requirements and the allocations were finalized during the segregation process. However, as per the latest Fixed Asset Register (FAR) and vehicle registration related documents, these vehicles have not been transferred to the Company. Since all the motor vehicles have not been transferred, the total written down value of the motor vehicles was recorded as 276 Million. However, as per the latest available information, board directions have been received to the company and the discussions have been carried out with the SLICLL and the Commissioner of Department of Motor Traffic. Further, the Company has requested for an extension from the Insurance Regulatory Commission of Sri Lanka (IRCSL), as certain administrative matters including administrative name change related to the segregation are still ongoing and being addressed as part of the broader post-segregation implementation and in the process of receiving a written response from IRCSL. Accordingly, due to these ongoing operational and administrative challenges, a potential non-compliance related to administrative procedures under Section 30 of the Insurance Industry (Amendment) Act No. 3 of 2011 has been observed.

ownership transfers are completed as per scheme of arrangement of segregation.

3.3 Operational Inefficiencies

Audit Issue

It was observed that the Company is maintaining their bordereaux database & facultative register in manual excel versions. A separate system is not available to maintain those databases. The amount appeared in relevant A/Cs are given below.

Description	Amount (Rs)
Premium Ceded to Reinsurers / Q/S	255,127,864
Premium Ceded to Reinsurers / Treaty	435,536,513
Premium Ceded to Reinsurers / Facultative	2,898,428,437
Total	3,589,092,814

Management Comment

currently the property module is being developed by the IT Team. At the moment it is being prepared for initial testing/demo prior to introduce the same to live operation. Once it operates in the live environment, we'll be able to obtain Boardux for property insurance. Other classes will follow module by module.

Recommendation

It is recommended to communicate these matters to the management and get assistance to maintain the database through the system.

- a. According to Section 6.7 of the Guidelines on the Operational Manual for State-Owned Enterprises, annual verification of fixed assets and stores is mandated. Notwithstanding this requirement, the verification process has revealed multiple discrepancies. The assessment conducted by an external party identified significant variances dating from 2018 onwards. Moreover, the fixed asset verification carried out in 2023 indicates that certain assets remain unmatched and require further examination to reconcile into the records.

Details are given below:

Management has already planned asset verification for the FY 2025. Further the existence of assets and their condition will be confirmed by the selected vendor and any discrepancies raised can be adjusted for the year end accounts. Furthermore, the company has successfully completed the bidding process to appoint a service provider for the 2025 asset verification and is currently in the process of onboarding the selected vendor.

It is recommended that the unmatched assets be promptly investigated, discrepancies reconciled, and strengthened controls be implemented to ensure accurate and timely verification of fixed assets and stores on annual basis.

Asset Class	No. of Assets	Value (Rs.) as at 11.12.2018
Computer Equipment	716	2,037,364
Office Equipment	321	747,767
Canteen Equipment	41	23,544
Intercom Equipment	233	23,544
Publicity Equipment	41	301
Security Equipment	85	97,653
Fire Extinguishers	120	1,971,789
Name Boards	6	173,425
Electric Generator	69	616,259
Air Condition Plant	3134	10,900,625
Furniture & Fittings	203	151,795
Electric Fixtures	41970	16,720,520
	46939	33,464,586

<p>b. Review of the Marketing Division of the Company revealed significant weaknesses in budget utilization, strategic execution, and compliance. Despite being allocated Rs. 158.37 million for 2024, only 33 per cent of the budget was utilized, leaving critical activities such as market research and promotional campaigns being largely unexecuted. This underutilization has contributed to poor outcomes, including a renewal rate of just 63 per cent against the 90 per cent target and declines in direct and promotional business channels, increasing reliance on brokers and organizers and thereby creating concentration risk. Furthermore, premium income through bancassurance (BANCA) and alternative distribution channels fell by 11 per cent, with notable drops in bancassurance and postal insurance,</p>	<p>The BANC and Alternative Channels comprise four sub-channels, namely the Finance Business Division (FBD), Bancassurance, Postal Unit, and Special Projects Unit. The Special Projects Unit reported a positive growth of 4.4% by the end of 2024 compared to 2023. In contrast, the Postal Insurance channel recorded a negative growth of 21.5% by end of 2024 compared to 2023. The management has identified the underlying issues affecting the Postal channel and deployed new strategies to recap the business with some form</p>	<p>It is recommended that company need to strengthen its marketing operations by ensuring effective utilization of allocated budgets, timely execution of planned initiatives, and establishment of performance monitoring mechanisms.</p>
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while heavy dependence on personal lines (62% of total premiums) indicates limited diversification. Collectively, these issues point to systemic gaps in planning, execution and requiring immediate corrective action to strengthen the marketing function of the Company.

of digital initiatives. The Bancassurance channel reported a negative growth of 9.1% by the end of 2024 compared to 2023. However, following the implementation of several strategic initiatives, a significant improvement was observed, with the channel achieving a growth rate of 26.7% as of 31st October 2025.

The Finance Business Division (FBD) recorded a negative growth of 21.9% by the end of 2024 compared to 2023. This decline was primarily due to a target transfer from FBD to CBD during mid-2023, under which nine companies, amounting to Rs. 153 million, were transferred. This transfer directly impacted the growth performance of 2024. As of October 2025, FBD has recorded a cumulative growth of 24.8%.

Furthermore, the restrictions on vehicle imports also contributed to the slowdown in business during that period 2024. With the removal of import restrictions, the recovery of market conditions, and the Implementation of Effective business strategies there is a positive 3% growth in overall Banc Assurance

and Alternative channels
as at 31st October 2025.

3.4 Delays in Projects or Capital Work

Audit Issue	Management Comment	Recommendation
<p>a. SLFRS 17 - Insurance Contracts will become effective for annual reporting periods beginning on or after 1 January 2026, in line with the Sri Lanka Accounting Standards and the implementation timelines issued by CA Sri Lanka. This standard introduces fundamental changes to the recognition, measurement, presentation, and disclosure of insurance contracts, necessitating comprehensive enhancements to systems, processes, and reporting frameworks.</p> <p>It was observed that the SLFRS 17 implementation process is being carried out with the involvement of an external consultant, the in-house actuarial function, external actuaries, the IT team, and finance personnel. However, it was observed that a critical milestone in the transition process such as procurement of a system to facilitate migration to the new reporting requirements remains outstanding.</p>	<p>BDO Partners, the company's current external auditor, were appointed in June 2025 to carry out the IFRS 17 review engagement for SLICGL. The company is currently reviewing the position papers prepared by Deloitte with the support of BDO Partners, and sign-off on these papers is expected within the next few months.</p> <p>Following the evaluation process, KPMG was selected in August 2025 as the system vendor and implementation partner for the SLFRS 17 project (Software is IRIS). Initial implementation activities have commenced, including data flow mapping, analysis of cash flow collection processes, and review of the company's Chart of Accounts (COA).</p> <p>However, the system selection process took longer than initially anticipated, resulting in delays in the overall project timeline. Given that the system implementation phase itself requires approximately nine months for completion, the project deliverables have been correspondingly adjusted.</p> <p>Accordingly, while SLFRS 17 will be adopted for financial reporting with effect from 1 January 2026, the full system automation and integration are now targeted to be finalized by September 2026. These two dates represent distinct aspects of the implementation process—</p>	<p>It is recommended that Management closely monitor the SLFRS 17 implementation through a structured roadmap with defined timelines, adequate resourcing, and effective oversight. System changes and data validation should be completed well ahead of the effective date, with regular updates on progress, challenges, and dependencies communicated to relevant stakeholders and governance bodies.</p>

regulatory compliance versus full system readiness.

SLICGL remains committed to completing the implementation at the earliest possible date and will continue to provide regular updates to the IRCSL and other relevant stakeholders on project progress. The company also intends to retain its primary consultants for post-implementation support until the first annual report under SLFRS 17 is finalized and published

3.5 Human Resources Management

Audit Issue	Management Comment	Recommendation
a. It was observed that the employee cadre of the Company has not been updated, and the management is still making decisions using the cadre approved in 2019/2020.	After the segregation, the Corporate Management is reviewing the organizational structure internally to finalize the appropriate carder for the SLICGL.	It is recommended to revisit the employee carder in line with the improvement in technology and complying with the actual cadre requirement.