

OUR RISK PROFILE

Swift action for emerging risks

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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.



Risk Classification : Economic and Political Risk

Risk Item :- Medical Inflation and Risk of Epidemic

	Risk Behaviour	Impact	Our Response	Areas of impact
2023	2023 Update Sri Lanka recorded highest medical inflation in history and in the region.	High	<ul style="list-style-type: none"> Strengthen the processes to identify fraudulent claims Use of AI based technology to identify duplicate bills Identified customer group with high claims and marked as vulnerable group and pay additional attention 	Affected Capitals from risk
2024	Short term expectation Moderate impact due to exchange rate risk	High		Affected strategy pillars
2025-26/ 2026<	Medium to long term view Neutral impact expecting normalized economic environment	Low		Overall Risk assessment for future
The business impact is provided on page 43 to 59.				

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Risk Classification : Economic and Political Risk

Risk Item :- Inflation

	Risk Behaviour	Impact	Our Response	Areas of impact		
2023	2023 Update Sri Lanka experienced high inflationary scenario	High	Company expense base rise significantly. However, we were not able to increase the prices of existing customers due to regulation. This result in short term profitability impact till we build substantial new policy base with revised prices.	<ul style="list-style-type: none"> Focus on expense efficiency Strategies are set to have volume growth over short to medium term. Market penetration through 		
2024	Short term expectation Ease out the inflation	High			Affected Capitals from risk	
2025-26/ 2026<	Medium to long term view Settle at single digit rate	High			Affected strategy pillars	
Overall Risk assessment						
The business impact is provided on page 43 to 59.						

Risk Classification : Insurance Risk

Risk Item :- Persistency Risk

	Risk Behaviour	Impact	Our Response	Areas of impact		
2023	2023 Update We experienced significant persistency drop during the year	High	<ul style="list-style-type: none"> Used Policy Conservation Unit to collect premium. Regular follow ups and performance monitoring were done to take timely decisions on policies lapsing Carryout policy revival campaign during the year allowing customers to reinstate the policy by paying outstanding premiums. 	Affected Capitals from risk		
2024	Short term expectation Persistency is expected to stabilize without any further drops and gradually begin to rise.	Moderate			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			Overall Risk assessment	
The business impact is provided on page 43 to 59.						

Risk Classification : Insurance Risk

Risk Item :- Climate Risk

	Risk Behaviour	Impact	Our Response	Areas of impact
2023	2023 Update We experienced some impacts of climate change such as heat waves, unusual rainfalls etc:	Moderate	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
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		Overall Risk assessment for future
The business impact is provided on page 43 to 59.				

Risk Classification : Operational Risk

Risk Item :- Competitor Risk

	Risk Behaviour	Impact	Our Response	Areas of impact
2023	2023 Update Solicited our top advisors by competitors and aggressively entered in to the health market	High	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		Affected strategy pillars
2025-26/ 2026<	Medium to long term view No impact is expected.	Low		Overall Risk assessment for future
The business impact is provided on page 43 to 59.				

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Risk Classification : Operational Risk

Risk Item :- Technological and Skill Gap Risk

	Risk Behaviour	Impact	Our Response	Areas of impact
2023	2023 Update New technologies are available in the market which could gain competitive advantage	Low	<ul style="list-style-type: none"> We took measures to retain our existing people. (Refer page 98 for human capital report) Sourcing knowledge from third parties 	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		Overall Risk assessment for future
The business impact is provided on page 43 to 59.				

Risk Classification : Operational Risk

Risk Item :- Cyber and Data Security Risk

	Risk Behaviour	Impact	Our Response	Areas of impact
2023	2023 Update No cyber threat of data security breaches is reported	Moderate	<ul style="list-style-type: none"> We maintain high level of IT security (Refer page 130 of Intellectual capital) Having stringent data security mechanisms. 	Affected Capitals from risk
2024	Short term expectation There will be more emerging threats	High		Affected strategy pillars
2025-26/2026<	Medium to long term view There will be more emerging threats	High		Overall Risk assessment for future
The business impact is provided 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.

Underwriting Risk

Product design Risk

Legal and Regulatory Risk

Reputation Risk

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