

# Chairman's Statement



On behalf of the Board of Directors, it gives me great pleasure to present to you this Annual Report and the Audited Financial Statements for the year ended December 31st 2008.

## Key achievements for 2008

The backdrop in which I welcome you to the 16th Annual General Meeting of Janashakthi Insurance Company PLC is indeed a momentous one for the Company. A relatively younger player in the insurance sector, we are proud to have taken the step of securing a listing on the Colombo Stock Exchange, which widens our horizons for our future expansion.

Your Company passed the noteworthy Rs. 5 billion in Gross Written Premium mark this year, while also posting good results despite an economic milieu that seemed lackluster. The challenges were many but as is characteristic of Janashakthi, the judicious and pragmatic strategies we have employed held us in good stead to ensure a consistent growth curve. The detailed data of our performance is described in the reviews by the Managing Director and sectoral analysis in this report.

Making an IPO and obtaining the listing on the Colombo Stock Exchange was indeed a major step forward for your Company. Insurance is a business conducted with the public and the Company going public certainly enhances the image and perception of the Company among them. Apart from the financial and economic considerations that are generally associated with a listing on the Colombo Stock Exchange, I must emphasise that the need to improve the image, perception and confidence among the public was the fundamental reason for initiating a listing.

Even before we obtained the listing, we had made it a practice to ensure a culture of compliance within the organisation, where our governance and accountability procedures and disclosures were consistent and transparent and thus built up trust among the public. This is an imperative in the insurance industry as insurance is all about trust. The underlying principle is a promise to pay by the insurer to the insured.

The IPO was oversubscribed several times over and this was the confidence the public had in the Company. Our original intention of raising Rs. 200 million was exceeded with an overwhelming response, paving the opportunity for us to raise Rs. 396 million by issuing 33,000,000 shares. This put us in a dilemma of how to distribute the shares equitably and at the same time to ensure that ownership is spread over a large number of shareholders.

Your Company also obtained a claims paying ability rating from RAM Rating, which adds to the levels of confidence among the public and the assurance that Janashakthi is a growing and sustainable business.

With the listing, we also underscored the importance of compliance, corporate governance, accountability and transparency across the organization, stressing the responsibilities that are inherent in a listed company. In line with our enhanced public status, we have introduced a comprehensive three year Corporate Plan from 2008, embedding the principles, fundamentals and values essential to a public company.

### Impacts on the economy

The year was not a great one for the world as the global financial upheaval which is affecting the economies particularly of developed countries has begun impacting developing country economies as well, during the latter part of 2008. Sri Lanka is classified as a Middle Income Country and has to some extent been insulated from the worst effects of the global meltdown but we are yet to see the impact on the emerging economies of China and India that are major trading partners. However, with the USA and EU, our biggest trading partners, rapidly moving towards a recession, Sri Lanka's exports largely concentrated in that part of the world will begin to feel the impact in the first quarter of 2009.

For the financial services industry however, the impact will be minimal as the Sri Lankan financial system is not exposed to international banking relationships on a large scale. However, manufacturers and exporters who borrow funds from banks may experience a tightening of credit and access to funds being more difficult. Once Sri Lanka begins to feel the impact of the global recession, the insurance industry will be affected with organisations either restricting insurance coverage or not being able to renew certain classes of insurance. This will have a significant negative influence. Further as insurance companies have sizeable investment portfolios which in the event of interest rate decreases, will signal a steady yield decline and result in lower earning capabilities.

However, what concerns the financial services sector now is the public perception of Sri Lanka's financial system. Given some recent incidents, there is an erosion of confidence among the public in financial institutions that deal with the public. However, the timely intervention of the regulatory authorities did stem the tide and help restore public confidence in the financial services industry.

### Using opportunities for the way forward

We foresee significant challenges in terms of sustaining business performance levels and ultimately bottomline results due to widespread challenges, which will continue into 2009. Next year will undoubtedly also be a year where the entire world will focus on recovery. In Sri Lanka especially, export oriented organisations will have to act with prudence, utilising more incisive strategies to deal with the market.

Given the positive gains on the security front, that will hopefully enable a durable peace in Sri Lanka, we foresee insurance opportunities arising in the medium term from re-development, reconstruction and enhanced income streams for the population, resulting from the cessation of military operations. High interest rates and high inflationary trends that adversely impact the economy could trickle down subsequently to the insurance industry as well. Janashakthi has been rationalising our insurance portfolio, working on a qualitative rather than a quantitative strategy to countervail such adverse trends and sustain steady growth.

Today, your company maintains its position as the third largest general insurer in the country and the fifth largest life insurer functioning in a highly competitive environment. I foresee the maintenance of that position in the next year as an uphill task and our forecasts have been conservatively constructed, being

well aware of the challenges that lie ahead. However, what I can foresee is that Janashakthi will continue to maintain similar growth values in the year 2009, which is approximately 18% in long term insurance and 7% in general business. These growth trends are achievable and that is the target we are looking to achieve in 2009, as we have proved that we grew at similar rates under equally difficult conditions in 2008.

While we will be implementing strategies to ensure consistent growth in the year 2009, we remain mindful that a possible devaluation of the Sri Lankan Rupee will affect the company in terms of reinsurance payments, resulting in bottomline downturn.

From an industry point of view, we look forward to the Insurance Board of Sri Lanka introducing the risk based capital management system which will inaugurate a new system for determining solvency. We believe that this will result in a more streamlined and structured approach to computing and evaluating solvency. Mismanagement and lack of governance in some financial services organisations seen in 2008 could have a domino effect on the entire financial services industry, unless the regulatory authorities strengthens its current efforts in monitoring the industry with an expanded scope of supervision. Further collapses of large scale institutions will have significant impact on the ability of consumers to obtain life insurance coverage, which in turn will cascade to creating negative impacts on the other products in the insurance industry.

### Acknowledgements

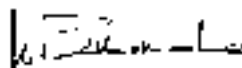
Janashakthi's success as a company is due to the commitment and dedication of our staff at all levels, and the support of our shareholders.

I wish to place on record my special appreciation to the shareholders of Janashakthi, who have placed their trust and confidence in us and made our Initial Public Offer a resounding success.

The Board is made up of people with excellent standing in the business community and bring a good balance of financial expertise and a sound knowledge of the insurance industry. I am deeply grateful for the wisdom and sound counselling that they bring to the deliberations of the Board and this has helped to conduct the affairs of the Company in a proper and efficient manner.

The Company has achieved an acceptable result for the year under very challenging circumstances, and I extend my appreciation to all those that made this possible.

I assure our shareholders and valued customers that their Company is in safe and capable hands and their trust and confidence in us will always be upheld.



W.T. Ellawala  
Chairman

19th February, 2009