

## Overcoming adversity and preparing for uncertainty with the insurance industry

Friday, 17 September 2021 01:53 - - 37

*The onset of the COVID-19 pandemic has faced its fair share of impacts on multiple industries and businesses, across the world. The insurance industry of Sri Lanka too, was no exception. Senior Attorney-at-Law, President's Counsel and Insurance Regulatory Commission of Sri Lanka (IRCSL) Chairman Razik Zarook discusses his insights into the life and general insurance landscapes predominant today. He acknowledges and explains the transition of businesses into the digital sphere, reinforcing their resilience and adaptability to adversity. Following are excerpts:*

---

**Q: What is your perspective on both the life and general insurance landscape at present, on a global vs. local perspective?**

The global insurance industry has been heavily affected by the impacts of the COVID-19 pandemic, which has spread across the globe. However, opportunities have emerged for insurers to reinvent themselves and provide insurance services fulfilling new social requirements and market needs in both General Insurance (GI) and Life Insurance (LI) sectors.

Increased unemployment, business closures, hindered premium collection, distribution, as well as restricted travel and tourism, have created unfavourable effects on the insurance premium growth across the world. In jurisdictions like the USA and Europe, long-term premiums were largely affected by the decline in new businesses written and increasing lapses.



---

*Senior Attorney-at-Law, President's Counsel and Insurance Regulatory Commission of Sri Lanka (IRCSL) Chairman Razik Zarook*

Certain general insurance classes such as travel insurance, marine insurance, aviation insurance and motor insurance experienced larger declines. However, the emerging markets especially in Asia, are expected to maintain growth momentum, backed by the increasing risk awareness and developments in distribution channels.

In response to these unprecedented challenges, the global insurance sector has demonstrated both operational and financial resilience, aided by supervisory measures providing operational relief as well as by monetary and fiscal support measures in financial markets in certain regions. Regulators in many jurisdictions have taken measures to limit or delay dividend payments of insurers. In addition, several actions have been taken to ensure the fair treatment of customers.

Insurers have made progress in advanced analytics and artificial intelligence in both the GI and LI sectors globally. Furthermore, Insurers have increased their focus on digitalizing the operations and customer services, and the requirement for sound IT infrastructures has become vital in facilitating most of these transformations, primarily facilitating remote working environments.

Further, steps have been taken to adopt digital channels in lieu of face-to-face sales and accelerate product developments to better align with public demand for protection, as the interest of younger generations in life, health and other protections products has notably increased with the outbreak of the pandemic.

Beyond the impact of COVID-19, the insurance industry is occupied with other key challenges, such as rise in consumer expectations, cyber threats, increasing climate risk and catastrophe events, sustainability imperatives, and vast retirement savings and protection gaps which will require insurers to think bigger and differently to overcome these challenges.

As is the case in many countries, the economic and social impacts of the COVID-19 pandemic created similar impacts as well as challenges and opportunities for the Sri Lankan Insurance market in terms of GI and LI sectors.

## **Q: What trends have you witnessed post lockdown and since the onset of the pandemic?**

The insurance industry experienced broad and deep impacts financially, operationally, and strategically — as COVID-19 brought the future forward, accelerating many trends that had been long underway.

COVID-19 is accelerating the digitization of business and operating models across the front, middle and back-office. Those who move the fastest on the route to digitalization will reap the competitive advantage. Virtual interactions may open up new opportunities for servicing, selling and building customer relationships. It's time for insurers to develop new business strategies, priorities investments, rethink what industry verticals

and customer segments to target and develop products, services and pricing strategies for prioritized segments.

**Q: Have there been any new developments in terms of regulations, thus far?**

The Commission carries out reforms on the Risk-Based Capital Rule, Risk-Based Supervisory Framework, and many legal reforms for better protection of policyholders.

The Commission has been selected as one of the key regulatory institutions in the financial sector by the Government under the Financial Sector Modernization Project, to enhance its efficiency towards financial sector growth. The project has commenced and will continue till 2022 with phased out reforms planned for the sector.

One such significant reform is the migration to a fully-fledged Risk-Based Supervisory system, with IT support to make the supervisory process more robust. The Commission will also focus on transition towards IFRS 17 implementation, a new Insurance Regulatory Act with wider powers, in line with the Insurance Core Principles of the International Association of Insurance Supervisors, micro-insurance regulation as well as supervision and product development review are some of the key reforms considered.

**Q: In your opinion, how has the insurance customer benefited, in terms of the services and the product offering in the market?**

Insurance is a form of risk management that protects individuals' life, property, and business from financial risks. In this connection, insurance provides economic and financial protection to the insured against exceptional losses.

People are exposed to various kinds of risks and uncertainties which may cause large losses. Insurance is a cooperative device that helps to share the risks among the insured. It also provides financial protection against an unexpected risk of losses allowing people to maintain their living standards. Insurance also encourages the development of savings habits among people. Due to deaths or destruction of properties, the family suffers from unbearable and non-compensational losses. Insurance provides protection against these unbearable losses.

## **COMMENTS**