

SRI LANKA INSURANCE CORPORATION LIFE LIMITED (SLICL)
AND
SRI LANKA INSURANCE CORPORATION GENERAL LIMITED (SLIGL)
DIVESTITURE

Pre-EOI Meeting Minutes

February 09, 2024

TO ALL INTERESTED PARTIES:

These clarifications are being issued by the Government of Sri Lanka through the Ministry of Finance, Economic Stabilization and National Policies, State Owned Enterprises Restructuring Unit in relation to the Request for Expression of Interest (“REOI”) dated January 24, 2024 to provide clarifications to the queries raised by Interested Parties in relation to the REOI, which are set out in Annex A herein. All other terms and conditions set out in the REOI, not specifically referred to in Annex A, shall remain unchanged and unaffected.

Capitalized terms unless otherwise defined herein shall have the meaning set forth in the REOI.

ANNEX A

The following clarifications are being issued in response to the queries sought by the Interested Parties.

S. No.	Query	Clarifications
1	We have noticed the technical eligibility criteria for SLICL and SLIGL bidders have not been mentioned in the published EOI. Hence, kindly confirm if it is not mandatory for the bidders to have insurance sector experience to participate in the EOI.	The eligibility criteria applicable at the Prequalification Stage are set out under Clause 2.1.2 of the REOI and does not include technical eligibility criteria.
2	We have the PAT for both businesses but would need the net income of invested premium on an annual basis. With a PAT of slightly over \$30m, need information on FX assumption and split of income in USD and a breakdown of the investment they have made from the premium.	As of 1st of February SLICL and SLIGL are commencing operations on a segregated basis. Confidential financial information relating to the two subsidiaries will be shared with Shortlisted Bidders subject to the execution of a Non-Disclosure Agreement.
3	We need to understand the reason behind why the profits are so fluctuating - there is the Covid effect which we understand but anything else that we are missing?	Please refer to historical SLIC Annual Reports in the link below for combined historical financial information. Additional information pertaining to the two subsidiaries will be provided within the data room to Shortlisted Bidders subject to the execution of a Non-Disclosure Agreement. https://www.srilankainsurance.com/en/about-us/annual-reports
4	Audited accounts for the past 3 years as well	Please refer to historical SLIC Annual Reports in the link below for combined historical financial information: https://www.srilankainsurance.com/en/about-us/annual-reports
5	One of the conditions mentioned is "Real estate assets and other non-core financial assets will not be part of the transaction". It means we need to look for other premises or use their own on a lease basis. So, this cost is separate.	Segregation of the SLICL & SLIGL entities has been completed as of January 2024. The relevant lease agreements between SLIC Holding Company and the respective subsidiaries will be shared with the Shortlisted Bidders subject to the execution of a Non-Disclosure Agreement.
6	The unrelated entities /investments under SLIC will be out of the divestment perimeter. These assets will be transferred to the parent company. Same way all assets under the SLGIL will also be retained by the parent company SLIC. In such a scenario, how the field offices will be assigned to SLIGL? This will have an impact on the Market valuation and future business of SLIGL.	SLICL & SLIGL segregation plan takes into account operational segregation and accordingly audited balance sheets are being prepared as at 31 st January 2024. Confidential financial information relating to the two subsidiaries will be shared with Shortlisted Bidders subject to the execution of a Non-Disclosure Agreement.
7	After the privatization, SLGIL should have functional autonomy of portfolio investments for better returns. Are there any conditions on this by the Insurance regulator of Sri Lanka?	Shortlisted Bidders will be given the opportunity to conduct due diligence on SLICL and SLIGL at the RFP stage. Confidential information on both subsidiaries will be shared with Shortlisted Bidders subject to the execution of a Nondisclosure Agreement.
8	We need to know how much the quantum of outstanding liabilities and settlements is pending for SLGIL for the earlier period.	Shortlisted Bidders will be given the opportunity to conduct due diligence on SLICL and SLIGL at the RFP stage. Confidential information on both subsidiaries will be shared with Shortlisted Bidders subject to the execution of a Nondisclosure Agreement.
9	Although the General insurance industry has grown by about 41 % in Sri Lanka, SLIC General could not reach that level. The reasons for this should be known.	The commercial vendor due diligence report will be made available within the data room to Shortlisted Bidders subject to the execution of a non-Disclosure Agreements.
10	Whether the Certified Document by Grant Thornton indicating the Net Worth and Investable amount sufficient for qualification? For EEB	Please refer Clause 2.1.2.1 (b) on financial eligibility criteria. Please note that Applicants, which are body corporates, must demonstrate the minimum Net Worth as set out therein. The audited financial statements must be certified by the Applicant's auditor. Applicants, which are not body corporates, must demonstrate the available investable funds/deployable capital. The certificate must be dated on or after the date of issuance of the REOI, issued by a practicing chartered accountant, or by any other professional having an equivalent qualification and permission/license to practice from a governmental or regulated authority of the jurisdiction applicable to such Applicant.
11	If there is going to be an extension of the EOI, the Same should be informed to all bidders for resubmission of the EOI.	Due Date for EOI currently remains as of 27th February 2024 - GoSL will update if this is warranted in the below provided link: https://www.treasury.gov.lk/web/sru-entities-to-be-divested/section/sri-lanka-insurance

S. No.	Query	Clarifications
12	The Lock-in period of 18 months for selling the stakes to another entity applies to all the Consortia members (in case of a consortium approach)?	The restriction applies to the successful bidder (whether a single entity or a group of entities). Additional clarification provided at RFP stage.
13	Whether the import of Motor vehicles is currently permitted which had a major impact on the GWP of General Insurance.	Vehicle importation is currently not permitted, except for electrical vehicles. This a policy of the GoSL and we are unable to comment with this regard.
14	The details of non-core assets outside the divestment perimeter of SLGIL to be furnished for due diligence.	Shortlisted Bidders will be given the opportunity to conduct due diligence on SLICL and SLIGL at the RFP stage. Confidential information on both subsidiaries will be shared with Shortlisted Bidders subject to the execution of a Nondisclosure Agreement.
15	Is there a National insurance vision document to increase the Insurance penetration in Sri Lanka?	The commercial vendor due diligence report will be made available within the data room to Shortlisted Bidders subject to the execution of a non-Disclosure Agreements.
16	How the assets and hardware/software created by SLIC will be divided among SLICL and SLGIL?	Shortlisted Bidders will be given the opportunity to conduct due diligence on SLICL and SLIGL at the RFP stage. Confidential information on both subsidiaries will be shared with Shortlisted Bidders subject to the execution of a Nondisclosure Agreement.
17	If an Applicant who has two shareholders, can the Applicant show the net worth of the majority shareholder company as long as it is over the \$50m minimum threshold or does the Applicant need to show the net worth of both Shareholders? If not, can it be shown proportionally for the partners (example partner A owns 80% and partner B owns 20%, can we use 80% of net worth of Partner A and 20% of Partner B)	<p>If the Applicant is a body corporate, the financial eligibility criteria must be fulfilled by the Applicant (single entity or a group of entities). The supporting document (i.e., the latest audited balance sheet provided in accordance with Clause 2.1.2.1 (b) (i) of the REOI) must be that of the Applicant (single entity or group of entities) and not that of the individual shareholders of Applicant.</p> <p>If the Applicant is a Consortium, the Net Worth must be calculated as weighted average of the Consortium Member's Net Worth in proportion to their shareholding/ownership in the Consortium as set out under Clause 2.1.2.1 (b) (iv) of the REOI. A duplication of Net Worth is not permitted.</p>
18	If a consortium partner decides to submit an EOI for both Life and General business of SLIC, what is the net worth requirement of the Consortium partner?	<p>Note that according to Clause 2.1.2.1 (a) (i) of the REOI, an Applicant applying individually or as a Consortium Member cannot be a member of another Applicant.</p> <p>Applicants expressing an interest to acquire both SLICL Shares and SLIGL Shares are required to submit separate EOIs for each of SLICL Shares and SLIGL Shares, as set out under Clause 1.2.1.3 of the REOI.</p> <p>Each such EOI must fulfil the eligibility criteria set out under Clause 2.1.2 of the REOI, including financial eligibility criteria.</p>
19	The EOI submission date has covered the Chinese New Year holiday between Feb 9th to Feb 17th. Hence, we want to ask your permission to extend the deadline for another week to Feb 31st, if possible.	Due Date for EOI currently remains 27th February - GoSL will update if this is warranted on this link: https://www.treasury.gov.lk/web/sru-entities-to-be-divested/section/sri-lanka-insurance
20	For Clause 2.1.2.1 (b), the net worth of 50M USD can be fulfilled by a group entity. If the applicant is relying on the funding from the parent entity, shall we submit the financial evidence for the parent entity? (e.g. Audited financial statement of parent entity in the year of 2022)	<p>The Applicant may rely on the financial capacity of a Group Entity, as provided under Clause 2.1.2.1 (b) (v) of the REOI. Please note that a 'Group Entity' is defined as an entity, which directly or indirectly hold at least 26% of the shareholding/ownership of the Applicant, and any of its Affiliates (as defined).</p> <p>The latest audited balance sheet of the Group Entity dated not earlier than 31 March 2022 or the last day of the Group Entity's fiscal year, whichever is later, must be provided if an Applicant, which is a body corporate, is relying on the financial capacity of the said Group Entity to fulfil the Net Worth Criteria.</p> <p>Please note that Net Worth requirements relating to Consortia are set out under Clause 2.1.2.1 (b) (iv) of the REOI.</p>

21	<p>In Annex E, Undertaking on conflict of interest - if we have engaged transaction advisors on other government restructuring project (not SLI project) as buy side advisors, do we have to disclose the relationship in part 2?</p>	<p>Applicants are required to make its own assessment in participating in the Bidding Process. If a potential conflict of interest is anticipated, the Applicants are encouraged to disclose such information under paragraph 3 of Annexure E.</p> <p>There are no such restrictions to onboard transaction advisors as long as such advisors or sub consultants are not involved in the SLIC project.</p>
22	<p>Financial eligibility criteria for body corporates to have a minimum net worth of USD 50,000,000</p> <ul style="list-style-type: none"> · Applicant is a consortium which includes two body corporates which are listed in the Colombo Stock Exchange. · Both companies are within the same group which are in two segments of the group. (i.e. ultimate beneficial owner of both companies are the same). · consortium of A PLC and B PLC together meets the minimum net worth of USD 50,000,000 based on the calculation of minimum net worth as illustrated below. <ul style="list-style-type: none"> · A PLC (is a subsidiary of Y sector of the group) · B PLC (is the holding company of X sector of the group) <p>For the calculation of minimum net worth: A PLC considers its company financial numbers B PLC considers its group financial numbers The question is whether Company B PLC can consider its group consolidated financial numbers for the calculation of minimum net worth?</p>	<p>Please refer Clause 2.1.2.1 (b) (i) and (iv) of the REOI.</p> <p>The Consortium Member's Net Worth must be demonstrated by providing its latest audited balance sheet, which must be dated not earlier than 31 March 2022, or the last day of its fiscal year, whichever is later.</p> <p>We are made to understand that Company B (holding company of the Group), will be a consortium member. Accordingly, the Company B's financial statements may be relied on as per clause 2.1.2.1. (b) (iv). Given the Applicant in this case as described is a Consortium, the Net Worth must be calculated as weighted average of the Consortium Member's Net Worth in proportion to their shareholding/ownership in the Consortium as set out under Clause 2.1.2.1 (b) (iv) of the REOI. A duplication of Net Worth is not permitted.</p> <p>The audited balance sheet must be certified by the Consortium Member's auditor.</p>
23	<p>Lead Member – Does the Lead Member require to have the single largest holding? Or can it be any member of the Consortium?</p>	<p>Yes - please refer the definition of 'Lead Member' under the REOI. The Consortium Member having the single largest stake in the Consortium (and having the authority to represent and bind other Consortium Members and to take decisions on behalf of the Consortium) must be the Lead Member.</p> <p>If there is more than one Consortium Member having the same largest stake in the Consortium, the Lead Member must be identified from amongst them by the Consortium at the time of submission of EOI.</p>
24	<p>Is there any restriction on members of a Consortium transacting the acquired shares of SLIC amongst them subsequent after the divestiture transaction has been completed?</p>	<p>Additional clarification provided at RFP stage.</p> <p>Prequalified Bidders are encouraged to seek independent opinion and make their own assessment of applicable legal considerations.</p> <p>Under Clause 2.3.6.3 of REOI, we have informed the Bidders being subjected to a lock-in period under the Definitive Agreements vis-à-vis a transfer to a third party. We do not address transfer of shares between Consortium Members as this is only the REOI stage. Presuming IRCSL does not require a Consortium to establish a SPV, a transfer of shares as between Consortium Members will be subject to Direction No. 7 dated 04th January 2016 on 'Changes in Ownership and Control of Insurers and Brokers' issued under Section 96A of RII Act.</p>
25	<p>Has the SLICL net worth and financial position been completed and as at what date is this? Are there any further changes to the financials likely once the divestiture process is underway?</p>	<p>Shortlisted Bidders will be given the opportunity to conduct due diligence on SLICL and SLIGL at the RFP stage. Confidential information on both subsidiaries will be shared with Shortlisted Bidders subject to the execution of a Nondisclosure Agreement.</p>
26	<p>Is there a pre-requisite that the bidder has to be an insurance company, or can a financial-only investor participate?</p>	<p>The eligibility criteria applicable at the Prequalification Stage are set out under Clause 2.1.2 of the REOI and does not include technical eligibility criteria.</p>

27	Is there a prescribed framework for the valuations of SLICL and SLIGL to guide the bidders?	Shortlisted Bidders will be given the opportunity to conduct due diligence on SLICL and SLIGL at the RFP stage. Confidential information on both subsidiaries will be shared with Shortlisted Bidders subject to the execution of a Nondisclosure Agreement
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28	Will the actuarial valuation report together with all assumptions be made available for shortlisted bidders for SLIGL?	Shortlisted Bidders will be given the opportunity to conduct due diligence on SLICL and SLIGL at the RFP stage. Confidential information on both subsidiaries will be shared with Shortlisted Bidders subject to the execution of a Nondisclosure Agreement
29	Will the actuarial valuation report (including EV and VONB) together with all assumptions be made available for shortlisted bidders for SLICL?	Embedded Valuation report will be provided within the data room to all Shortlisted Bidders subject to the execution of a Nondisclosure Agreement.
30	Retention of government business. Request for retention via S&A agreement for "x" no of years. This includes all agreements with business partners.	Shortlisted Bidders will be given the opportunity to conduct due diligence on SLICL and SLIGL at the RFP stage. Confidential information on both subsidiaries will be shared with Shortlisted Bidders subject to the execution of a Nondisclosure Agreement
31	Terms and conditions of leased/rented properties where SLIC general businesses are housed as the real estate will be owned by the holding company. Logistically speaking how will branches and business locations operate between Life and General post segregation.	Segregation of the SLICL & SLIGL entities has been completed as of January 2024. The relevant lease agreements between SLIC Holding Company and the respective subsidiaries will be shared with the Shortlisted Bidders subject to the execution of a Non-Disclosure Agreement.
32	Trade union status and: Any agreement between the company and the union. Whether there are any unions amongst "agents" (contribute 22% of distribution) and any agreement thereon. Any potential EPF/ETF contribution request already made. Staff contracts and how flexible are their terms and conditions.	Shortlisted Bidders will be given the opportunity to conduct due diligence on SLICL and SLIGL at the RFP stage. Confidential information on both subsidiaries will be shared with Shortlisted Bidders subject to the execution of a Nondisclosure Agreement
33	Status of IT systems and any report on external party on the same.	Shortlisted Bidders will be given the opportunity to conduct due diligence on SLICL and SLIGL at the RFP stage. Confidential information on both subsidiaries will be shared with Shortlisted Bidders subject to the execution of a Nondisclosure Agreement
34	Exposure on long tailed product such as Title and other miscellaneous long tailed products.	Shortlisted Bidders will be given the opportunity to conduct due diligence on SLICL and SLIGL at the RFP stage. Confidential information on both subsidiaries will be shared with Shortlisted Bidders subject to the execution of a Nondisclosure Agreement
35	External certification of assets and liabilities owned including insurance contract and segregated thereafter.	Shortlisted Bidders will be given the opportunity to conduct due diligence on SLICL and SLIGL at the RFP stage. Confidential information on both subsidiaries will be shared with Shortlisted Bidders subject to the execution of a Nondisclosure Agreement
36	Significant increase in 2022 RI receivables and recoverability of the same. RI treaty, exposure and terms and conditions.	Shortlisted Bidders will be given the opportunity to conduct due diligence on SLICL and SLIGL at the RFP stage. Confidential information on both subsidiaries will be shared with Shortlisted Bidders subject to the execution of a Nondisclosure Agreement
37	Info on receivable recoverability including premium receivables.	Shortlisted Bidders will be given the opportunity to conduct due diligence on SLICL and SLIGL at the RFP stage. Confidential information on both subsidiaries will be shared with Shortlisted Bidders subject to the execution of a Nondisclosure Agreement
38	HR related matters including attrition.	Shortlisted Bidders will be given the opportunity to conduct due diligence on SLICL and SLIGL at the RFP stage. Confidential information on both subsidiaries will be shared with Shortlisted Bidders subject to the execution of a Nondisclosure Agreement
39	Procurement – flexibility to move out of any contracts already signed off.	Shortlisted Bidders will be given the opportunity to conduct due diligence on SLICL and SLIGL at the RFP stage. Confidential information on both subsidiaries will be shared with Shortlisted Bidders subject to the execution of a Nondisclosure Agreement

40	Near term profitability expectation especially given the significantly high loss in 2022(excluding one – off high exchange gain).	Shortlisted Bidders will be given the opportunity to conduct due diligence on SLICL and SLIGL at the RFP stage. Confidential information on both subsidiaries will be shared with Shortlisted Bidders subject to the execution of a Nondisclosure Agreement
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