

PRESS RELEASE

Removal of War Risk Ratings.

With reference to the negotiations made with Insurers and Reinsurers by the Insurance Board of Sri Lanka (IBSL) relating to reducing the war-risk ratings imposed from time to time by the relevant authorities, the Sri Lankan Insurance market has received a positive response.

In the Country Risks Evaluation and Assessment Model (CREAM) performed by Joint Cargo Committee (JCC) London there are four risk levels namely **Severe, High, Elevated, Caution & Low risk**. In May 2009 Sri Lanka was rated at a risk scale of 3.4 which is the highest risk scale and the war risk pertaining to Sri Lanka was categorized as "Severe" in the Global Cargo Watch List (GCWL).

Subsequent to the discussions held with the reinsurers, in June 2009 the JCC has reassessed the war risk level applicable to Sri Lanka and determined a war risk scaling of 3.0 and has categorized the risk pertaining to Sri Lanka as "High" from the "Severe" scale. It is also noted that Air-War / Strikes and Air-War risks have been removed for Sri Lanka by the JCC and presently applicable risks are Marine War, Marine Strikes, Ground War Strikes.

Sri Lanka is listed in the Global Cargo Watch List (GCWL) issued by the Joint Cargo Committee (JCC) in London resulting in foreign underwriters covering cargo into Colombo using their own discretion in determining risk rates and levying surcharge on goods imported to Sri Lanka. This in turn results in higher prices of goods imported into Sri Lanka.

In Addition Joint War Committee (JWC) too has listed Sri Lanka as a High Risk country. The Ships carrying cargo to Sri Lanka are surcharged. This surcharge too is added to the freight rates of imports resulting in high cost of imports.

Further IBSL has appointed a committee including representatives from the Insurance Industry to work to remove of war risk surcharge imposed by JCC and JWC.

Chairman

18.06.2009