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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

INF/B/03/NITF/AR/2024

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

11 February 2026

Chairperson
National Insurance Trust Fund Board

AGM / F.
MGR / F.
Asst Mgr / F.
Pl. obtain observations from the relevant Dept & forward.
20/2/26

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the National Insurance Trust Fund Board for the year ended 31 December 2024 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial statements

1.1 Qualified Opinion

The audit of the financial statements of the National Insurance Trust Fund Board (the "Board") for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of comprehensive income, statement of changes in equity and cash flow statement 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 and Finance Act No. 38 of 1971. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Board 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 Qualified Opinion

1.2.1 Internal Control over the preparation of financial statements

(i) It was observed that the Reinsurance Department records premium income directly in the accounting system, while claim payments are processed through a separate, non-integrated system. At present, there is no centralized or integrated platform to consolidate all reinsurance policy related information. Furthermore, claim data are maintained in Excel spreadsheets and are manually shared with the Accounting Department for the preparation of financial statements. The reliance on manual data processing and the absence of an automated system integrated with the General Ledger have increased the risk of incompleteness in recognition of reinsurance income and claims due to data inconsistencies, errors, and delays.

(ii) Gross Written Premiums – Strike, Riot, Civil Commotion (SRCC)

It was observed that the Board does not have adequate procedures in place to verify whether all premiums due under Strike, Riot, and Civil Commotion (SRCC) co-insurance arrangements are being accurately and consistently received from the respective insurance companies. Under SRCC co-insurance arrangements, the primary insurer does not remit the full premium to the Board and instead, each co-insurer is required to directly remit its respective portion of the premium. However, the Board has not established a mechanism to confirm whether these co-insurers have actually remitted the relevant amounts.

1.2.2 Non-Compliance with Sri Lanka Accounting Standards.

(i) In accordance with paragraph 29 of LKAS 16 Property, Plant and Equipment, when the revaluation model is applied, the entire asset class must be revalued, not selected assets. Further, paragraph 13 of LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors requires consistent application of accounting policies across the entity. However, the Board revalued only the motor vehicles of the NITF unit as at 31 December 2024, while the motor vehicle of the SRCC unit, valued at Rs. 3,000,000, was excluded. This selective treatment results in inconsistent accounting treatment for the same asset class and constitutes non-compliance with the applicable financial reporting standards.

(ii) It was observed that the Board had not complied with paragraph 51 of LKAS 16 Property, Plant and Equipment, which requires entities to review the residual values and useful lives of assets at each financial year end and account for any changes in accordance with LKAS 8. However, the fully depreciated assets of the Board which are still in use, with a total cost of Rs.28,298,490 had not been subjected to such review.

The disclosure made on fully depreciated assets still in use includes motor vehicles with a total cost of Rs. 5,925,000. However, it was observed that no such motor vehicles exist in the Board's asset base following the revaluation made on 31 December 2024.

- (iii) According to the paragraph 3 of ICASL Guidelines on Property, Plant and Equipment (PPE) and Biological Asset Valuation, entities that are not classified as SMEs must engage external valuers who possess the required professional qualifications such as membership in the Institute of Valuers of Sri Lanka (IVSL) or the Royal Institution of Chartered Surveyors (RICS) as well as demonstrable expertise and experience in valuing the relevant asset class. Further, the guidelines require entities to maintain adequate documentation to confirm the valuer's credentials, independence, and formal appointment. In contrast to that, the relevant information of the valuer who carried out the revaluation of motor vehicles of the Board as at 31 December 2024 had not been maintained to confirm the valuer's professional eligibility.

1.2.3 Accounting Policies

- (i) The Board does not maintain an adequate and reliable database to accurately identify the number of members under the different Agrahara schemes. As per the Board, although it has introduced the Agrahara Web Portal, which is linked to the government payroll system, several institutions do not upload remittance data despite having made the payments. Although Note 4 to the financial statements for the year ended 31 December 2024 disclose that revenue is recognized on an accrual basis, in practice, NITF recognizes contributions on a cash basis based on the actual contribution made directly to the Bank or via Sri Lanka Inter Bank Payment System and subsequently adjusts the income by adding payments received up to predetermined cut-off dates in the subsequent period. Due to the absence of an accurate member database, premium income and relevant receivables can not be reliably measured.

1.2.4 Accounting Deficiencies

- (i) Premium Receivable –Agrahara Medical Insurance Scheme

It was observed that the premium receivable balances for the Agrahara, Semi Agrahara, and Pension Agrahara Schemes for the year ended 31 December 2024 were recorded based on partial collections received up to predetermined cut off dates during the year 2025 through methods other than SLIPS. The Entity does not have a proper cut-off mechanism in place, and as a result, only a portion of the amounts due were recognized, as premium receivable as at 31 December 2024.

- (ii) In line with the Board's accounting policy for recognizing Gross Written Premium (GWP) on proportional treaties, the GWP for a given year comprises the GWP from the fourth quarter of the preceding year as well as the GWP from the first to third quarters of the reporting year. However, due to the omission of three invoices totaling Rs. 57,207,331, both the Gross Written Premium income from proportional treaties and the corresponding receivable balance have been understated by the same amount.
- (iii) Deficiencies relating to Income Tax, VAT, WHT and Advanced Personal Tax (APIT)
- a) Under Section 22(3) of the Value Added Tax Act No. 14 of 2002, if a registered person uses goods or services, or imports goods, partly for taxable activities and partly for other purposes, only the portion of tax attributable to the taxable activities (excluding tax under Chapter III A) can be claimed as input tax.
However, the Board has not complied with the provisions of the above section and has failed to properly apportion the input VAT amounting to Rs.1,119,675,365 between the taxable (liable) supplies and exempt supplies.
- b) Paragraph 4 of Circular SEC/2023/02 states that the directives in items 3(b) and 3(c) of Circular SEC/2023/E/02 apply only to public officers under Public Administration Circulars and are not applicable to entities such as Government Corporations, Statutory Boards, Government-Owned Companies, Commissions, and institutions established by specific Acts.

The National Insurance Trust Fund, established under the National Insurance Trust Fund Act No. 28 of 2006, falls within this category. Therefore, items 3(b) and 3(c) of Circular No. SEC/2023/E/02 are not applicable to the Fund. However, it was observed that the Board has applied the said circular and considered only one-fourth (1/4) of the fuel allowance in the computation of Advance Personal Income Tax (APIT).

1.2.5 Un-reconciled Control Accounts or Records

A difference of Rs.14,362,127 was observed between the amount recorded in general ledger and the schedule maintained by the reinsurance department relating to the reinsurance premium receivable balance.

1.2.6 Documentary Evidences not made available for Audit

- (i) Based on the selected sample of contributions from members, it was observed that contribution income amounting to Rs. 19,566,525 has been recognized in the financial statements without adequate supporting documentation to verify the details of the respective contributors.
- (ii) It was observed that the financial statements of the Board for the year ended 31 December 2024 includes reinsurance receivable balance amounting to Rs. 1,417,548,336 relating to Retrocession and Rs. 19,993,473 relating to NNDIS. However, no supporting documents or evidence were made available to verify the existence of these balances.
- (iii) It was observed that the financial statements of the Board for the year ended 31 December 2024 disclosed reinsurance premium payable balances amounting to Rs. 826,018,990 relating to Retrocession. In addition, a balance of Rs. 3,502,439 was payable to SRCC as reinsurance premium. However, no supporting documents or evidence were made available to verify these payable balances.

1.3 Other information included in the Board's 2024 Annual Report

The other information comprises the information included in the Board's 2024 Annual Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Board's 2024 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

1.4 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 Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Board 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 Board.

1.5 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 scepticism 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 Board'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 Board'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 Board 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.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

- 2.1 National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.
- 2.1.1 Except for the effects of the matters described in the basis for Qualified Opinion section of my report, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Board as per the requirement section 12 (a) of the National Audit Act, No. 19 of 2018.
- 2.1.2 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- 2.1.3 The financial statements presented includes all the recommendations made by me in the previous year except the matters described under 1.2 in the basis for Qualified Opinion section of my report as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

- 2.2 Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;
- 2.2.1 to state that any member of the governing body of the Board has any direct or indirect interest in any contract entered into by the Board which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.
- 2.2.2 to state that the Board has not complied with any applicable written law, general and special directions issued by the governing body of the Board as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018 except for the matters described under paragraph 1.2.6 of this report;
- 2.2.3 to state that the Board has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018,
- 2.2.4 To state that the resources of the Board had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.


L.S.I Jayaratna
Auditor General

NATIONAL INSURANCE TRUST FUND BOARD

STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31st December 2024

| | | 2024 | 2023 |
|--|-----------|-------------------------|-------------------------|
| | | | (Restated) |
| | Notes | Rs. | Rs. |
| Revenue | 3 | 33,609,204,727 | 28,871,681,634 |
| Gross written premiums | 4 | 22,721,742,822 | 12,186,539,871 |
| Contribution received for Agrahara | 4.1 | 6,931,620,772 | 6,861,077,439 |
| Crop insurance levy collected | 4.2 | 3,807,483,957 | 3,114,927,721 |
| Reinsurance premiums ceded | 5 | (717,221,156) | 6,707,708 |
| Net written premiums | | 32,743,626,394 | 22,169,252,739 |
| Net change in reserve for unearned premium | 6 | (5,535,259,460) | (476,271,792) |
| Reinsurers share of change in UPR | 7 | 710,775,503 | (100,748,210) |
| Net earned premium | | 27,919,142,438 | 21,592,232,737 |
| Revenue from other operations | | | |
| Fees and commission income | 8 | 1,369,902 | 1,349,912 |
| Investment & other income | 9 | 5,632,025,289 | 7,334,766,082 |
| Other revenue | | 5,633,395,192 | 7,336,115,994 |
| Gross benefits and claims Incurred | 10 (a) | (9,373,092,533) | (10,358,155,039) |
| Claims ceded to reinsurers | 10 (b) | - | (452,855,860) |
| Gross change in contract liabilities | 10 (c) | (72,851,826) | 98,144,877 |
| Change in contract liabilities ceded to reinsurers | 10 (d) | (104,496,839) | - |
| Gross change in IBNR | 10 (e) | (1,376,301,135) | (1,197,669,565) |
| Net benefits and claims | | (10,926,742,333) | (11,910,535,587) |
| Underwriting and acquisition cost (including reinsuran | 11 | (4,104,626,368) | (1,901,780,800) |
| Other operating and administrative expenses | 12 | (2,405,280,336) | (2,079,700,754) |
| Finance cost & other related cost | 13 | (12,288,216) | (5,013,656) |
| Total benefits, claims and other expenses | | (17,448,937,254) | (15,897,030,797) |
| Profit/(Loss) before tax | 14 | 16,103,600,376 | 13,031,317,934 |
| Income tax | | (5,867,705,328) | (4,977,397,379) |
| Deferred tax | | 20,198,897 | (13,040,500) |
| Income tax expenses | 15 | (5,847,506,431) | (4,990,437,879) |
| Profit/(Loss) After tax for the year | | 10,256,093,945 | 8,040,880,055 |
| Other Comprehensive Income | | | |
| Net change in available for sale financial assets | | 409,202,019 | 2,663,729,759 |
| Actual gain/(loss) on retirement benefit obligation | | (14,680,430) | (38,243,327) |
| Revaluation gain on property plant & equipment | | 14,830,000 | |
| Deferred tax effect on above | | 7,068,869 | (3,525,253) |
| Other comprehensive income for the year, net of tax | | | |
| Total Comprehensive Income | | 10,672,514,403 | 10,662,841,234 |

NATIONAL INSURANCE TRUST FUND BOARD
STATEMENT OF FINANCIAL POSITION

As At 31st December 2024

| | Notes | 2024 Rs. | 2023 Rs. |
|-------------------------------------|-------|-----------------------|-----------------------|
| Assets | | | |
| Intangible assets | 16 | - | 4,937,043 |
| Property, plant and equipment | 17 | 95,590,377 | 42,143,012 |
| Right of use lease assets | 18 | 80,744,996 | 98,629,532 |
| Deferred tax assets | 19 | 2,535,474 | - |
| Financial assets | 20 | 57,223,447,821 | 43,283,419,678 |
| Reinsurance receivable | 21 | 930,200,984 | 1,552,036,536 |
| Premium receivables | 22 | 6,746,001,998 | 6,152,572,647 |
| Surcharge tax receivable | 23 | - | 1,196,274,044 |
| Soft loans | 24 | 1,000,785 | 1,730,785 |
| Other non financial assets | 25 | 170,205,571 | 133,539,704 |
| Deferred commission | 26 | 2,958,349,605 | 819,635,744 |
| Cash at bank and in hand | 27 | 1,870,469,738 | 1,257,506,630 |
| Total Assets | | 70,078,547,349 | 54,543,025,354 |
| Equity and Liabilities | | | |
| Accumilated fund-NITF | 28 | 4,865,877,848 | 1,990,607,514 |
| Other component of equity | 29 | 110,704,160 | (283,817,429) |
| Revaluation reserve | 30 | 12,727,874 | (2,102,126) |
| Accumilated fund-SRCC | 31 | 29,935,091,455 | 26,480,436,714 |
| Total Equity | | 34,924,401,337 | 28,185,124,672 |
| Liabilities | | | |
| Insurance contract liabilities | 32 | 26,872,410,565 | 20,598,773,647 |
| Retirement benefit obligation | 33 | 75,731,214 | 52,969,759 |
| Deferred tax | 34 | - | 10,594,554 |
| Lease creditor | 35 | 71,529,672 | 89,502,202 |
| Income tax liability | 36 | 4,596,258,847 | 3,585,233,095 |
| Other liabilities | 37 | 3,538,215,715 | 2,011,212,601 |
| Bank overdraft | 38 | - | 9,614,823 |
| Total Liabilities | | 35,154,146,012 | 26,357,900,681 |
| Total Equity and Liabilities | | 70,078,547,349 | 54,543,025,354 |


 H.A.N.S. Kumara

Chief Financial Officer (Acting)
 Assistant General Manager - Finance


 L.A.G.N. Liyanarachchi

Chief Executive Officer

The Accounting policies and Notes on pages 5 to 67 form an integral parts of these Financial Statements. The Board of Directors are responsible for the Preparation and Presentation of Financial Statements. These Financial Statements were approved by the Board of Directors and signed on their behalf.


 Chairman


 Director

17-Nov-25
 Colombo

NATIONAL INSURANCE TRUST FUND BOARD

Statement Of Changes in Equity

As At 31st December 2024

| | 2023 | | | | | Total |
|---|-------------------------|----------------------|---------------------|-----------------------|-------------------|-----------------------|
| | Accumulated Fund - NITF | AFS Reserve | Revaluation Reserve | SRCC Fund | Retained Earnings | |
| Balance as at 01.01.2023 | (506,673,928) | (2,909,303,861) | (2,102,126) | 22,146,747,594 | - | 18,728,667,679 |
| Impact to the statement of financial position as at December 31,2023 due to restatement adjustments | 804,449,296 | | | (17,884,044) | | 786,565,252 |
| Restated balance as at 01.01.2023 | 297,775,369 | (2,909,303,861) | (2,102,126) | 22,128,863,551 | | 19,515,232,931 |
| Profit for the year | | | | | 6,545,895,266 | 6,545,895,266 |
| Transfer to accumulated fund | 201,715,783 | | | 6,344,179,482 | (6,545,895,266) | - |
| Actuarial (gain)/loss on gratuity valuation | | (38,243,327) | | | | (38,243,327) |
| Net change in available for sale financial assets | | 2,663,729,759 | | | | 2,663,729,759 |
| Deferred tax | | | | (19,420,743) | | (19,420,743) |
| Cash transferred to the consolidated fund | | | | (2,600,000,000) | | (2,600,000,000) |
| | <u>499,491,152</u> | <u>(283,817,429)</u> | <u>(2,102,126)</u> | <u>25,853,622,290</u> | <u>-</u> | <u>26,067,193,887</u> |

| | Note | 2024 | | | | | Total |
|---|------|-------------------------|--------------------|---------------------|-----------------------|-------------------|-----------------------|
| | | Accumulated Fund - NITF | AFS Reserve | Revaluation Reserve | SRCC Fund | Retained Earnings | |
| Balance as at 01.01.2024 | | 499,491,152 | (283,817,429) | (2,102,126) | 25,853,622,290 | - | 26,067,193,887 |
| Impact to the statement of financial position as at December 31,2023 due to restatement adjustments | 40 | 1,491,116,362 | | | 626,814,424 | | 2,117,930,786 |
| Restated balance as at 01.01.2024 | | 1,990,607,514 | (283,817,429) | (2,102,126) | 26,480,436,714 | - | 28,185,124,672 |
| Profit for the year | | | | | | 10,256,093,945 | 10,256,093,945 |
| Transfer to accumulated fund | | 2,875,270,335 | | | 7,380,823,611 | (10,256,093,945) | - |
| Actuarial (gain)/loss on gratuity valuation | | | (14,680,430) | | | | (14,680,430) |
| Net change in available for sale financial assets | | | 409,202,019 | | | | 409,202,019 |
| Revaluation Reserve | | | | 14,830,000 | | | 14,830,000 |
| Deferred tax | | | | | (7,068,869) | | (7,068,869) |
| Cash transferred to the consolidated fund | | | | | (3,919,100,000) | | (3,919,100,000) |
| | | <u>4,865,877,848</u> | <u>110,704,160</u> | <u>12,727,874</u> | <u>29,935,091,455</u> | <u>-</u> | <u>34,924,401,337</u> |

NATIONAL INSURANCE TRUST FUND BOARD

CASH FLOW STATEMENT

For the period ended 31st December 2024

| | | 2024 | 2023 |
|--|----------|-----------------------|-----------------------|
| | Note | Rs. | Rs. |
| Cash Flows from Operating Activities | | | |
| Profit Before Tax | | 16,103,600,376 | 13,031,317,934 |
| Adjustments for : | | | |
| Depreciation of Property, Plant & Equipment | | 7,266,237 | 6,736,146 |
| Interest Income Distress loan & Savings Accounts | 9.4 | (43,353,231) | (21,664,344) |
| Amortisation of Intangible assets | 12 | 4,937,043 | 7,316,324 |
| Lease Expenses | 13 | 11,433,820 | 4,198,682 |
| Net Depreciation of Right of Use Assets | 18 | 55,621,214 | 34,075,707 |
| Gratuity provision | 12.1 | 12,040,842 | 5,879,234 |
| | | 16,151,546,302 | 13,067,859,684 |
| Change in Operating Assets | A | (2,146,973,528) | 1,359,304,331 |
| Change in Operating Liabilities | B | 7,800,640,031 | 1,664,865,272 |
| Cash Flow from Operating Activities | | 21,805,212,805 | 16,092,029,287 |
| Gratuity Paid | 33.2 | (3,959,817) | (1,857,058) |
| Income Tax Paid | | (3,660,405,532) | (3,147,262,129) |
| Net Cash Generated from Operating Activities | | 18,140,847,455 | 12,942,910,100 |
| Cash Flows from Investing Activities | | | |
| Acquisition of Financial Investments | | (13,940,028,143) | (13,722,779,470) |
| Net Fair Value Changes in AFS Financial Assets | | 409,202,019 | 2,663,729,759 |
| Interest Income Distress loan & Savings Accounts | | 43,353,231 | 21,664,344 |
| Recovery of Soft Loans | | 730,000 | 977,977 |
| Acquisition of Property, Plant and Equipment | 17 | (45,283,602) | (17,730,556) |
| Acquisition of Right of Use Lease assets | 18 | (37,736,678) | (102,760,616) |
| Net Cash Used from Investing Activities | | (13,569,763,174) | (11,156,898,562) |
| Cash Flows from Financing Activities | | | |
| Payment of Lease Interest | 13 | (11,433,820) | (4,198,682) |
| Acquisition/(Settlement) of Lease Rentals | | (17,972,531) | 46,622,407 |
| Cash Transferred to the Consolidated Fund | | (3,919,100,000) | (2,600,000,000) |
| Net Cash Used in Financing Activities | | (3,948,506,351) | (2,557,576,274) |
| Net Increase / (Decrease) in Cash and Cash Equivalents | C | 622,577,931 | (171,564,737) |
| Net Cash and Cash Equivalents at the beginning of the Year | | 1,247,891,807 | 1,419,456,545 |
| Cash and Cash Equivalents at the end of the Year | | 1,870,469,738 | 1,247,891,808 |

Notes to the Cash Flow Statement

| | | | |
|---|--|-----------------|---------------|
| A. Change in Operating Assets | | | |
| (Increase)/ Decrease in Deferred Commission | | (2,138,713,861) | 20,860,366 |
| (Increase)/ Decrease in reinsurance premium receivable | | 621,835,552 | 1,566,239,647 |
| (Increase)/ Decrease in Premium Receivable | | (593,429,351) | (323,013,383) |
| (Increase)/ Decrease in Other Non Financial Assets | | (36,665,867) | 95,217,702 |
| Net Change in Operating Assets | | (2,146,973,528) | 1,359,304,331 |
| B. Change in Operating Liabilities | | | |
| Increase / (Decrease) in Insurance Contract Liabilities | | 6,273,636,917 | 1,676,544,690 |
| Increase / (Decrease) in Other liabilities | | 1,527,003,113 | (11,679,418) |
| Net Change in Operating Liabilities | | 7,800,640,031 | 1,664,865,272 |
| C. Increase / (Decrease) in Cash and Cash Equivalents | | | |
| Cash and Cash Equivalents at the end of the Year | | 2,015,846,950 | 1,124,294,784 |
| Net Increase / (Decrease) of the cash effect of Exchange Rate Changes | | (145,377,212) | 123,597,023 |
| Net Cash and Cash Equivalents at the end of the Year | | 1,870,469,738 | 1,247,891,807 |
| Less: Cash and Cash Equivalents at the beginning of the Year | | 1,124,294,784 | 993,558,383 |
| Net Increase / (Decrease) of the cash effect of Exchange Rate Changes | | 123,597,023 | 425,898,162 |
| Net Cash and Cash Equivalents at the beginning of the Year | | 1,247,891,807 | 1,419,456,545 |
| Net Increase / (Decrease) in Cash and Cash Equivalents | | 622,577,931 | (171,564,738) |

NATIONAL INSURANCE TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2024

1. CORPORATE INFORMATION

1.1 Reporting Entity

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

1.2 Parent Entity and Ultimate Parent Entity

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

1.3 Principal Activities and Nature of Operations

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

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

1.4 Responsibility for Financial Statements

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

1.5 Number of Employees

The staff strength of The Board as at 31st December 2024 was 291 (2023 – 261).

1.6 Approval of financial statements by the Board of Directors

The revised financial statements of the board for the year ended December 2024 were approved and authorized to issue on 17.11.2025 in accordance with the resolution of the Board of Directors on 17.11.2025 These resubmitted financial statements were originally submitted on 28.02.2025.

NATIONAL INSURANCE TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2024

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

The financial statements have been prepared, unless otherwise stated, in accordance with Sri Lanka Accounting Standards, promulgated by the Institute of Chartered Accountants of Sri Lanka (CA- Sri Lanka) and comply with the requirements of the Regulation of Insurance Industry Act No. 43 of 2000 with the amendment Act No 23 of 2017.

The Financial Statements include the following components:

- A Statement of Financial Position providing the information on the financial position of the Board (page 2).
- A Statement of Comprehensive Income providing the information on the financial performance of the Board for the year under review. (page 1)
- A Statement of Changes in Equity depicting all changes in equity. (page 3)
- A Statement of Cash Flows providing the information to the users, on the ability of the Board to generate cash and cash equivalents and utilization of those cash flows (page 4) and
- Notes to the financial statements comprising accounting policies and other explanatory information (page 5 to 67).

2.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost unless otherwise specifically disclose in the subsequent notes to the financial statements.

2.3 Presentation of Financial Statements

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

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

2.4 Functional and presentation currency

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

NATIONAL INSUARANCE TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2024

2.5 Materiality and Aggregation

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

2.6 Reporting Period

The reporting period is from January to December 2024. Where appropriate, the accounting policies have been explained in the succeeding notes.

2.7 Significant Accounting Judgments, Estimates and Assumptions

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

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

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

2.7.1 Going concern

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

2.7.2 Fair value of financial instruments

Determination of fair values of financial assets and financial liabilities recorded on the statement of financial position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical

techniques. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish their fair values.

NATIONAL INSURANCE TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2024

2.7.3 Provision for Liabilities

General Provisions are recognised when the board has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the board expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Expense relating to any provision is presented in the statement of profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounting using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

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

During the year under review, the board decided to provide 15% of total legal claims for litigation provision amounting to Rs. 229,414,005 for 256 cases.

2.8 Summary of significant accounting policies

2.8.1 Foreign currency translation

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

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

2.8.2 Assessment of Impairment

The Board assesses whether there are any indicators of impairment for an asset or a cash-generating unit at each reporting date or more frequently, if events or changes in circumstances necessitate to do so. This requires the estimation of the 'value in use' of such individual asset or cash-generating unit. Estimating value in use requires the Management to

NATIONAL INSURANCE TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2024

make an estimate of the estimated future cash flows from the asset or the cash-generating unit and to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires The Board to make estimation about expected future cash flows and discount rates; hence, they are subject to uncertainty.

2.8.3 Impairment of non-financial assets

The Board assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, The Board estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset.

2.8.4 Impairment of financial assets

As per LKAS 39, the Board assesses at each reporting date whether a financial asset or group of financial assets is impaired. The Board assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets not carried at fair value through profit or loss are impaired.

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

- Impairment of financial assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's

original effective interest rate. The carrying amount of the asset is reduced and the loss is recorded in the statement of comprehensive income.

NATIONAL INSURANCE TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2024

The Board first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for

which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. The impairment assessment is performed at each reporting date.

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

- Impairment of available-for-sale financial investments.

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

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

- Impairment of financial assets carried at cost

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

The board has made an impairment provision of Rs. 138,603,786 for the year ended 31.12.2022 as per the debt restructure programme of Central Bank of Sri Lanka. However,

NATIONAL INSURANCE TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2024

The Democratic socialist Republic of Sri Lanka has issued an Exchange Memorandum under the Domestic Debt Optimization Programme in July 2023. This was issued under the domestic debt revamp to exchange the Sri Lanka Development Bonds (SLDB) of Sri Lanka

for New USD or LKR Treasury Bonds of Sri Lanka. After evaluating the three options provided by the Central Bank of Sri Lanka under this debt restructure, and with the Board approval, outstanding SLDB were converted into LKR Treasury Bonds in August 2023. Accordingly, impairment provision was reversed in 2023 and no SLDB investments are reflected as at the balance sheet date 31st December 2023.

2.8.5 Statement of cash flows

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

2.8.6 Stationery Stock

Stationery items shall not be recognized as inventory (stock) in the statement of financial position. Instead, the full cost of stationery purchases shall be expensed at the time of acquisition.

2.8.7 New standards and interpretation not yet adopted

The following SLFRSs have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these financial statements. Those SLFRSs will have an effect on the accounting policies currently adopted by the board and may have an impact on the future financial statements.

- a) Sri Lanka Financial Reporting Standard (SLFRS) 15 - Revenue from Contracts with Customers.

This standard establishes a five step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

NATIONAL INSURANCE TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2024

Either a full retrospective application or a modified retrospective application is required for 1 January 2018. Contracts within the scope of SLFRS 4 - Insurance

Contracts are scope out, according to scope (paragraph 5 (b)) of SLFRS 15. The board is evaluating the impact of other revenue contracts currently.

b) Sri Lanka Financial Reporting Standard (SLFRS) 09 - Financial Instruments

This standard will replace LKAS 39 - Financial Instruments: Recognition and Measurement, for annual periods on or after 1 January 2018 with early adoption permitted.

- Temporary Exemption from SLFRS 09

This standard replaces the existing guidance in LKAS 39 – “Financial Instruments: Recognition and Measurement” SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

SLFRS 09 is effective for annual reporting periods beginning on or after 01 January 2018, with early adoption permitted. The board (NITF) is predominantly based on the proposed amendments to SLFRS 04 “Insurance contracts”, the entities whose predominant activity is issuing insurance contracts are permitted to defer the full application of SLFRS 09 until the adopting the revised SLFRS 04, which commenced in 2022. Consequent to the deferment of IFRS 17 – Insurance Contract effective date from 01 January 2026, the board is expected the temporary exemption to be deferred until 2026 January.

An insurer may apply the temporary exemption from SLFRS 09 if, and only if:

- a. It has not previously applied any version of SLFRS 09, other than only the requirements for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss.
- b. Its activities are predominantly connected with insurance, at its annual reporting date that immediately precedes 01 April 2016, or at a subsequent annual reporting date.

In accordance with the amendments to SLFRS 04 – Insurance Contract, an insurer’s activities are predominantly connected with insurance if, and only if:

- a. The carrying amount of its liabilities arising from contracts within the scope of this SLFRS, which includes any deposit components or embedded derivatives

NATIONAL INSURANCE TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2024

unbundled from insurance contracts, is significant compared to the total carrying amount of all its liabilities; and

b. The percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is:

i. greater than 90%; or

ii. less than or equal to 90% but greater than 80%, and the insurer does not engage in a significant activity unconnected with insurance.

The temporary exemption from SLFRS 09 will be reassessed whether its activities are predominantly connected with insurance at a subsequent annual reporting date if, and only if, there was a change in the entity's activities, during the annual period that ended on that date.

The board will decide on appropriate classification of its investments under SLFRS 09 closer to the time of adopting the revised SLFRS 04 and so is not able to fully quantify the impact of adopting SLFRS 09 on its Financial Statements as at reporting date. It is anticipated however, that it may not significantly change the board's total equity.

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

SLFRS 17 is a comprehensive new accounting standard for insurance contract covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 04 reinsurance contracts that was issued in 2005. This standard initially was to be effective in 1 January 2023, However, The Institute of Chartered Accountants of Sri Lanka has decided to defer the effective date of IFRS 17 to period beginning on or after 1 January 2026.

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31st December 2024

3 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the board and the revenue and associated costs incurred or to be incurred can be reliably measured.

| For the year ended | 2024 Rs. | 2023(Restated) Rs. |
|--------------------|-----------------------|-----------------------|
| Net Earned Premium | 27,975,809,535 | 21,535,565,640 |
| Other Revenue | 5,633,395,192 | 7,336,115,994 |
| | 33,609,204,727 | 28,871,681,634 |

4 GROSS WRITTEN PREMIUM

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

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

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

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

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

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

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

Reinsurance gross premiums include premium income in relation to inwards facultative business, Inwards proportional treaty and inwards non-proportional treaty reinsurance. Since, proportional treaty account statements are submitted to the Board, after completion of each quarter, the recognition of GWP of proportional treaties for the fourth quarter of the respective year will be recorded in the subsequent year. Accordingly, GWP of proportional treaty represents GWP of fourth quarter of preceding year and from first to third quarters of the reporting year.

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31st December 2024

Inwards facultative reinsurance premiums are recognized in the financial year in respect of the facultative risks assumed during the particular financial period and inward proportional treaty reinsurance premiums are recognized on the basis of periodic advices received from cedants.

Premium income on non-proportional treaties, which covers losses occurring during a specified treaty period, are recognized base on the contractual premium already established at the start of the treaty period under the terms and conditions of each contract.

Recognition of SRCC Motor Premium

According to the paragraph 3(1) of the extraordinary Gazette No. 1542/11 dated 25th March 2008, the premium collected from the issuance of policies for strike, riot, civil commotion and terrorism shall be credited to the account maintained in a State Bank. However, non-motor premiums of SRCC premiums are being collected as per the provisions stipulated in the gazette whereas motor SRCC premiums are being collected 2010 onwards at 12% only on excess of loss basis. Accordingly, the premium foregone due to the non-implementation of collection of motor class SRCC premium is approximately Rs 51Bn for the last 15 years as per the provisions given in the said gazette notification. Therefore, the Board of Directors of NITF has taken a decision (Board paper number 172/03) on 03rd September 2021 to collect 100% motor class SRCC premium similar to non-motor business class.

In this context, NITF should have been recognized the SRCC & T of 100% motor premium income amounting to Rs. 11,692,153,445/- during 2023. However, the financial statements for the year ended 2023 reflect only 12% of the SRCC motor premiums (amounting to Rs. 1,403,058,413.38) due to deferment of the said implementation considering the grievance raised by the general insurance companies to His Excellency the President and further to the recommendation given at the Finance Ministry appointed committee.

Even though, there are previous cabinet decisions and gazette notifications pertaining to SRCC premium collection from General Insurance Companies, a new cabinet memorandum was submitted for the approval of the cabinet on 26/04/2024. This Cabinet Paper number 24/0854/604/096 was approved by the Cabinet of Ministers on 13th May 2024 granting an exemption period from 25th March 2008 to 31st December 2023 allowing for the continued application of the prevailing mechanism of 12% on Gross SRCC & T Motor Premium. Therefore, gross written premium for the year of Rs. 61,404,099,115 is not required to be adjusted in the financial statements. As per the 2.5 of the cabinet memorandum, "findings from the IRCSL regarding the Risk based Capital opposition of General Insurance Companies revealed that several entities fall short of meeting the minimum required capital levels due to implementation of the remittance of 100% SRCC & T motor premiums to the NITF from 25th March 2008 as per the aforesaid gazette notification."

Based on the above justification, the cabinet has decided on 13/05/2024 to accept 100% insurance liabilities under SRCC & T fund from the General Insurance Companies of Sri Lanka with effect from 01st January 2024.

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31st December 2024

Even though, there are previous cabinet decisions and gazette notifications pertaining to SRCC premium collection from General Insurance Companies, a new cabinet memorandum was submitted for the approval of the cabinet on 26/04/2024. As per the 2.5 of the cabinet memorandum, "findings from the IRC SL regarding the Risk based Capital opposition of General Insurance Companies revealed that several entities fall short of meeting the minimum required capital levels due to implementation of the remittance of 100% SRCC & T motor premiums to the NITF from 25th March 2008 as per the aforesaid gazette notification."

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

| | 2024 Rs. | 2023(Restated) Rs. |
|--|-----------------------|-------------------------------|
| Inward Reinsurance | 3,186,670,806 | 3,412,339,468 |
| SRCC & Tr Premium | 19,372,517,928 | 8,583,946,737 |
| General Insurance - Motor | 144,468,255 | 137,795,894 |
| General Insurance - Non Motor | 18,085,833 | 32,457,772 |
| Medical scheme for Parliamentary members | - | 20,000,000 |
| | 22,721,742,822 | 12,186,539,871 |
| 4.1 Contribution collected for Agrahara medical Insurance | 2024 Rs. | 2023(Restated) Rs. |
| Contribution from Members | 5,111,929,772 | 5,178,277,639 |
| Contribution from the Treasury | 919,100,000 | 900,000,000 |
| Pensioners Insurance Scheme | 389,383,400 | 332,353,800 |
| Semi Government Scheme | 511,207,600 | 450,446,000 |
| | 6,931,620,772 | 6,861,077,439 |
| 4.2 Crop Insurance Levy Collected | 3,807,483,957 | 3,114,927,721 |

5 PREMIUM CEDED TO REINSURERS

Recognition of premium ceded to reinsurers Non-life gross reinsurance premium written comprises the total premium payable for the whole cover provided by contracts entered into the period and is recognised on the date on which the policy commences. Premium includes any adjustments arising in the accounting period in respect of reinsurance contracts commencing in prior accounting periods.

| | 2024 Rs. | 2023(Restated) Rs. |
|----------|----------------------|-----------------------|
| SRCC & T | (717,221,156) | 6,707,708 |
| | (717,221,156) | 6,707,708 |

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31st December 2024

6 CHANGE IN RESERVE FOR UNEARNED PREMIUM

Change in reserve for unearned premium reserve represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premiums are calculated on 365th basis for General Insurance including motor & Non-Motor, 1/24th basis for SRCC and 35% on the gross premiums basis for Reinsurance in line with generally accepted insurance and reinsurance industry practices. Change in reserve for unearned insurance premium represents the net portion of the GWP transferred to the unearned premium reserve during the year to cover the unexpired period of the policies.

| | 2024 Rs. | 2023(Restated) Rs. |
|-------------|------------------------|-----------------------|
| Motor | (32,351,118) | 6,011,322 |
| Non Motor | 6,619,570 | 25,003,549 |
| Reinsurance | (139,019,437) | (316,880,784) |
| SRCC & T | (5,370,508,474) | (190,405,878) |
| | <u>(5,535,259,460)</u> | <u>(476,271,791)</u> |

7 CHANGE IN RESERVE FOR UNEARNED REINSURANCE PREMIUM

Change in reserve for unearned reinsurance premium is the proportion of premium written in a year that relates to periods of risk after the reporting date. unearned reinsurance premium is deferred over the term of the underlying direct insurance policies. Change in reserve for unearned reinsurance premium represents the net portion of the reinsurance premium transferred to the unearned reinsurance premium reserve during the year to cover the unexpired period of the policies.

| | 2024 Rs. | 2023(Restated) Rs. |
|--------------|--------------------|-----------------------|
| Retrocession | - | (57,963,615) |
| SRCC & T | 710,775,503 | (42,784,595) |
| | <u>710,775,503</u> | <u>(100,748,210)</u> |

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31st December 2024

8 FEES AND COMMISSION INCOME

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

| | 2024 Rs. | 2023 Rs. |
|----------------------------------|------------------|------------------|
| Policyholder administration fees | 1,369,902 | 1,349,912 |
| | <u>1,369,902</u> | <u>1,349,912</u> |

9 INVESTMENT & OTHER INCOME

| | 2024 Rs. | 2023 Rs. |
|---------------------------------------|----------------------|----------------------|
| Loans and receivables interest income | 377,755,687 | 551,609,506 |
| Available for sales interest income | 2,721,876,756 | 6,559,501,384 |
| Held to maturity interest income | 2,465,936,627 | 45,423,768 |
| Other Income | 66,456,219 | 178,231,424 |
| | <u>5,632,025,289</u> | <u>7,334,766,082</u> |

9.1 Loans and receivables interest income

| | | |
|--|--------------------|--------------------|
| Interest income from Repurchase Agreements | 377,755,687 | 551,609,506 |
| Interest income from Debentures | | |
| | <u>377,755,687</u> | <u>551,609,506</u> |

9.2 Available for sales interest income

| | | |
|-------------------------------------|----------------------|----------------------|
| Interest income from Treasury Bills | 2,378,607,492 | 5,175,416,997 |
| Interest income from Treasury Bonds | 343,269,264 | 1,384,084,387 |
| | <u>2,721,876,756</u> | <u>6,559,501,384</u> |

9.3 Held to maturity interest income

| | | |
|---------------------------|----------------------|-------------------|
| Interest income from SLBD | 2,465,936,627 | 45,423,768 |
| | <u>2,465,936,627</u> | <u>45,423,768</u> |

| | | |
|-------------------------|----------------------|----------------------|
| Total Investment Income | <u>5,565,569,070</u> | <u>7,156,534,658</u> |
|-------------------------|----------------------|----------------------|

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31st December 2024

9.4 Other Income

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

| | 2024 | 2023 |
|---|-----------------------------|-----------------------------|
| | Rs. | Rs. |
| Interest on Savings Accounts | 33,219,570 | 18,837,004 |
| Interest on Savings Accounts - Money Market | 7,800,240 | 505,945 |
| Interest on Soft Loans | 181,909 | 144,229 |
| Interest on Staff Distress Loans | 2,151,512 | 2,177,166 |
| Disposal of Salvage | 10,030,950 | 15,773,367 |
| Commission income SRCC & TC-Non motor | 791,433 | 763,770 |
| Penalty Income- Motor | 7,325,953 | - |
| Penalty Income- Crop Levy 1% | 3,428,339 | - |
| Impairment for SLDB | - | 138,603,786 |
| Income of Lease Termination | 36,418 | - |
| Other | 1,489,895 | 1,426,158 |
| Total Other Income | <u>66,456,219</u> | <u>178,231,424</u> |
| Total Income | <u><u>5,632,025,289</u></u> | <u><u>7,334,766,082</u></u> |

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31st December 2024

10 NET BENEFITS AND CLAIMS

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

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

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

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract. Claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

| | 2024 Rs. | 2023 (Restated) Rs. |
|--|------------------------|-------------------------|
| (a) Gross benefits and claims paid | | |
| Reinsurance | (1,180,621,457) | (1,087,673,247) |
| SRCC & Tr | (270,091,783) | (966,701,250) |
| General Insurance - Motor | (120,013,480) | (133,390,274) |
| General Insurance - Medical & Other | (45,750,113) | (96,917,956) |
| Crop Insurance | (1,586,354,907) | (762,067,260) |
| National Natural Disaster Scheme (NNDIS) | (197,245) | 22,772,327 |
| Agrahara medical Insurance Scheme | (6,170,063,547) | (7,334,177,379) |
| | <u>(9,373,092,533)</u> | <u>(10,358,155,039)</u> |
| (a.1) Agrahara medical Insurance Scheme | | |
| Paid Claims | | |
| Pension | (382,414,402) | (344,070,040) |
| Semi Government | (417,323,709) | (491,522,107) |
| Agrahara Parliament | - | (17,107,102) |
| Agrahara Normal | (283,851,808) | (461,451,110) |
| Agrahara Silver | (84,200,846) | (120,371,053) |
| Agrahara Gold | (5,003,057,692) | (5,905,402,538) |
| Surcharge Receipts | 784,910 | 5,746,571 |
| | <u>(6,170,063,547)</u> | <u>(7,334,177,379)</u> |

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31st December 2024

| | 2024 Rs. | 2023 (Restated) Rs. |
|---|------------------|------------------------|
| (b) Claims ceded to reinsurers | | |
| SRCC & T | - | - |
| | - | - |
| (C) Gross change in contract liabilities | | |
| Reinsurance | (35,115,146) | (1,430,091,000) |
| SRCC & T | 368,919,692 | 1,393,703,913 |
| General Insurance - Motor | 36,894,615 | (2,106,229) |
| General Insurance - Medical & Other | 21,167,120 | (14,743,373) |
| Crop Insurance | 166,823,673 | (185,000,000) |
| National Natural Disaster Scheme (NNDIS) | 5,000,000 | 805,500 |
| Agrahara medical Insurance Scheme | (636,541,780) | 335,576,066 |
| | (72,851,826) | 98,144,877 |
| (d) Change in contract liabilities ceded to reinsurers | | |
| Reinsurance | - | - |
| National Natural Disaster Scheme (NNDIS) | - | - |
| SRCC | (104,496,839) | (452,855,860) |
| | (104,496,839) | (452,855,860) |
| (e) Gross change in IBNR | | |
| Reinsurance | (883,756,225) | (1,124,425,706) |
| SRCC & Tr | (445,243,431) | (41,009,001) |
| General Insurance - Motor | (24,820,463) | (16,143,606) |
| General Insurance - Medical & Other | (9,818,430) | (12,282,548) |
| Crop Insurance | (288,786,305) | (411,135,021) |
| National Natural Disaster Scheme (NNDIS) | 99,999 | 132,222 |
| Agrahara medical Insurance Scheme | 276,023,719 | 407,194,095 |
| | (1,376,301,135) | (1,197,669,565) |
| Net benefits and claims | (10,926,742,333) | (11,910,535,587) |

NATIONAL INSURANCE TRUST FUND BOARD

STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31st December 2024

11 UNDERWRITING AND ACQUISITION COST

Underwriting and Acquisition expenses, representing commissions, which vary with and are directly related to the production of business, are deferred and amortised over the period in which the related written premiums are earned.

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

| | 2024 Rs. | 2023 (Restated) Rs. |
|--|------------------------|------------------------|
| Acquisition Cost - Insurance Companies | (6,243,245,265) | (1,880,371,037) |
| Broker Commission Fee | (94,965) | (549,398) |
| Change unearned commission reserve - SRCC | 2,081,140,433 | 43,939,268 |
| Change unearned commission reserve - Reinsurance | 57,573,428 | (64,799,633) |
| | <u>(4,104,626,368)</u> | <u>(1,901,780,800)</u> |

12 OTHER OPERATING AND ADMINISTRATIVE EXPENSES

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

| | 2024 Rs. | 2023 (Restated) Rs. |
|--|----------------------|------------------------|
| Auditors Remuneration | 1,224,000 | 1,028,000 |
| Employee Benefit Expenses | 315,306,337 | 268,265,012 |
| Administration and establishment Expenses | 2,009,190,362 | 1,756,947,852 |
| Advertisement & Promotion Expenses | 3,577,472 | 1,989,430 |
| Depreciation of Property Plant and Equipment | 7,266,237 | 6,736,146 |
| Depreciation of Right of Use Assets | 56,802,611 | 34,075,707 |
| Amortisation of Intangible Assets | 4,937,043 | 7,316,324 |
| Legal Fees | 6,851,275 | 3,257,282 |
| Sponsorship | 125,000 | 85,000 |
| | <u>2,405,280,336</u> | <u>2,079,700,754</u> |

12.1 Employee Benefit Expenses

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

NATIONAL INSURANCE TRUST FUND BOARD
STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31st December 2024

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

- (a) current service cost
- (b) interest cost

A defined contribution plan is a post-employment plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to the Employees' Provident Fund (EPF) under the Employees' Provident Fund Act No. 15 of 1958 as amended and Employees' Trust Fund under the Employees' Trust Fund Act No. 46 of 1980, covering all employees are recognised as an employee benefit expense in the statement of profit or loss when they are due. The Board contributes 12% and 3% of gross emoluments of employees' as employees' provident fund and trust fund contributions respectively.

| | 2024 Rs. | 2023 (Restated) Rs. |
|---|--------------------|------------------------|
| Wages and salaries including bonus & incentives | 228,937,046 | 185,300,992 |
| Contributions to defined contributions plans | | |
| Employees' Provident Fund | 23,327,086 | 19,046,526 |
| Employees' Trust Fund | 5,831,769 | 4,761,630 |
| Other personal cost | 45,169,594 | 53,276,630 |
| Retirement benefit cost | 12,040,842 | 5,879,234 |
| | <u>315,306,337</u> | <u>268,265,012</u> |

12.2 Administration and establishment Expenses

| | 2024 Rs. | 2023 (Restated) Rs. |
|---|----------------------|------------------------|
| Professional fees | 12,252,763 | 22,766,424 |
| Electricity | 14,075,993 | 14,407,204 |
| Telephone | 13,588,942 | 13,091,629 |
| Printing & Stationary | 13,192,094 | 13,386,839 |
| Postage | 4,388,066 | 4,883,975 |
| Office Rent | 3,555,267 | 4,465,620 |
| SSCL Expenses | 525,445,876 | 248,035,226 |
| Inspection & Assessing | 5,578,410 | 5,259,339 |
| Annual Fee & Cess To IBSL | 48,074,054 | 23,153,511 |
| Travelling | 4,504,873 | 2,873,376 |
| Soft ware Maintenance | 21,117,001 | 7,145,492 |
| Fuel | 3,526,592 | 2,449,598 |
| Office/Fixed Assets Repairs and Maintenance | 14,927,518 | 7,878,243 |
| Reinsurance Receivable Impairment | 28,595,112 | 863,896,464 |
| Premium Receivable Impairment | 1,023,385,684 | 148,315,734 |
| Exchange loss | 241,484,048 | 347,691,598 |
| Security | 4,141,867 | 5,449,651 |
| Vehicle Repair Maintenance | 2,794,538 | 5,410,771 |
| Building Repair & Maintenance | 6,000,000 | 2,760,150 |
| Other administration & establishment expenses | 18,561,661 | 13,627,008 |
| | <u>2,009,190,362</u> | <u>1,756,947,852</u> |

NATIONAL INSURANCE TRUST FUND BOARD
STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31st December 2024

| | | | |
|-----------|--|-------------------|------------------|
| 13 | FINANCE COST & OTHER RELATED COST | 2024 | 2023 |
| | | Rs. | Rs. |
| | Lease Interest | 11,433,820 | 4,198,682 |
| | Bank Charges | 854,396 | 814,974 |
| | | <u>12,288,216</u> | <u>5,013,656</u> |

14 **PROFIT BEFORE TAX**

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

| | | | |
|---|---------|-------------|------------------------|
| | | 2024 | 2023 (Restated) |
| | | Rs. | Rs. |
| Auditors' remuneration - statutory audit services | Note 12 | 1,224,000 | 1,028,000 |
| Amortisation of intangible assets | 16 | 4,937,043 | 7,316,324 |
| Depreciation of property, plant and equipment | 17 | 7,266,237 | 6,736,146 |
| Directors' emoluments | 41 | 2,413,945 | 2,719,017 |

NATIONAL INSURANCE TRUST FUND BOARD
STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31st December 2024

15 INCOME TAX EXPENSE

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

15.1 INCOME TAX REVERSAL/(EXPENSE)

The major components of income tax expense for the years ended 31st December are as follows:
Tax Recognized in Profit & Loss for the Year Ended 31st December,

| | 2024 | 2023 (Restated) |
|---|------------------------|------------------------|
| | Rs. | Rs. |
| Current Income Tax | | |
| Income Tax on current year's profit | (4,950,658,227) | (3,462,738,666) |
| (Over)/Under Provision of Current Taxes in Respect of Prior Years | (917,047,101) | (1,514,658,713) |
| Total Income Tax (Reversal)/Expense | (5,867,705,328) | (4,977,397,379) |
| Differed Tax | | |
| Reversal/ Charge of differed Tax liability Note 01 | 20,198,897 | (13,040,500) |
| Income Tax for the Year | (5,847,506,431) | (4,990,437,879) |
| Note 01 | | |
| Differed tax impact due to Employee benefit | 6,828,437 | 19,102,204 |
| Differed tax impact due to Property Plant & Equipment | (2,623,160) | (1,072,732) |
| Differed tax impact due to Intangible Asset | 1,481,113 | (1,481,113) |
| Differed tax impact due to Right of use assest (operating lease) | (14,314,090) | (29,588,860) |
| Differed tax impact due to Lease Liability (finance lease) | 28,826,597 | - |
| Reversal/Charge of differed tax liability | 20,198,897 | (13,040,500) |

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

16 INTANGIBLE ASSETS

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

a) Basis of recognition

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the board and the cost of the asset can be measured reliably. Software acquired by the board is initially measured at cost and subsequently stated at cost less accumulated amortisation and accumulated impairment losses, if any.

b) Subsequent measurement

Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

c) Amortisation Intangible assets

Intangible assets are amortised on a straight line basis over the period of four years. Amortisation is recorded in the statement of profit or loss. Intangible assets with finite lives are amortised over the useful economic life. Amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates.

Amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible asset. Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives.

d) De-recognition of intangible assets

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

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

e) Impairment of intangible assets

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

the Board has assessed the potential impairment indicators of intangible assets as at 31 December 2024.

Based on the assessment, no impairment indicators were identified and therefore no impairment provision is required to be made in the financial statements as at the reporting date with respect of intangible assets.

- f) Fully amortised intangible assets in use was Rs.37,711,587 fully amortised intangible assets which are still in use or idle intangible assets as at the reporting date (2023 – 7,067,073).
- g) Title restriction on intangible assets No restrictions exist on the title of the intangible assets and no items pledged as securities for liabilities.
- h) No Acquisition of intangible assets during the year 2024 (2023 – Nil).

| | 2024 | 2023 |
|--|-------------------|-------------------|
| | Rs. | Rs. |
| Cost | | |
| As at 1st Jan 2024 | 37,711,587 | 37,711,587 |
| Additions | - | - |
| As at 31st Dec 2024 | <u>37,711,587</u> | <u>37,711,587</u> |
| Accumulated amortisation and impairment | | |
| As at 1st Jan 2024 | 32,774,544 | 25,458,220 |
| Amortisation | 4,937,043 | 7,316,324 |
| As at 31st Dec 2024 | <u>37,711,588</u> | <u>32,774,544</u> |
| Carrying amount | | |
| As at 31st Dec 2024 | <u>(0)</u> | <u>4,937,043</u> |

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

| | 2024 | 2023 |
|---------------------|-------------|-------------|
| | Rs. | Rs. |
| As at 31st Dec 2024 | | |
| Software | 37,711,587 | 7,067,073 |

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

17 PROPERTY, PLANT & EQUIPMENT

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

a) Basis of recognition

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

b) Initial Measurement

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

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

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

c) Depreciation

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

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

d) Subsequent Measurement of Property, Plant and Equipment.

Revaluation is performed by professionally qualified valuers using the open market value. Assets are revalued periodically and revaluation have been done in 2018. Revaluations are performed once in every 05 years by internally appointed committee or external valuers where necessary. The revaluation surplus is recognized on the net-carrying value of the asset and is transferred to a revaluation reserve after restating the asset at the revalued amount. The revaluation reserve is transferred to retained earnings at the point of de-recognition.

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

However, as per the LKAS 16 paragraph 34, frequent revaluations are unnecessary for items of property, plant and equipment with insignificant changes in fair value. NITF does not possess land and buildings and only possesses classes of motor vehicle, furniture and fittings and office equipment. Therefore, since NITF does not possess assets with significant changes in fair value, no revaluation of fixed assets was done for the financial year 2024.

However as at 31 December 2024, the entire class of motor vehicles (including those fully depreciated but still in use) was revalued by De Silva Motor Engineers (Pvt) Ltd to fair value less accumulated depreciation, resulting in a increase of revaluation reserve of LKR 14,830,000 The increase was credited to other comprehensive income and recorded in equity as a revaluation reserve in accordance with LKAS 16

e) De-recognition of property, plant and equipment

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

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

f) Assessment of impairment of Property, plant and equipment

The board of directors has assessed the potential impairment indicators of property, plant and equipment as at 31 December 2024. Based on the assessment, no impairment indicators were identified and therefore no impairment provision is required to be made in the financial statements as at the reporting date in respect of property plant and equipment

g) Fully depreciated property, plant and equipment in use

Property, plant and equipment also includes fully depreciated assets which are in the use of normal business activities.

h) Title restriction on property, plant and equipment

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

i) Acquisition of property, plant and equipment during the year During the financial year

The board acquired property, plant and equipment amounting to Rs.45,283,602 (2023 - Rs. 17,730,556). were made during the year to purchase property plant and equipment.

j) Property, plant and equipment pledged as security for liabilities

There were no items of property, plant and equipment pledged as securities for liabilities as at 31 December 2024 (2023 - Nil).

k) Temporarily idle property, plant and equipment

There was no temporarily idle property, plant and equipment as at 31 December 2024 (2023 - Nil).

l) Amount of contractual commitments for the acquisition of property, plant and equipment

There are no contractual commitments for the acquisition of property, plant and equipment as at the reporting date.

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

| Board | Note | Motor Vehicles Rs. | Office Equipment Rs. | Furniture & Fittings Rs. | Name Board | Machinery | Total Rs. |
|-----------------------|------|-----------------------|-------------------------|-----------------------------|------------|-----------|--------------|
| Cost/Valuation | | | | | | | |
| As at 1st Jan 2024 | | 11,725,000 | 49,623,637 | 29,638,667 | 965,940 | 8,011,275 | 99,964,519 |
| Additions | | - | 42,293,352 | 2,384,198 | 50,500 | 555,552 | 45,283,602 |
| Revaluation surplus | | 14,930,000 | | | | | 14,930,000 |
| Disposals | | - | - | - | - | - | - |
| Transfer | | (8,725,000) | | | | | (8,725,000) |
| Disposals | | | | | | | - |
| As at 31st Dec 2024 | | 17,930,000 | 91,916,989 | 32,022,865 | 1,016,440 | 8,566,827 | 151,453,121 |

Accumulated Depreciation

| | | | | | | | |
|---------------------|--|-------------|------------|------------|---------|-----------|-------------|
| As at 1st Jan 2024 | | 11,225,000 | 20,819,131 | 20,651,759 | 965,940 | 3,559,677 | 57,221,507 |
| Depreciation | | 400,000 | 3,833,834 | 2,169,162 | 29,706 | 833,535 | 7,266,237 |
| Transfer | | (8,625,000) | | | | | (8,625,000) |
| Disposals | | - | - | - | - | - | - |
| As at 31st Dec 2024 | | 3,000,000 | 24,652,965 | 22,820,921 | 995,646 | 4,393,212 | 55,862,744 |

Carrying amount

| | | | | | | | |
|---------------------|--|------------|------------|-----------|--------|-----------|------------|
| At 31 December 2023 | | 499,998 | 28,804,506 | 8,986,908 | - | 4,451,599 | 42,743,013 |
| As at 31st Dec 2024 | | 14,930,000 | 67,264,024 | 9,201,944 | 20,794 | 4,173,616 | 95,590,377 |

Fully depreciated Property, Plant & Equipments in Use

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

| | 2024 | 2023 |
|----------------------|-------------------|-------------------|
| Motor Vehicles | 5,925,000 | 5,925,000 |
| Office Equipment | 14,286,250 | 14,271,250 |
| Furniture & Fittings | 7,121,300 | 7,121,300 |
| Name Board | 965,940 | 965,940 |
| | 28,298,490 | 28,283,490 |

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

Cost and accumulated depreciation of the revalued assets

| Item | 2024 | | | 2023 | | |
|----------------------|-------------|--------------------------|-----------------|-------------|--------------------------|-----------------|
| | Cost | Accumulated Depreciation | Carrying Amount | Cost | Accumulated Depreciation | Carrying Amount |
| Motor Vehicle | 30,008,003 | 30,008,003 | - | 30,008,003 | 30,008,003 | - |
| Office Equipment | 160,656,281 | 87,199,141 | 73,457,140 | 83,367,843 | 40,071,067 | 43,296,775 |
| Furniture & Fittings | 39,635,520 | 25,207,896 | 14,427,624 | 33,987,317 | 10,857,263 | 23,130,054 |
| Name Board | 1,016,440 | 995,646 | 20,794 | 965,940 | 965,940 | - |
| Machinery | 8,566,827 | 4,393,212 | 4,173,616 | 8,011,275 | 3,559,677 | 4,451,598 |
| Total | 239,883,071 | 147,803,897 | 92,079,174 | 156,340,377 | 85,461,949 | 70,878,427 |

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

18 RIGHT OF USE LEASE ASSETS

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

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

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

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option if applicable. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease Hold Assets

| | Motor Vehicles | Building | Total |
|--|-------------------|--------------------|--------------------|
| | Rs. | Rs. | Rs. |
| Cost/Valuation | 13,798,021 | 257,812,075 | 271,610,096 |
| Additions | 38,113,111 | 1,115,858 | 39,228,969 |
| Termination of lease | - | (1,492,291) | (1,492,291) |
| As at 31st Dec 2024 | <u>51,911,132</u> | <u>257,435,642</u> | <u>309,346,775</u> |
| Accumulated Depreciation | | | |
| As at 1st Jan 2024 | 13,798,021 | 159,182,543 | 172,980,564 |
| Depreciation on Lease Vehicle/Building | 5,081,748 | 50,539,466 | 55,621,214 |
| As at 31st Dec 2024 | <u>18,879,769</u> | <u>209,722,009</u> | <u>228,601,778</u> |
| Carrying amount | <u>33,031,363</u> | <u>47,713,633</u> | <u>80,744,996</u> |

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

19 DEFERRED TAX ASSETS

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available to the Company which can be utilised against such tax losses. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax planning strategies. Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside the statement of profit or loss is recognised outside statement of profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Valuation of deferred tax assets and liabilities

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The board establishes provisions based on the tax laws and interpretations.

| As at | 2024 | 2023 |
|---------------------|------------------|----------|
| Differed tax assets | 2,535,474 | - |
| | <u>2,535,474</u> | <u>-</u> |

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

2024

2023

| | <u>Temporary differenc</u> | <u>Tax Effext</u> | <u>Temporary differ</u> | <u>Tax Effext</u> |
|---------------------------------------|----------------------------|-------------------|-------------------------|-------------------|
| Deferred tax liability | | | | |
| Employee benefits (Gratuity) | 75,731,214 | 22,719,364 | - | - |
| Gratuity -OCI Acturial Gain | 14,680,430 | 4,404,129 | - | - |
| Property Plant and Equipment | (31,705,560) | (9,511,668) | - | - |
| Lease Liability(operating lease)) | (47,713,633) | (14,314,090) | - | - |
| Right of use asset(finance lease) | (2,540,874) | (762,262) | - | - |
| | <u>8,451,577</u> | <u>2,535,473</u> | - | - |
| Recognised net deffered tax liability | <u>8,451,577</u> | <u>2,535,473</u> | - | - |

Change in deffered tax asset

| | <u>Income Statement</u> | | <u>Statement of OCI</u> | |
|-----------------------------------|-------------------------|-------------|-------------------------|------------------|
| | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> |
| Employee benefits (Gratuity) | 6,828,437 | - | - | - |
| Property Plant and Equipment | (2,623,160) | - | - | - |
| Gratuity -OCI Acturial Gain | - | - | (7,068,869) | - |
| Intangible assests | 1,481,113 | - | - | - |
| Lease Liability(operating lease)) | (14,314,090) | - | - | - |
| Right of use asset(finance lease) | 28,826,597 | - | - | - |
| Total | <u>20,198,897</u> | - | <u>(7,068,869)</u> | <u>3,525,253</u> |

Reconciliation of deffered tax assest

| | <u>2024</u> | <u>2023</u> |
|---|------------------|-------------|
| Balance as at 01st January | (10,594,554) | - |
| Amounts recorded in the income statement | 20,198,897 | - |
| Amount Recoered in other comprehensive income | (7,068,869) | - |
| Balance as at 31st December | <u>2,535,474</u> | - |

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

20 FINANCIAL ASSETS

20.1 Classification of financial investments

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

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

- i. Fair Value Through Profit or Loss (FVTPL)
- ii. Loans and receivables (L&R);
- iii. Available-For-Sale (AFS) financial assets;
- iv. Held to Maturity (HTM)

However, no investment classified as Fair Value Through Profit or Loss investments as at the reporting date (2023-Nil).

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

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

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

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

- i. Fair value through profit or loss

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

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

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

ii. Loans and receivables

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

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

The Board has invested in reverse repurchase agreements (REPO) with People's Bank, Bank of Ceylon and NSB Fund Management (Pvt) Ltd which are fully secured against the assigned government securities with ISIN numbers. REPO rates for the outstanding balances were in the range of 7.25% - 10.50%, depending on different maturities.

iii. Available-for-sale

Available-for-sale financial investments may include Treasury Bills and Bonds.

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

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

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

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

20.2 De-recognition of financial investments

The Board de-recognises financial assets when the contractual rights to the cash flows from the asset expire or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in a transferred financial asset that is created or retained by The Board is recognised as a liability. Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when and only when The Board has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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

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

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

| | Notes | 2024 Rs. | 2023 Rs. |
|---|--------|-----------------------|-----------------------|
| Loans And Receivables | 20.2.1 | 3,340,935,693 | 4,217,648,919 |
| Available For Sale Financial Assets | 20.2.2 | 53,882,512,128 | 39,065,770,759 |
| Total financial instruments | | 57,223,447,821 | 43,283,419,678 |
| 20.2.1 Loans And Receivables | | | |
| Government Securities - Repo Investment | | 3,340,935,693 | 4,217,648,919 |
| Total loans and receivables at amortised cost | | 3,340,935,693 | 4,217,648,919 |
| 20.2.2 Available For Sale Financial Assets | | | |
| Government Securities - Treasury Bonds | | 9,032,507,144 | 11,152,321,561 |
| Government Securities - Treasury Bills | | 44,850,004,984 | 27,913,449,198 |
| | | 53,882,512,128 | 39,065,770,759 |

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

21 REINSURANCE RECEIVABLES

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

Ceded reinsurance arrangements do not relieve The Board from its obligations to policyholders. Reinsurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Reinsurance assets are de-recognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Impairment of Reinsurance Receivables

Impairment losses will be recognised on reinsurance receivables, if and only if, there is no objective evidence, as a result that occurred after initial recognition of the reinsurance assets, that the board may not receive all amounts due to it under the terms of the contract; and that event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

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

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

| | Notes | 2024 Rs. | 2023(Restated) Rs. |
|--|--------|--------------------|-----------------------|
| 21.1 Reinsurance Receivable | | | |
| Reinsurance Receivable Retro | 21.1.1 | 583,648,701 | 583,648,701 |
| Reinsurance Receivable NNIDS | 21.1.1 | - | 19,993,473 |
| Reinsurance Receivable SRCC | 21.1.1 | 346,552,283 | 948,394,362 |
| | | <u>930,200,984</u> | <u>1,552,036,536</u> |
| 21.1.1 Reinsurance Receivable Impairment | | | |
| Reinsurance Receivable Retro | | 1,417,548,336 | 1,417,548,336 |
| Impairment Provision - Reinsurance receivable | | (833,899,635) | (833,899,635) |
| | | <u>583,648,701</u> | <u>583,648,701</u> |
| Reinsurance Receivable-SRCC | | 385,150,750 | 978,391,191 |
| Impairment Provision - SRCC | | (38,598,468) | (29,996,829) |
| | | <u>346,552,283</u> | <u>948,394,362</u> |
| Reinsurance Receivable -NNDIS | | 19,993,473 | - |
| Impairment Provision - Reinsurance receivable- NNDIS | | (19,993,473) | - |
| | | <u>-</u> | <u>-</u> |

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

22 PREMIUM RECEIVABLES

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

Impairment of premium receivables

According to the Premium Payment warranty (PPW) directive issued by the Insurance Regulatory Commission of Sri Lanka (IRC SL), all General Insurance policies are issued subject to PPW and cancellable upon the expiry of 60 days if not settled. However, premium receivables from the government institutions and for compulsory insurance schemes such as Reinsurance (RI) and Strikes, Riots, and Civil Commotions and Terrorism (SRCC & T) will not be cancelled/provided after expiry of 60 days as the recovery is certain from these parties.

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

Accordingly, 100% is provided for the general insurance Motor and Non Motor Insurance, upon the expiry of 60 days.

In terms of the Premium Receivable Reinsurance, an amount of Rs. 253,673,058/- was provided for impairment for the year ended 31st December 2024 including a balance of Rs 11,345,975/- due from AIG Insurance Limited which has discontinued their operation.

Premium Receivables are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable with the impairment loss recorded in the income statement.

Aging of each premium receivable balances are depicted as follows.

REINSURANCE

| Age | 2024 | 2023 |
|----------------|----------------------|----------------------|
| Up To 30 Days | 143,222,715.89 | 350,855,772.28 |
| 31 to 60 Days | 154,617,354.21 | 60,130,374.94 |
| 61 to 365 Days | 680,298,653.54 | 890,098,644.07 |
| Over 365 Days | 1,277,611,539.32 | 1,102,249,646.89 |
| | 2,255,750,263 | 2,403,334,438 |

NON MOTOR

| Age | 2024 | 2023 |
|----------|-------------------|----------------------|
| 0-30 | 1,179,194.49 | 6,915,135.37 |
| 31-60 | 141,276.23 | 340,553.22 |
| 61-365 | 4,369,427.43 | 6,810,199.55 |
| over 365 | 25,667,168.93 | 20,863,143.10 |
| | 31,357,067 | 34,929,031.24 |

MOTOR

| Age | 2024 | 2023 |
|----------|-------------------|----------------------|
| 0-30 | 19,830,275.79 | 8,038,317.57 |
| 31-60 | 2,855,931.75 | 2,256,431.97 |
| 61-365 | 5,429,453.10 | 5,382,067.99 |
| over 365 | 580.36 | 187,255.56 |
| | 28,116,241 | 15,864,073.09 |

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

| | | 2024 | 2023(Restated) |
|---------------|--------------------------------------|---------------|-----------------------|
| | | Rs. | Rs. |
| 22.1 | Premium Receivable from : | | |
| | Agrahara | 2,503,250 | 13,114,197 |
| | Pension Agrahara | 1,094,600 | 1,839,200 |
| | Semi Agrahara | 54,677,800 | 41,713,700 |
| | Crop Levy 1% | 1,250,974,712 | 673,518,755 |
| | Primary Insurance SRCC | 4,122,163,378 | 2,379,895,553 |
| | Inward Reinsurance | 1,290,474,199 | 3,382,144,255 |
| | General Insurance Motor | 22,686,207 | 10,337,050 |
| | General Insurance Non motor | 1,427,852 | 7,320,490 |
| | | 6,746,001,998 | 6,509,883,200 |
| 22.1.1 | Premium Receivable Impairment | 2024 | 2023(Restated) |
| | | Rs. | Rs. |
| | Inward Reinsurance | 2,255,750,263 | 3,544,743,364 |
| | Impairment Provision - Reinsurance | (965,276,064) | (162,599,109) |
| | | 1,290,474,199 | 3,382,144,255 |
| | General Insurance Motor | 28,116,241 | 15,906,373 |
| | Impairment Provision - Motor | (5,430,033) | (5,569,324) |
| | | 22,686,207 | 10,337,050 |
| | General Insurance Non motor | 31,464,448 | 34,993,833 |
| | Impairment Provision - Non Motor | (30,036,596) | (27,673,343) |
| | | 1,427,852 | 7,320,490 |
| | Premium Receivable -SRCC | 4,340,648,143 | - |
| | Impairment Provision - SRCC | (218,484,765) | - |
| | | 4,122,163,378 | |
| | | 5,436,751,636 | 3,399,801,795 |

23 SURCHARGE TAX RECEIVABLE

As per the Surcharge Tax Act No. 14 of 2022, the board has paid Rs. 1,196,274,044 as surcharge tax to Department of Inland Revenue (IRD) in 2022. However, it was subsequently noted that the board is exempt from surcharge tax. Accordingly, the request was made to IRD on 22.05.2023 to set off the overpaid amount from other tax liabilities. Due to disallowing to deduct the levy paid to Consolidated Fund from Corporate Income Tax (CIT) in year of assessment 2018/19 and 2019/20 additional CIT liability of Rs. 1,137,066,113 was determined subsequently. As informed by the Department of Inland Revenue, surcharge tax over paid has been set off against additional CIT liability determined in June 2024

| | 2024 | 2023(Restated) |
|--------------------------|------|----------------|
| | Rs. | Rs. |
| Surcharge Tax Receivable | - | 1,196,274,044 |

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

24 SOFT LOANS

These loans were granted to the institutes/hotels affected by terrorist attacks through Bank of Ceylon for which funds disbursed from SRCC & T segment before NITF absorb the SRCC & T insurance cover.

| | 2024 | 2023(Restated) |
|------------|-----------|----------------|
| | Rs. | Rs. |
| Soft Loans | 1,000,785 | 1,730,785 |

25 OTHER NON-FINANCIAL ASSETS

Recognition of other assets Other assets which consist of non-financial assets are recognised at cost less any impairment losses. The main other non financial assests consist of advance and prepayment, staff

| | 2024 | 2023(Restated) |
|-----------------------------|--------------------|--------------------|
| | Rs. | Rs. |
| Advances & Prepayments | 3,515,939 | 2,425,527 |
| Prepayment on Rent Expenses | 9,585,957 | - |
| Refundable Deposits | 1,170,000 | 3,326,643 |
| Staff Distress Loans | 56,344,654 | 51,915,545 |
| WHT Receivable | 442,343 | - |
| other receivable | 7,852,344 | 4,424,006 |
| Cheque Return Receivable | 633,115 | 633,115 |
| General Insurance Motor | 973,009 | 973,009 |
| Agrahara Department - NITF | 5,645,647 | 5,645,647 |
| Refundable Deposit- Storage | 2,108,893 | - |
| Receivable from Treasury | 22,465,243 | 22,465,243 |
| Penalty Income Receivable | 1,617,459 | - |
| Rent Deposit | 57,850,969 | 41,730,969 |
| | <u>170,205,571</u> | <u>133,539,704</u> |

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

26 DEFERRED COMMISSION

Costs of acquiring new businesses, including commission, underwriting, marketing and policy issuance expenses, which vary with and directly related to production of new businesses are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred. Subsequent to initial recognition, Deferred Acquisition Costs (DAC) are amortized over the period on the basis unearned premium is amortized.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in an accounting estimate.

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

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

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

| | 2024 | 2023(Restated) |
|--|----------------------|--------------------|
| | Rs. | Rs. |
| As at 1st Jan 2024 | 819,635,744 | 840,496,110 |
| Provision made /(released) during the year | 2,138,713,861 | (20,860,366) |
| As at 31st Dec 2024 | <u>2,958,349,605</u> | <u>819,635,744</u> |

27 CASH AT BANK AND IN HAND

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

| | 2024 | 2023 |
|---------------------------------|----------------------|----------------------|
| | Rs. | Rs. |
| Petty Cash | 367,795 | 384,828 |
| Cash at bank | 1,870,101,943 | 1,257,121,802 |
| Cash in hand and at bank | 1,870,469,738 | 1,257,506,630 |
| Bank overdraft | - | (9,614,823) |
| Total cash and cash equivalents | <u>1,870,469,738</u> | <u>1,247,891,807</u> |

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

28 ACCUMULATED FUND-NITF

This represents cumulative net earnings of the entity over the years and comprised of both accumulated fund of NITF Fund.

| | Notes | 2024 Rs. | 2023 Rs. |
|-----------------------------------|-------|----------------------|--------------------|
| Balance as at 01.01.2024 | | 499,491,152 | (506,673,928) |
| Restatement Adjustments | 40 | 1,491,116,362 | 804,449,296 |
| Restated Balance as at 01.01.2024 | | 1,990,607,514 | 297,775,369 |
| Transfer to Accumulated fund | | 2,372,915,158 | 201,715,783 |
| Balance as at 31.12.2024 | | <u>4,363,522,672</u> | <u>499,491,152</u> |

29 OTHER COMPONENT OF EQUITY

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

| | 2024 Rs. | 2023 Rs. |
|--|--------------------|----------------------|
| Balance as at 01.01.2024 | (283,817,429) | (2,909,303,861) |
| Financial Assets/Gratuity Valuation- 2024 | 394,521,589 | 2,625,486,432 |
| Balance as at 31.12.2024 | <u>110,704,160</u> | <u>(283,817,429)</u> |

30 REVALUATION RESERVE

The revaluation reserve relates to revaluation property plant and equipment.

| | 2024 Rs. | 2023 Rs. |
|--------------------------|--------------------|--------------------|
| Balance as at 01.01.2024 | (2,102,126) | (2,102,126) |
| Balance as at 31.12.2024 | <u>(2,102,126)</u> | <u>(2,102,126)</u> |

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

31 ACCUMULATED FUND-SRCC

This represents cumulative net earnings of the entity over the years and comprised of both accumulated fund of SRCC Fund.

| | Notes | 2024 Rs. | 2023 Rs. |
|---|-------|-----------------------|-----------------------|
| Balance as at 01.01.2024 | | 25,853,622,290 | 22,146,747,594 |
| Restatement Adjustments | 40 | 626,814,424 | 17,884,043 |
| Restated Balance as at 01.01.2024 | | 26,480,436,714 | 22,128,863,551 |
| Transfer to A/F | | 7,380,823,611 | 6,344,179,482 |
| Deferred Tax | | (7,068,869) | (19,420,743) |
| Cash Transferred to the Consolidated Fund | | (3,919,100,000) | (2,600,000,000) |
| Balance as at 31.12.2024 | | <u>29,935,091,455</u> | <u>25,853,622,290</u> |

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

32 INSURANCE CONTRACT LIABILITIES

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

As required by SLFRS 4 - Insurance Contracts, The Board performs a Liability Adequacy Test (LAT) in respect of non-life contract liabilities with the assistance of an external actuary. Provision for gross outstanding claims Non-life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries.

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

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

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

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

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

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

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

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

The main components of the insurance contract liabilities are as follows.

- a) Provision for net unearned premium
- b) Provision for gross outstanding claims.

Claim provisioning of Agrahara, Crop and NNDIS are estimated based on claim department experience and management judgment. All claim provisions of other classes of business is estimated based on claim intimations. Further this provision is considered by the actuary in arriving at the ultimate loss.

Outstanding claims of RI non flood claims include Rs 3,324,483,147 which are outstanding more than two years. NITF is continuously informing to general insurance companies on outstanding claims and to provide necessary documents to settle claims.

RI Non flood payable as at 31/12/2024

| Age | Total in LKR |
|-------------------|-------------------------|
| 0-2 years | 1,726,065,413.19 |
| 2-5 years | 1,319,386,242.03 |
| More than 5 years | 937,810,077.96 |
| | <u>3,983,261,733.17</u> |

Outstanding claims of SRCC include long outstanding balance of Rs. 10,323,235.04 and Rs. 19,713,549.15 for motor and non-motor classes respectively. The provision was made in the financial statements as these claims were intimated and approved by the relevant commits and the Board. However, due to non-submission of documents by insurance companies, these claims are outstanding as at the reporting date.

Further, NITF is in process of finalization of sort out these outstanding claims by getting confirmations from respective Companies.

- c) Provision for gross IBNR claims

Valuation of IBNR and IBNER The incurred but not reported claims reserve has been actuarially computed by NMG Financial Services Consulting Pte Limited as at 31 December 2024.

Liability adequacy test A Liability Adequacy Test (LAT) was performed by NMG Financial Services Consulting Pte Limited, a firm of professional actuaries as at 31 December 2024 as required by SLFRS 4 - Insurance Contracts in order to assess the adequacy of the carrying amount of the provision for unearned premiums. The valuation is based on internationally accepted actuarial methods and is performed on a quarterly basis. According to the report issued by K A PANDIT, the liability carried forward by The Board was adequate. Hence, no provision was made for premium deficiency for the year ended 31 December 2024 (2023 - Nil).

NATIONAL INSURANCE TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

32.1 INSURANCE CONTRACT LIABILITIES

As at 31st Dec 2024

| (a) | Note | Motor | | Non Motor | | NNDIS | Reinsurance | | SRCC | Health Insurance | | Total |
|-----|--------------------------------------|--------------|--------------|---------------|---------------|-------|------------------|---------------|---------------|------------------|----------------|-------|
| | | Rs. | Rs. | Rs. | Rs. | | Rs. | Rs. | | Rs. | Rs. | |
| | Insurance contract liabilities | | | | | | | | | | | |
| | 32.1.2 | 319,853,618 | 58,872,722 | - | 4,749,142,732 | - | 309,294,204 | 2,024,942,357 | 108,176,327 | - | 7,570,281,959 | |
| | 32.1.3 | 100,680,061 | 3,629,464 | - | 1,389,769,212 | - | 8,700,282,526 | - | - | - | 10,194,361,263 | |
| | 32.1.4 | 191,852,264 | 64,749,570 | - | 3,510,660,475 | - | 572,581,169 | 2,341,978,005 | 2,425,945,860 | - | 9,107,767,343 | |
| | Total Insurance contract liabilities | 612,385,943 | 127,251,756 | - | 9,649,572,419 | - | 9,582,157,898 | 4,366,920,362 | 2,534,122,187 | - | 26,872,410,565 | |
| | 32.1.2 | 356,748,233 | 80,039,841 | 5,000,000 | 4,714,027,586 | - | 678,213,896 | 1,388,400,577 | 275,000,000 | - | 7,497,430,133 | |
| | As at 1st Jan 2024 | (36,894,615) | (21,167,120) | (5,000,000) | 35,115,146 | - | (368,919,692) | 636,541,780 | (166,823,673) | - | 72,851,826 | |
| | Increase / Decrease in Provision | 319,853,618 | 58,872,722 | - | 4,749,142,732 | - | 309,294,204 | 2,024,942,357 | 108,176,327 | - | 7,570,281,959 | |
| | As at 31st Dec 2024 | | | | | | | | | | | |
| | 32.1.3 | 68,328,943 | 10,249,034 | - | 1,250,749,775 | - | 4,040,549,554.91 | - | - | - | 5,369,877,307 | |
| | As at 1st Jan 2024 | 32,351,118 | (6,619,570) | - | 139,019,437 | - | 5,370,508,474.27 | - | - | - | 5,535,259,460 | |
| | Increase / Decrease in Provision | 100,680,061 | 3,629,464 | - | 1,389,769,212 | - | 9,411,058,029.18 | - | - | - | 10,905,136,766 | |
| | As at 31st Dec 2024 | | | | | | | | | | | |
| | Reinsurance UPR | | | | | | | | | | | |
| | As at 1st Jan 2024 | - | - | - | - | - | 710,775,503 | - | - | - | 710,775,503 | |
| | Increase / Decrease in Provision | - | - | - | - | - | (710,775,503) | - | - | - | (710,775,503) | |
| | As at 31st Dec 2024 | | | | | | | | | | | |
| | Provision for Unearned Changers | | | | | | | | | | | |
| | 100,680,061 | 3,629,464 | - | 1,389,769,212 | 8,700,282,526 | - | - | - | - | - | 10,194,361,263 | |
| | 32.1.4 | 167,031,801 | 54,931,140 | 99,999 | 2,626,904,250 | - | 127,337,739 | 2,618,001,724 | 2,137,159,555 | - | 7,731,466,208 | |
| | As at 1st Jan 2024 | 24,820,463 | 9,818,430 | (99,999) | 883,756,225 | - | 445,243,430 | (276,023,719) | 288,786,305 | - | 1,376,301,135 | |
| | Increase / Decrease in Provision | 191,852,264 | 64,749,570 | - | 3,510,660,475 | - | 572,581,169 | 2,341,978,005 | 2,425,945,860 | - | 9,107,767,343 | |
| | As at 31st Dec 2024 | | | | | | | | | | | |

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

33 RETIRING BENEFIT OBLIGATION

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

The re- measurement of the net defined benefit liability which comprises actuarial gains and losses are charged or credited to the statement of comprehensive income in the period in which they arise. However, according to the payment of Gratuity Act No.12 of 1983, the liability for the gratuity payment to an employee arises only on the completion of 5 years of continued service with the board.

33.1 Principal actuarial assumptions used.

| Actuarial information | 2024 | 2023 |
|-------------------------------------|---|--------|
| a) Discount Rate | 12% | 13.12% |
| b) Salary increase | 11.11% | 11.11% |
| d) Mortality rates | Indian Assured Lives 2012-14 (Urban) | |
| e) Disability rates | No disability rates we assu | |
| | | |
| Employee Information | | |
| a) Average age | 36.79 | 37.14 |
| b) Average service period(years) | 9.17 | 9.06 |
| c) Expected future lifetime (years) | 16 | 14 |
| d) Number of Employees | 291 | 261 |

Under the revised LKAS 19 framework, Sensitivity Analysis for each significant actuarial assumption as at the end of the reporting period is disclosed in order to show the impact of changes in the relevant assumptions on the defined benefit obligation.

| | Current Period | Previous Period |
|--|-------------------|-------------------|
| Sensitivity Analysis | | |
| Defined Benefit Obligation on Current Assumptions | 75,731,213 | 52,969,758 |
| Delta Effect of +1% Change in Rate of Discounting | (7,878,361) | (4,945,371) |
| Delta Effect of -1% Change in Rate of Discounting | 9,322,212 | 5,796,502 |
| Delta Effect of +1% Change in Rate of Salary Increase | 9,312,268 | 5,853,195 |
| Delta Effect of -1% Change in Rate of Salary Increase | (8,002,559) | (5,070,041) |
| Delta Effect of +1% Change in Rate of Employee Turnover | 672,988 | 1,066,999 |
| Delta Effect of -1% Change in Rate of Employee Turnover | (776,297) | (1,213,712) |

The sensitivity analysis has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

The sensitivity analysis presented above may not be representative of the actual change in the Defined Benefit Obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the Defined Benefit Obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same method as applied in calculating the Defined Benefit Obligation as recognised in the statement of financial position

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

| | Note | 2024 Rs. | 2023 Rs. |
|-------------------------------------|------|-------------------|-------------------|
| As at 1st Jan 2024 | | 52,969,759 | 10,704,256 |
| Add: Retiring gratuity expenses | 33.3 | 26,721,272 | 44,122,561 |
| Less: Benefits paid during the year | | (3,959,817) | (1,857,058) |
| | | - | - |
| As at 31st Dec 2024 | | <u>75,731,214</u> | <u>52,969,759</u> |

33.3 Retiring Gratuity Expense

| | | |
|----------------------------|-------------------|-------------------|
| Current service cost | 5,091,210 | 3,008,353 |
| Past Services (Gains)/Cost | - | - |
| Interest cost | 6,949,632 | 2,870,881 |
| Actuarial (gain)/loss | 14,680,430 | 38,243,327 |
| | <u>26,721,272</u> | <u>44,122,561</u> |

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

34 DEFERRED TAX LIABILITY

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available to the Company which can be utilised against such tax losses. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax planning strategies. Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside the statement of profit or loss is recognised outside statement of profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Valuation of deferred tax liabilities

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The board establishes provisions based on the tax laws and interpretations.

| As at | 31.12.2024 | 31.12.2023 |
|--------------------------|------------|------------|
| Differed tax liabilities | - | 10,594,554 |
| | - | 10,594,554 |

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

| | 2024 | | 2023 | |
|---------------------------------------|-----------------------------|-------------------|-----------------------------|-------------------|
| | <u>Temporary difference</u> | <u>Tax Effect</u> | <u>Temporary difference</u> | <u>Tax Effect</u> |
| Deferred tax liability | | | | |
| Employee benefits (Gratuity) | - | - | (52,969,758) | (15,890,927) |
| Gratuity -OCI Actuarial Gain | - | - | (38,243,327) | (11,472,998) |
| Property Plant and Equipment | - | - | 22,961,693 | 6,888,508 |
| Intangible Asset | - | - | 4,937,043 | 1,481,113 |
| Lease Liability (operating lease) | - | - | 98,629,532 | 29,588,860 |
| | - | - | 35,315,183 | 10,594,555 |
| Recognised net deferred tax liability | - | - | 35,315,183 | 10,594,555 |

Change in deferred tax liability

| | <u>Income Statement</u> | | <u>Statement of OCI</u> | |
|-----------------------------------|-------------------------|--------------|-------------------------|-------------|
| | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> |
| Employee benefits (Gratuity) | - | (19,102,204) | - | - |
| Property Plant and Equipment | - | 1,072,732 | - | - |
| Gratuity -OCI Actuarial Gain | - | - | - | (3,525,253) |
| Intangible Asset | - | 1,481,113 | - | - |
| Lease Liability (operating lease) | - | 29,588,860 | - | - |
| Total | - | 13,040,500 | - | (3,525,253) |

Reconciliation of deferred tax asset

| | <u>2024</u> | <u>2023</u> |
|---|-------------|-------------|
| Balance as at 01st January | - | 1,079,307 |
| Amounts recorded in the income statement | - | 13,040,500 |
| Amount Recorded in other comprehensive income | - | (3,525,253) |
| Balance as at 31st December | - | 10,594,554 |

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

35 LEASE LIABILITIES

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Extension options

Extension and termination options are included in the lease agreements of the Company. These are used to maximise operational flexibility in terms of managing the asset used in the Company's operations. The extension and termination options held are exercisable with the written consent by either party as specified in the agreement.

| LEASE CREDITOR | Lease Hold Assets | | |
|---|-------------------|--------------|--------------|
| | Motor Vehicles | Building | Total |
| | Rs. | Rs. | Rs. |
| As at 1st Jan 2024 | | 89,502,202 | 89,502,202 |
| Additions | 22,917,111 | 1,115,858 | 24,032,969 |
| Interest Expense recognised in Income Statement | 1,795,312 | 9,638,508 | 11,433,820 |
| Settlement through lease payment | (4,104,608) | (48,987,400) | (53,092,008) |
| Adjustment for Termination of Lease | | (347,312) | (347,312) |
| As at 31st Dec 2024 | 20,607,815 | 50,921,856 | 71,529,671 |

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

36 INCOME TAX LIABILITY

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

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

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

| | Notes | 2024 Rs. | 2023 (Restated) Rs. |
|--------------------|-------|----------------------|------------------------|
| Income Tax Payable | | 4,596,258,847 | 3,585,233,095 |
| | | <u>4,596,258,847</u> | <u>3,585,233,095</u> |

37 OTHER LIABILITIES

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

| | 2024 Rs. | 2023 (Restated) Rs. |
|---------------------------------|----------------------|------------------------|
| Other financial liabilities | 3,476,862,393 | 1,798,616,256 |
| Other non financial liabilities | 61,353,322 | 212,596,345 |
| | <u>3,538,215,715</u> | <u>2,011,212,601</u> |

37.1 Other financial liabilities

Financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument. Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method. Other financial liabilities consist of amount due to related parties, other creditors including accruals and outstanding commission payable. Main other financial liabilities are included with reinsurance premium payable, annual fee and cess payable, payable to consolidated fund and profit commission payable.

The Profit Commission for the year 2022 was not paid in 2023 due to the continuous discussions held with the President Appointed Committee for the acceptance of 100% insurance liabilities under SRCC & T covers from the General Insurance Industry. Whereas the decision on the acceptance of 100% insurance liabilities under SRCC & T covers from the General Insurance Industry decision was made by the Cabinet of Ministers on 13th May 2024. Therefore, the Profit Commission for the year 2022 was carried forward to the year 2023.

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

Reinsurance liabilities represent balances due to insurance companies. Reinsurance liabilities are de-recognised when the contractual rights are extinguished or expire or when the contract is transferred to another party. Other financial liabilities include following items as well.

| | 2024 | 2023 (Restated) |
|--------------------------------------|----------------------|----------------------|
| | Rs. | Rs. |
| Claim cheques/SLIPS returned payable | 14,092,640 | 12,331,181 |
| Unpresented Cheque Payable | 5,203,882 | 5,604,025 |
| Commission payable - Reinsurance | 42,434,299 | 42,434,299 |
| Reinsurance Premium payable | 2,184,861,118 | 1,498,304,933 |
| Refundable Deposit Payable | 14,948,496 | 7,377,767 |
| Annual fee and Cess payable | 8,297,637 | 5,300,630 |
| Accrued expenses | 22,766,817 | 31,784,307 |
| Payable to Consolidated Fund | 1,000,000,000 | - |
| Profit Commission Payable | 145,454,851 | 151,259,337 |
| Payable to RI Dept.: | 463,730 | 11,024,228 |
| Payable to Agr Dept.: | 4,012,942 | 6,118,174 |
| Stamp Duty Payable | - | 1,133,440 |
| Other payables | 11,860,737 | 3,478,693 |
| Payable to Acc Dept.: | 22,465,243 | 22,465,243 |
| | <u>3,476,862,393</u> | <u>1,798,616,256</u> |

37.2 Other non financial liabilities

Other liabilities include government taxes payable other than income tax payable and these liabilities are not financial liabilities as per LKAS 39 - Financial Instruments under recognition and measurement. These liabilities are recorded at amounts expected to be payable as at the reporting date.

| | 2024 | 2023 (Restated) |
|-------------------|-------------------|--------------------|
| | Rs. | Rs. |
| Government Levies | 61,353,322 | 212,596,345 |
| | <u>61,353,322</u> | <u>212,596,345</u> |

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

38 BANK OVERDRAFT

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

| | 2024 | 2023 |
|----------------|------|-------------|
| | Rs. | Rs. |
| Bank overdraft | - | (9,614,823) |
| | - | (9,614,823) |

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

39 OPERATING SEGMENTS

Operating segment is a component of an entity:

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

· **General - Motor insurance**

It is a basic requirement of the Sri Lanka government that all types of motor vehicles used on public high ways should have at least a third party insurance cover. Through a comprehensive insurance cover benefits can be extended to cover passengers, vehicles, buildings, etc. Therefore, NITF motor insurance has introduced a comprehensive motor insurance by providing best service to the owner of the vehicle and third parties as per the extra ordinary gazette notification No: 1615/20 of 20th August 2009.

· **General – Non Motor insurance**

General Insurance Cover for all the Government Bodies which is mandatory to them with all the necessary benefits as introduced by extra ordinary gazette notification No: 1615/20 of 20th August

NITF provides following insurance covers.

- Fire Insurance
- Engineering Insurance - Contractor All Risk(CAR)
- Electronic Equipment
- Contractor's Plant & machinery(CPM)
- Marine Insurance - (Cargo, Hull & machinery)
- Health Insurance - Surgical & Hospitalization
- Travel Insurance
- Miscellaneous Insurance - Personal Accident, Money Insurance, Banker's Indemnity, Public liability, Burglary, Workmen's Compensation Insurance(WCI)

· **Agrahara**

Agrahara Insurance scheme was introduced by the Ministry of Public Administration Circular No: 5 /1997 and this scheme was under National Insurance Trust Fund from 1st of January 2006. Early stages NITF had a large number of claims, received from Sri Lanka Insurance and by now NITF has cleared the arrears and running smoothly. The main idea of this "Agrahara" medical insurance scheme is to uplift the living standards of the public service and provincial public service and their families. Therefore, we have taken steps to expedite all claims received by us as early as possible. If NITF receives any claim with all the necessary requirements arrangements have being made to Pay these Claims immediately.

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

· National Natural Disaster Insurance Scheme (NNDIS)

NNDIS segment was discontinued on 31/03/2020.

· Re Insurance

As per the government gazette notification No. 1791/4 of 31st December 2012, all primary insurers are required to cede 30% of their total reinsurance premium arising out of every general insurance contract to NITF. Facultative reinsurance is commonly purchased for large, unusual or catastrophic risks.

· SRCC & T

The SRCC & T Fund was established in 1988 by a cabinet decision on 18th November 1987 titled "Insurance Claims Resulting from Losses due to Terrorist Activities, Riots and Strikes." The functions coming under the purview of the SRCC & T Fund have been absorbed into the National Insurance Trust

The Extra Ordinary Gazette No. 1542/11 issued on 25th March 2008 has specified how to deal with Strikes, Riots, and Civil Commotions and Terrorism situations within the country. According to the above Extra Ordinary Gazette, all sums received as insurance premiums in respect of SRCC & T are utilized for meeting the just requirements of the insurance industry and for strengthening the national economy, all insurance covers issued by Insurance Companies in respect of the above mentioned matter, shall be obtained from NITF

· Crop Insurance Scheme

Crop Insurance Levy shall be paid by every institution under the purview of the Banking Act, No.30 of 1988, Finance Companies Act, No. 78 of 1988; or Regulation of Insurance Industry Act, No. 43 of 2000.

Accordingly, every Bank, Finance company or Insurance company registered under any of the above Acts shall be liable to Crop Insurance Levy to the National Insurance Trust Fund according to section 14 of the Finance Act no. 12 of 2013. Base need to be considered as one percent (1%) of the profit after tax for a year of assessment (period of twelve months commencing on the first day of April of any year and ending on the thirty first day of March in the immediate succeeding year)

NATIONAL INSURANCE TRUST FUND BOARD
STATEMENT OF COMPREHENSIVE INCOME
for the period ended 31st December 2024

39.1 SEGMENT INFORMATION

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

| | 2024 | | | | | | Total | |
|--|----------------------|----------------------|---------------------|------------------------|------------------------|---------------------------|--------------------------|-------------------------|
| | Motor Rs | Non Motor Rs | NNDIS Rs | Reinsurance Rs | SRCC Rs | Health Scheme Agrahara | Crop Insurance Scheme | Rs |
| PREMIUMS | | | | | | | | |
| Gross written premiums | 144,468,255 | 18,085,833 | - | 3,186,670,806 | 19,372,517,928 | - | - | 22,721,742,822 |
| Contribution Received for Agrahara | | | | | | 6,931,620,772 | | 6,931,620,772 |
| Crop Insurance Levy Collected | | | | | | | 3,807,483,957 | 3,807,483,957 |
| Reinsurance Premiums ceded | | | | | (717,221,156) | | | (717,221,156) |
| Net written premiums | 144,468,255 | 18,085,833 | - | 3,186,670,806 | 18,655,296,772 | 6,931,620,772 | 3,807,483,957 | 32,743,626,394 |
| Gross change in UPB | (32,351,118) | 6,619,570 | - | (139,019,437) | (5,370,508,474) | - | | (5,535,259,460) |
| Reinsurers share of change in UPB | | | | | 710,775,503 | | | 710,775,503 |
| Net change in Reserve for unearned Premium | (32,351,118) | 6,619,570 | - | (139,019,437) | (4,659,732,971) | - | - | (4,824,483,956) |
| NET PREMIUMS EARNED (A) | 112,117,137 | 24,705,403 | - | 3,047,651,368 | 13,995,563,801 | 6,931,620,772 | 3,807,483,957 | 27,919,142,438 |
| Fee income (B) | 1,344,452 | 25,450 | | | | | | 1,369,902 |
| TOTAL UNDERWRITING INCOME (A + B) | 113,461,589 | 24,730,853 | - | 3,047,651,368 | 13,995,563,801 | 6,931,620,772 | 3,807,483,957 | 27,920,512,341 |
| Acquisition costs | (217,685) | (51,587) | | (617,083,837) | (5,625,987,121) | | | (6,243,340,229) |
| Profit Commission Expenses | | | | | | | | |
| Change in deferred acquisition costs | | | | | | | | |
| Net acquisition costs (C) | (217,685) | (51,587) | - | (559,510,408) | (3,544,846,688) | - | - | 2,138,713,861 |
| Gross claims Incurred | (83,118,865) | (24,582,994) | 4,802,755 | (1,215,736,603) | (5,668,930) | (6,807,390,237) | (1,419,531,234) | (9,551,226,107) |
| Surcharge Receipts | | | | | | 784,910 | | 784,910 |
| Reinsurance recoveries | | | | | | | | |
| Changing of IBNR | (24,820,463) | (9,818,430) | 99,999 | (883,756,225) | (445,243,430) | 276,023,719 | (288,786,305) | (1,376,301,135) |
| NET CLAIMS INCURRED (D) | (107,939,328) | (34,401,424) | 4,902,754 | (2,099,492,828) | (450,912,360) | (6,530,581,608) | (1,708,317,539) | (10,926,742,332) |
| Reinsurers share of change in outstanding claims | | | | | | | | |
| NET CLAIMS INCURRED (D) | (107,939,328) | (34,401,424) | 4,902,754 | (2,099,492,828) | (450,912,360) | (6,530,581,608) | (1,708,317,539) | (10,926,742,332) |
| UNDERWRITING RESULT(A+B+C+D) | 5,304,577 | (9,722,158) | 4,902,754 | 388,648,132 | 9,999,804,753 | 401,039,164 | 2,099,166,418 | 12,889,143,640 |
| Administrative expenses (E) | (98,259,337) | (837,116,475) | (19,993,473) | (309,279,234) | (671,163,591) | (462,076,717) | (19,679,725) | (2,417,568,552) |
| TOTAL EXPENSES (C+D+E) | (206,416,350) | (871,569,485) | (15,090,719) | (2,968,282,470) | (4,666,922,639) | (6,992,658,325) | (1,727,997,265) | (17,448,937,253) |
| Investment & Other Income for the year | (92,954,760) | (846,838,632) | (15,090,719) | 79,368,898 | 9,328,641,162 | (61,037,553) | 2,079,486,692 | 10,471,575,088 |
| Profit before tax | 7,945,958 | 4,350,685 | 880,155 | 683,620,795 | 3,899,688,880 | 72,137,711 | 963,401,106 | 5,632,025,289 |
| Income tax expense | (85,008,803) | (842,487,948) | (14,210,564) | (762,989,693) | (13,228,330,042) | (11,100,158) | (3,042,887,798) | (16,103,600,377) |
| Surcharge Tax | | | | | (5,847,506,431) | | | (5,847,506,431) |
| Profit after tax | (85,008,803) | (842,487,948) | (14,210,564) | (762,989,693) | (7,380,823,611) | (11,100,158) | (3,042,887,798) | (10,256,093,946) |

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

40 ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS - LKAS 08

- 40.1 Re insurance premiums for proportional treaties relevant to prior periods amounting to Rs. 119,528,610.98 Re insurance premiums for Non proportional treaties relevant prior periods amounting to Rs. 307,105,592 and Reinsurance premiums for facultative Reinsurance agreements for prior periods amounting to Rs. 357,464,169 were restated according to the requirements of LKAS 08, Accounting Policies, Change in Accounting Estimates and Errors.
- 40.2 Unpresented payable balance amounted of Rs. 3,909,451 which were cancelled subsequently was restated according to the requirements of LKAS 08, Accounting Policies, Change in Accounting Estimates and Errors.
- 40.3 Social Security contribution levy paid in year 2023 in respect of SRCC non motor commission amounting to 26,077,313 Which is recoded under SSCL payable account was restated according to the requirements of LKAS 08, Accounting Policies, Change in Accounting Estimates and Errors.
- 40.4 Crop Insurance Levy collected in year 2003 amounting to Rs. 673,518,755 considering accrual basis was restated according to the requirements of LKAS 08, Accounting Policies, Change in Accounting Estimates and Errors.
- 40.5 Intangible Assets value of Rs 1,000,000/- which was not depreciated was restated according to the requirements of LKAS 08, Accounting Policies, Change in Accounting Estimates and Errors.
- 40.6 Correction of Payable to consolidated fund recorded in excess in 2003 was restated according to the requirements of LKAS 08, Accounting Policies, Change in Accounting Estimates and Errors.
- 40.7 Impact on intangible assests and right of use assest was taken in to account in the calculation of deferred tax and the balances were restated according to the requirements of LKAS 08, Accounting Policies, Change in Accounting Estimates and Errors.
- 40.8 Correction of SLDB interest recevable amounted Rs. 3,156,545 in relation to SRCC segment was restated according to the requirements of LKAS 08, Accounting Policies, Change in Accounting Estimates and Errors.
- 40.9 "During the year, the entity changed its estimate of the percentage of impairment on reinsurance receivable from selective basis to full (aggregate) basis. The effect of this change, increased the provision by Rs.623,049,857 and reduced profit for the year by Rs. 623,049,857/-. However, the board cannot reasonably estimate the effect of the change on future periods due to significant uncertainty.
- 40.10 During the year ended 31st December 2024, the Company changed its accounting policy for recognition of Agrahara gross written premiums (GWP) to accrued basis from cash basis.

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

Nature of the change and reason for the change. The change has been made because board considers that recognizing Agrahara GWP on an accrual basis provides more reliable and relevant information about the Board's financial position and performance. The Board has restated the comparative figures for the year ended 31st December 2023 in accordance with the requirements of LKAS 08.

40.11 During the year ended 31st December 2024, the identified that a crop insurance levy income of Rs. 1,504,742 received from Insurance Lanka Corporation Ltd for year 2021 had not been accrued in the prior financial year ended. On evaluation, management concluded that the amount is not material to the prior period's financial statements and would not reasonably influence the economic decisions of users of those statements. Therefore, in accordance with LKAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, whilst paragraph 42, board corrected this error in the current period.

40.12 During the year ended 31st December 2024, the identified that a penalty in respect of crop insurance levy income of Rs. 1,923,986.02 had not been accrued in the prior financial year period 2022/2023. On evaluation, management concluded that the amount is not material to the prior period's financial statements and would not reasonably influence the economic decisions of users of those statements. Therefore, in accordance with LKAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, whilst paragraph 42, board corrected this error in the current period.

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

40.13 Impact to the Statement of Financial Position as at December 31,2023

| | Previously Reported LKR | Increase/(Decrease) LKR | Restated Amount LKR |
|--|----------------------------|----------------------------|------------------------|
| <u>Assets</u> | | | |
| Intangible assets | 5,937,043 | (1,000,000) | 4,937,043 |
| Premium receivables-Re Insurance | 2,240,735,329 | 784,098,372 | 3,024,833,701 |
| Premium receivables-Crop | - | 673,518,755 | 673,518,755 |
| Premium receivables-Agrahara | - | 56,667,097 | 56,667,097 |
| Other Non financial Assets-SRCC | 130,383,159 | 3,156,545 | 133,539,704 |
| <u>Liabilities</u> | | | |
| Other Financial Liabilities-Payable to Consolidated fund | 600,000,000 | (600,000,000) | - |
| Other Financial Liabilities-Unpresented Chq Payable | 9,513,476 | (3,909,451) | 5,604,025 |
| Other non financial liabilities-SSCL Re Insurance | 186,519,032 | 26,077,313 | 212,596,345 |
| Deffered Tax | 34,252,433 | (23,657,879) | 10,594,554 |
| <u>Equity</u> | | | |
| Accumilated Fund -NITF | 499,491,152 | 1,491,116,362 | 1,990,607,514 |
| -SRCC | 25,853,622,290 | 626,814,424 | 26,480,436,714 |

40.14 Impact to the Statement of Total Comprehensive Income as at December 31,2023

| | Previously Reported LKR | Increase/(Decrease) LKR | Restated Amount LKR |
|---|----------------------------|----------------------------|------------------------|
| <u>Gross Written Premium</u> | | | |
| Inward Reinsurance | 2,628,241,096 | 784,098,372 | 3,412,339,468 |
| Crop Insurance Levy Collected | 2,441,408,966 | 673,518,755 | 3,114,927,721 |
| Premium Agrahara | 6,804,410,342 | 56,667,097 | 6,861,077,439 |
| <u>Investment & Other Income-SRCC</u> | | | |
| Interets Income-SLDB | 7,331,609,537 | 3,156,545 | 7,334,766,082 |
| <u>Gross benefits and claims</u> | | | |
| Agrahara and Motor | 10,361,559,541 | (3,404,502) | 10,358,155,039 |
| <u>Other operating and administrative expenses</u> | | | |
| Other Operating & Administrative Expenses | 2,053,128,389 | 26,572,365 | 2,079,700,754 |
| Profit Before Tax | 11,537,045,028 | 1,494,272,906 | 13,031,317,934 |
| Income Tax for the year - Impact of deffered tax | 4,991,149,762 | (711,883) | 4,990,437,879 |
| Profit After Tax | 6,545,895,266 | 1,494,984,789 | 8,040,880,055 |

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

41 RELATED PARTY DISCLOSURES - LKAS 24

The entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the NITF, or vice versa. Members of key management are regarded as related parties and comprise the Line Ministry and Members of the board.

The Entity carries out transactions in the ordinary course of its business on an arm's length with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS) 24, Related Party Disclosures.

Details of the related party transactions are reported below.

| Related Party | Relationship | Other Related Entities | Transactions | | | |
|---|-----------------------------------|------------------------|--------------|--------------------|---------------|----------------------------------|
| | | | Investment | Revenue Grants Rs. | Transfers Rs. | Short term Employee Benefits Rs. |
| Ministry of Finance, Economic Stabilization and National Policies | Line Ministry | Not Applicable | - | 919,100,000 | 3,419,100,000 | - |
| Asian Reinsurance Corporation | Member Country and Council Member | Not Applicable | USD 980,000 | | | |
| Mrs. Sagala Abhayawickreme | Chairman | Not Applicable | | - | - | 1,555,945 |
| Other Members of the Board | Board Member | Not Applicable | | - | - | 858,000 |

Currently Dr.W.M.V Wanasinghe is acting as the chairperson of National Insurance Trust Fund Board with effect from 17th January 2025.

42 CONTINGENT LIABILITIES

A contingent liability is,

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity;
- b) Present obligation that arises from past events but is not recognized because:
 - i) It is not probable that an out flow of resources embodying economic benefits will be required to settle
 - ii) The amount of the obligation cannot be measured with sufficient reliability.

Case No. SC (Spl) LA application No.15/2024- Supreme Court, Sri Lanka.

Mr. Sanath de Silva, the former Chief Executive Officer, filed Case No. CA(Writ) Application No.24/2020 against 24 respondents, including the National Insurance Trust Fund (NITF), seeking inter alia a writ to quash the decision of interdiction dated 16.12.2019 (conveyed by letter dated 15.12.2019 signed by the Chairperson of the NITF) and to compel compliance with the directives issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL) pursuant to the findings of an investigation conducted by IRCSL (E&Y Report).

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

As At 31st December 2024

The Court of Appeal, by judgment dated 05.12.2023, dismissed the said application. Against this decision, Mr. de Silva had file an appeal to the Supreme Court under Case No. SC (Spl) LA application No.15/2024 which is currently pending before Supreme Court.

Case No. CA(Writ) Application No.114/2021- Court of Appeal Sri Lanka.

In accordance with Public Enterprises Department (PED) Circular No. 01/2013 dated 15.01.2013, the NITF Board decided to retire Mr. Sanath de Silva, with effect from 15.04.2021, upon his reaching the age of 55, citing unsatisfactory performance. In response, Mr. de Silva filed the aforementioned case against the NITF and 21 other respondents, which is currently pending before the Court of Appeal.

Case No. 01/10/2021- Labour Tribunal, Colombo

Mr. J.A.D. Siriwardana, the former Assistant General Manager (Finance), was interdicted with effect from 16.12.2019, by letter dated 15.12.2019 signed by the Chairperson of the NITF. This decision was made in line with the directives issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL), pursuant to the findings of an investigation conducted by the IRCSL (E&Y Report).

Challenging the said decision, Mr. Siriwardana filed the above-mentioned case against the NITF, seeking relief including reinstatement to his position with arrears of salary, or alternatively, payment of his total salary up to the age of retirement together with gratuity.

43 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Events occurring after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

All material post reporting date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the financial statements. However, there is no any adjustable or non-adjustable events between the reporting date and the date when the financial statements are authorized for issue other than below.

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

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2024

44 RISK MANAGEMENT

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

- | | |
|---------------------------|--|
| (a) Insurance Risk | Non-life Insurance and Inward Reinsurance Contracts Reinsurance |
| (b) Financial Risk | Market Risk Liquidity Risk Credit Risk Operational Risk |

(a) Insurance risk

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

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

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

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

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

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

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

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2024

Frequency and Severity of Claims

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

i. Property

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

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

ii. Engineering

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

iii. Motor

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

iv. Miscellaneous Accident

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

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

v. Marine

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

vi. Medical and Personal Accident

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

vii. Geographical concentration of risks

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

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2024

(b) Financial Risk

i. Credit risk

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

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

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

ii. Liquidity risk

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

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

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

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

iii. Market risk

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

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2024

a) Interest rate risk

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

Following table describes the Boar's sensitivity to interest rate risk. The sensitivity of reported fair value of financial instruments is monitored by assessing the projected changes in the fair value of financial instrument held by the portfolios in response to assumed parallel shift in the yield curve by +/- 100 basis points and +/- 200 basis points.

| Change in Variables | 2024 | | 2023 | |
|---------------------|-----------------------|--------------------------|-----------------------|--------------------------|
| | Impact on PBT* Rs. | Impact on equity* Rs. | Impact on PBT* Rs. | Impact on equity* Rs. |
| + 100 basis Points | (241,712,484.77) | (241,712,484.77) | (285,574,826.01) | (285,574,826.01) |
| - 100 basis Points | 247,252,538.81 | 247,252,538.81 | 292,280,896.10 | 292,280,896.10 |
| + 200 basis Points | (478,114,509.79) | (478,114,509.79) | (564,727,348.17) | (564,727,348.17) |
| - 200 basis Points | 500,304,519.70 | 500,304,519.70 | 591,543,741.83 | 591,543,741.83 |

*PBT -Profit before tax

b) Foreign currency risk

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

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

NATIONAL INSURANCE TRUST FUND BOARD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2024

45 CAPITAL MANAGEMENT FRAMEWORK

The board's capital management framework forms the basis for activity managing capital within the board and seeks to optimize the structure and source of capital to ensure that it consistently maximizes returns to the shareholders and policyholders while complying with the regulatory requirements.

The board has established the following capital management objectives, policies and approaches in managing the risks that affect its capital position.

- a. To maintain the robust level of stability of the board thereby providing a degree of security to policyholders.
- b. To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- c. To align the profile of assets and liabilities taking account of risks inherent in the business.
- d. To maintain financial strength to support new business growth and to satisfy the requirement of the policyholders, regulators and stakeholders.
- e. To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.
- f. To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise

Operations of the board are also subject to regulatory requirements of the Insurance Regulatory Commission of Sri Lanka (IRCSL). The regulations imposed, not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy under the risk based capital regime) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseeable liabilities as they arise. The board has complied with all these regulatory requirements during the financial year. The primary source of capital used by the board is equity which includes the retained earnings. Capital requirements are measured on the risk based capital model which is calculated in a periodic basis and assessed against the available capital and determined by the capital adequacy ratio. The board has made no significant changes from previous years to its policies and processes of its capital structure.