# **OUR RISK PROFILE**

Swift action for emerging risks

<IR> 4D

In response to the swiftly evolving macroeconomic landscape witnessed in 2023, we conducted a comprehensive assessment of our risk profile across various potential scenarios. We developed detailed plans to mitigate these risks effectively. We have conducted a thorough analysis of the company's comprehensive risk profile concerning strategy execution and presented below.

#### INTEGRATED RISK MANAGEMENT

The integrated risk management section included in this annual report, located on page 242, provides a comprehensive overview of our company's approach to risk management. It encompasses our risk management principles, objectives, frameworks, strategy, and risk appetite. Additionally, it addresses any other risks that, while not significant to our strategy execution, are still pertinent to our overall risk management framework. This section serves to offer detailed insight into how we identify, assess, and mitigate risks to protect our assets, ensure compliance, maintain operational continuity, and enhance long-term value for stakeholders.

For a thorough grasp of the company's risk profile, please review the following content in conjunction with the "Integrated Risk Management" section located on page 242. Risk impacts are delineated for the short term (2024), medium term (2025-2026), and long term (2026<). This information provides insights into the potential risks facing the company across different time horizons, aiding in strategic decision-making and risk mitigation efforts.

••• High Risk ••• Medium Risk

#### Risk Classification : Economic and Political Risk

#### **Risk Item :- Medical Inflation and Risk of Epidemic**

	Risk Behaviour	Impact		Our Response	Areas of imp	act
2023	<b>2023 Update</b> Sri Lanka recorded highest medical inflation in history and in the region.	High	The company's health portfolio constitutes 35% of the total health market in Sri Lanka, leading to increased claim outflows primarily due to an epidemic that affected	<ul> <li>Strengthen the processes to identify fraudulent claims</li> <li>Use of AI based technology to identify duplicate bills</li> </ul>	Affected Capitals from risk	• 🎒 • (%) • 🐯
2024	Short term expectation Moderate impact due to exchange rate risk	High	epidemic that affected most parts of the year.	<ul> <li>Identified customer group with high claims and marked as vulnerable group and pay additional</li> </ul>	Affected strategy pillars	• 🎨
2025-26/ 2026<	Medium to long term view Neutral impact expecting normalized economic environment	Low		attention	Overall Risk assessment for future	

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#### Risk Classification : Economic and Political Risk Risk Item :- Inflation

23 Update Lanka berienced ih inflationary enario ort term	High High	Company expense base rise significantly. However, we were not able to increase the prices of existing customers due to regulation. This result in chert term profitability.	<ul> <li>Focus on expense efficiency</li> <li>Strategies are set to have volume growth over short to medium term.</li> </ul>	Affected Capitals from risk Affected	•
	High	U U		Affected	_
se out the ation		to regulation. This result in short term profitability impact till we build substantial new policy		strategy pillars	•
dium to long m view ttle at single jit rate	High	base with revised prices.		Overall Risk assessment	••••
di m ttle	<b>um to long</b> <b>view</b> e at single rate	um to long High view e at single rate	um to long     High       view     at single	um to long     High       view     at single       rate     Image: Additional state st	um to long     High       view     e at single       rate     Overall Risk

### Risk Classification : Insurance Risk

#### Risk Item :- Persistency Risk

	Risk Behaviour	Impact		Our Response	Areas of impact	
2023	<b>2023 Update</b> We experienced significant persistency drop during the year	High	adversely affected by increasing inflation and high taxes, leading to a reduction in the	<ul> <li>Used Policy Conservation Unit to collect premium.</li> <li>Regular follow ups and performance monitoring were done to take timely decisions on policies lapsing</li> <li>Carryout policy revival campaign during the year allowing customers to reinstate</li> </ul>	Affected Capitals from risk	
2024	Short term expectation Persistency is expected to stabilize without any further drops and gradually begin to rise.	Moderate	to a reduction in the disposable income of society. Consequently, people are opting to forgo insurance coverage in favour of prioritizing other essentials.		Affected strategy pillars •	€ <> €
2025-26/ 2026<	Medium to long term view Persistency is expected to stabilize without any further drops and gradually begin to rise.	Moderate		the policy by paying outstanding premiums.	Overall Risk assessment	
2		ct is provide	d on page 43 to 59.	1		

#### Risk Classification : Insurance Risk Risk Item :- Climate Risk

	Risk Behaviour	Impact		Our Response	Areas of imp	act
2023	<b>2023 Update</b> We experienced some impacts of climate change such as heat waves, unusual rainfalls etc:	Moderate	witnessing abnormalities in our environment, including continuous rainfall and heat waves. These conditions have led to the spread of epidemics such as viral flu and dengue fever. Additionally, heat waves have a direct impact on increasing the occurrence of heart attacks. As a result of these events, there has been a significant	We initiated the process by involving the board at a high level in this area and made efforts to align these aspects with the implementation requirements of IFRS S1 and IFRS S2.	Affected Capitals from risk	0 🎒 0 👼 0 🌗
2024	Short term expectation Expect to have material changes in the social environment due to climate change	High			Affected strategy pillars	• 👻 • 🛷 • 🚰
2025-26/ 2026<	Medium to long term view Expect direct business	High	1		Overall Risk assessment for future	

#### Risk Classification : Operational Risk Risk Item :- Competitor Risk

	Risk Behaviour	Impact		Our Response	Areas of impa	act
2023	<b>2023 Update</b> Solicitated our top advisors by competitors and aggressively entered in to the health market	High	Competitors are actively argeting our sales taff in attempts to lure hem away. Throughout he year, a significant umber of our field staff vave joined competitors, vhich has made it hallenging for us to	We already working on this matter and took preventive actions. Some of these actions will secure our future growth prospects and even improve profitability.	Affected Capitals from risk	• 🎒 • 🐯
2024	Short term expectation Strategise to manage the impact	Moderate	which has made it challenging for us to meet our targets.		Affected strategy pillars	• 😴
2025-26/ 2026<	Medium to long term view No impact is expected.	Low			Overall Risk assessment for future	<b>•••</b>
N	The business impac	ct is provide	d on page 43 to 59.		Capitals from risk Affected strategy pillars Overall Risk assessment	

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#### Risk Classification : Operational Risk Risk Item :- Technological and Skill Gap Risk

	Risk Behaviour	Impact		Our Response	Areas of imp	act
2023	<b>2023 Update</b> New technologies are available in the market which could gain competitive advantage	Low	As we are already ahead of the curve, the impact on digital adoption is less compared to the local market. However, we have recently observed a trend of professionals migrating abroad, which indirectly affects the technological aspect by making it challenging to find high- quality human resources with the required expertise.	<ul> <li>We took measures to retain our existing people. (Refer page 98 for human capital report)</li> <li>Sourcing knowledge from third parties</li> </ul>	Affected Capitals from risk	• 🚳 • 🌵
2024	Short term expectation This will evolve over the time	Moderate			Affected strategy pillars	• 👜 • 💇
2025-26/ 2026<	Medium to long term view This will evolve over the time	Moderate	quality human resources with the required		Overall Risk assessment for future	•••-

#### Risk Classification : Operational Risk Risk Item :- Cyber and Data Security Risk

	Risk Behaviour	Impact		Our Response	Areas of imp	act
2023	<b>2023 Update</b> No cyber threat of data security breaches is reported	Moderate	• As cyber threats continue to escalate, our vulnerability increases due to our high adoption of	<ul> <li>We maintain high level of IT security (Refer page 130 of Intellectual capital)</li> <li>Having stringent data</li> </ul>	Affected Capitals from risk	• 🏟 • 🌵
2024	Short term expectation There will be more emerging threats	High	<ul><li>digital infrastructures and processes within our operations.</li><li>Data security is paramount given</li></ul>	security mechanisms.	Affected strategy pillars	•
2025-26/ 2026<	Medium to long term view There will be more emerging threats	High	that we maintain large volumes of confidential customer data.		Overall Risk assessment for future	
202 20		ct is provide	d on page 43 to 59.			

#### **OTHER SOURCES OF RISK**

Based on operation we exposed to variety of other risk factors which may have impact on our long term sustainability. These risk includes following.



These risks have been evaluated in detail on page 242 under integrated risk management section.