“Opening Ceremony of the International Insurance Congress –

The Chief Guest, Ms. Sian Fisher, Chief Executive Officer of the Chartered Insurance Institute,

Mr. Asoka Sirisena, President of Sri Lanka Insurance Institute,

Mr Udeni Kiridena, CEO, SLII,

Mrs Indrani Sugathadasa, former Chairperson, IRCSL,

Dr Wickrema Weerasooria, Insurance Ombudsman,

CEO’s of the industry,

Distinguished delegates,

My dear Directors of the IRCSL,

Ladies and Gentlemen,

Good evening!!

Mr Mano Tittawella, Chairman, IRCSL is unable to be here with us today as he is attending a series of IMF meetings with the Hon. Minister of Finance in Bali, and sends his apologies. However, he has requested me to convey his message and good wishes for the congress. Hence, it is my honour to convey Chairman's message to you at this important sought after insurance event of the year.

Mr Mano Tittawella states:
Let me begin by thanking Mr. Asoka Sirisena President, Mr Udeni Kiridena CEO and the Executive Committee of the Sri Lanka Insurance Institute for inviting the key officials of the IRCSL to grace this occasion. I also wish to congratulate the SLII team for its tireless efforts in organising this event in a highly commendable manner. I'm made to understand that there are many professionals in the insurance industry here today and tomorrow to share the knowledge and best practices of each other for a better insurance industry and to make the world a better place.

The theme of this year – "Market Dynamics; 2018 - 2025", is quite timely as we witness massive changes taking place around us at a very accelerating pace, particularly brought about by the 4th Industrial Revolution. Industries evolve with time, however, as an industry, are we ready to be resilient with the changes happening around us?.

The fourth industrial revolution is characterized by a fusion of technologies emerging that will distort the lines between physical, digital and biological spheres. The revolution is marked by several emerging technology breakthroughs, such as fully autonomous vehicles, artificial intelligence, robotics, advanced3 D printing, smart cities, seamless trade, block chain technologies, etc. which would transform the entire business processors of all types of businesses.

We see such changes already happening. Have you heard of humanoids? The insurance industry in Singapore has seen the first two humanoids to take over the role of customer service. These robots are said to be socially intelligent to perceive emotions and adapt their behavior to respond appropriately.

These changes will bring about uncertainties that will disrupt the business processors and make human labour force obsolete. According to McKinsey & Company, manual insurance underwriting will become obsolete in some segments and will be replaced by artificial intelligence.

As you are aware, Market dynamics mean the factors affecting a market. From a business perspective, market dynamics would be the factors affecting the business model. For a business to be successful, the dynamics in the market need to be included in the market analysis of the business plan. Hence, to succeed in financial services today, companies need a clear understanding of political, economic, environmental, demographic and technological trends – coupled with a rigorous analysis of markets, opportunities and risks.

It is those companies, who understand the changes and prepare themselves to adapt to the changes, will have the edge over others.

Shifting demographics, advanced technology, credit & market risks, climate change, geopolitical uncertainty & regulation have been identified as factors affecting the global insurance market.

From the point of view of advanced technology, Artificial Intelligence and block chain, in particular, are cited as developments that have the potential to drastically reshape insurance business models and transform operations.

Looking to the future, the technological disruptions, “the unstoppable force” will impact and bring benefits throughout the entire value chain, including product development, underwriting, insurance distribution & sales, claims processing and drive the need to change business models to leverage on digital trends. It is intimidating to realize that the traditional models will not suffice and insurance companies need to adapt rapidly to technology’s disruptive influence.

It is said that the pace of change in Asia will leapfrog developed economies. However, Asian countries being at different stages of development, will face further issues as less developed economies will face challenges to catch up with the changes happening within the region.

The other factors that will affect the global insurance market are the shift in demographics, climate change, geopolitical uncertainty, terrorism and regulation. Have we thought about it?

It is projected that by 2041, one in every four Sri Lankans will be a senior citizen. The insurance industry has to face the challenge of ageing population, and factor in this reality to future strategies and formulation of solutions.

Indeed, with people living longer, the time horizon of products and factoring that into pricing will become crucial factors, and it stands to reason that advancements in medical care could change the very nature of some types of coverage.

On the opposite end of the spectrum lies the other challenging demographic, the millennials. We believe that Sri Lanka's Generation Y is more interested in risk-based insurance products compared to Generation X, as Generation Y seeks more financial security and stability for their families due to complexity in their lifestyles.

As society is moving away from integrated family structures and non-reliant on social networks due to rapid socio-economic and technological revolutions, insurance is becoming an important tool for risk mitigation & transfer.

From the Sri Lankan context, the insurance industry was able to achieve a double-digit growth over the past couple of years in terms of Gross Written Premium. The growth in 2017 is around 15% in terms of overall GWP of both long term and general insurance business sectors.

However, the insurance industry in Sri Lanka still remains relatively small, accounting to 3.4% of total financial sector assets. Insurance in Sri Lanka is heavily under-penetrated compared to regional peers such as Vietnam, Indonesia and Philippines, who have comparable GDP per capita giving a strong impetus for a steady growth along with the rise in GDP per capita. Therefore, as the statistics show, the Sri Lankan insurance industry, has much room to grow.

The present direction of achieving an upper middle income status by end of 2018 is likely to provide a convenient platform for many people to spend on insurance, though, low per capita income, which is common for a developing country like Sri Lanka and higher costs of living have been deterrent factors historically in obtaining insurance cover for risks.

It is predicted that natural catastrophes are expected to happen more frequently and more forcefully, affecting property and life. Sri Lankans after the tsunami in year 2004 have been witnessing severe drought conditions and severe flooding and landslides occurring in many parts of the country destroying cultivation, property and life.

To sustain such changes, the industry should move together with creativity, collaboration and partnership.

As market dynamics change, insurance supervisors also need to change their approach in regulation and supervision and support the sector to take advantage of digital disruption to improve their systems. Closing or minimising the gaps require an integrated approach not only among insurers, but also with reinsurers, intermediaries, consumers, regulators, governments etc.

Some examples of this are, The Hong Kong regulator has given Companies applying for licenses to operate online-only insurance firms a separate fast track channel for processing applications. The fast track channel forms part of the Insurance Authority's efforts to promote insurance technology, improve responsiveness, and provide more personal and reliable insurance services to customers.

Thailand OIC has decided to open a centre for Insurtech for the exchange of knowledge, integration and cooperation between the insurance industry and technological firms. The regulatory sandbox is another mechanism that regulators can encourage insurers to develop technology based services as pilot projects.

In conclusion, the responsibility in developing and protecting the changing insurance sector lies with the insurance industry with the support and collaboration of multiple stakeholders.

The industry should be willing to invest in and embrace innovation & invest upskilling the human talent to be ready to face challenges and take advantage of changes of the new world.

I once again congratulate the SLII for selecting such a pertinent topic and wish the congress the best of luck.

Thank you.