



Statistical Review 2016

Abbreviations for Insurance Companies

	Insurance Company Full Name	Annual Report Purpose Company Labels
1	AIA Insurance Lanka PLC	AIA Life
2	AIG Insurance Ltd.	AIG
3	Allianz Insurance Lanka Ltd.	Allianz Gen.
4	Allianz Life Insurance Lanka Ltd.	Allianz Life
5	Amana Takaful PLC	Amana Gen.
6	Amana Takaful Life Ltd.	Amana Life
7	Arpico Insurance PLC	Arpico
8	Softlogic Life Insurance PLC	Softlogic Life
9	Fairfirst Insurance Ltd.	Fairfirst
10	Ceylinco General Insurance Ltd.	Ceylinco Gen.
11	Ceylinco Life Insurance Ltd.	Ceylinco Life
12	Continental Insurance Lanka Ltd.	Continental
13	Cooperative Insurance Company Ltd.	Cooperative Gen.
14	Cooplife Insurance Ltd.	Cooplife
15	HNB Assurance PLC	HNB Life
16	HNB General Insurance Ltd.	HNB Gen.
17	Janashakthi Insurance PLC	Janashakthi Life
18	Janashakthi General Insurance Ltd.	Janashakthi Gen.
19	Life Insurance Corporation (Lanka) Ltd.	LIC
20	LOLC General Insurance Ltd.	LOLC Gen.
21	LOLC Life Assurance Ltd.	LOLC Life
22	MBSL Insurance Company Ltd.	MBSL
23	National Insurance Trust Fund	NITF
24	Orient Insurance Ltd.	Orient
25	People's Insurance Ltd.	People's
26	Seemasahitha Sanasa Rakshana Samagama	Sanasa
27	Sri Lanka Insurance Corporation Ltd.	SLIC
28	Union Assurance General Limited	Union Gen.
29	Union Assurance PLC	Union Life

Notes to be taken into consideration when interpreting the data of Tables and Charts of Statistical review.

- Reinstated Audited figures (up to year 2015)
 - Provisional figures
- Reinsurance Premium Income represents the compulsory cession of reinsurance premium of general insurance business ceded to NITF .
- Financial Statement of crop & loan protection scheme operated by NITF have been eliminated from computation of insurance industry's statistics since 2014.
- AIA General Insurance Lanka Limited and Janashakthi General Insurance Limited have been amalgamated in 2016.
- Softlogic Life Insurance PLC was formerly known as Asian Alliance Insurance PLC.
- Asian Alliance General Insurance Limited was acquired by Fairfax Asia Limited in year 2015 and known as Fairfirst Insurance Limited.
- Union General Limited has been amalgamated with Fairfirst Insurance Limited with effect from 28th February 2017.
- AIG Insurance Limited has not been required to submit RBC returns to IBSL.
- NITF has not submitted RBC returns in year 2016.

Statistical Review

An Overview of the Sri Lankan Insurance Industry

Despite the challenging environment, year 2016 ended with a positive note for the Sri Lankan insurance industry where the total Gross Written Premium (GWP) generated from long term and general insurance sectors collectively recorded a growth of 16.27% (2015 : 16.22%) and generated premium income amounting to Rs. 142,969 million (2015: Rs. 122,962 million). Similar to the previous year, the growth in GWP recorded in 2016 resulted from the increase in premiums of both long term and general insurance sectors which posted growth rates of 18.26% (2015: 20.40%) and 14.73% (2015: 13.18%) respectively as depicted in Chart 1. In 2016, the global long term and general insurance premiums recorded a growth of 5.4% and 2.4% respectively and it is notable that emerging markets, in particular emerging Asia, was

the main driver of global premium growth in both long term and general insurance sectors.

Note :- Swiss Re Global Insurance Review 2016 and Outlook 2017.

The long term insurance sector generated GWP amounting to Rs. 63,495 million in 2016, up by 18.26% against the GWP of Rs. 53,691 million generated in 2015. This significant growth was attributable to factors such as increased awareness on life insurance, introduction of new life insurance products to cater dynamic customer requirements such as retirement solutions and investment products, enhanced customer service, etc.

The general insurance sector recorded GWP amounting to Rs. 79,474 million in 2016, posting a growth of 14.73% compared to Rs. 69,271 million recorded in 2015. General insurers were able to increase their premiums steadily year on year amid strong competition prevailing in the general insurance market by

means such as focus on niche markets, introduction of innovative general insurance products, implementing Enterprise Risk Management strategies, focusing on risk selection and pricing, etc.

The reinsurance premium income generated by the National Insurance Trust Fund (NITF) from the compulsory reinsurance cession of general insurance business amounted to Rs. 2,357 million during 2016, recording a significant increase of 35.62% against the reinsurance premium of Rs. 1,738 million generated in 2015. NITF's reinsurance premium has risen substantially in 2016 mainly due to acceptance of reinsurance business from a wider range of different classes of general insurance business.

Sri Lanka's Gross Domestic Product (GDP) grew by a moderate rate of 4.38% in 2016 though at a slightly lower rate compared to 4.84% recorded in 2015. The services sector made the highest contribution to GDP similar to previous years which accounted for 57% of the total GDP in 2016 followed by industries, taxes less subsidies and agriculture which accounted for 27.1%, 8.4% and 7.5% of GDP respectively. Agricultural activities had reported a negative growth of 4.2% in 2016 mainly due to the adverse weather conditions prevailed throughout the year.

Insurance penetration which reflects the insurance premium as a percentage of GDP amounted to 1.21% in 2016. Although insurance penetration had increased in 2016 compared to

Chart 1
Premium Income & Growth Rate of the Insurance Industry

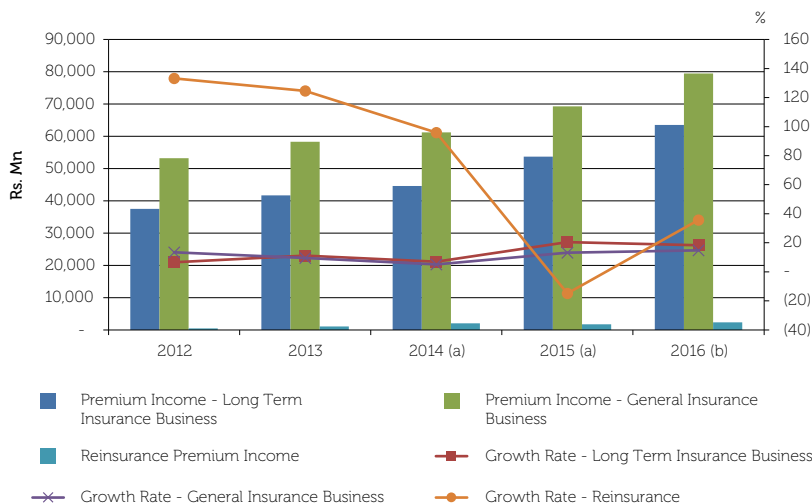


Table 1
Premium Income & Penetration

	2012	2013	2014 (a)	2015 (a)	2016 (b)
Premium Income - Long Term Insurance Business (Rs. millions)	37,477	41,676	44,596	53,691	63,495
Premium Income - General Insurance Business (Rs. millions)	53,213	58,284	61,202	69,271	79,474
Total Premium Income - Insurance Business (Rs. millions)	90,690	99,960	105,798	122,962	142,969
Growth Rate in Total Premium Income - Insurance Business (%)	10.48	10.22	5.84	16.22	16.27
Reinsurance Premium Income (Rs. millions)	464	1,042	2,041	1,738	2,357
Gross Domestic Product at Current Market Price (Rs. billions)*	8,732	9,592	10,448	10,952	11,839
GDP Growth Rate % *	9.10	3.40	4.90	4.84	4.38
Penetration % (Total Premium of Insurance Business as a % of GDP)	1.04	1.04	1.01	1.12	1.21
Penetration % (Premium of Long Term Insurance Business as a % of GDP)	0.43	0.43	0.43	0.49	0.54
Penetration % (Premium of General Insurance Business as a % of GDP)	0.61	0.61	0.59	0.63	0.67
Insurance Density - (Total Premium Income - Insurance Business / Population) Rs.	4,440	4,857	5,094	5,865	6,743
Population '000 (Mid Year) *	20,424	20,579	20,771	20,966	21,203

* Source: Central Bank of Sri Lanka and Department of Census and Statistics

2015 which was recorded as 1.12%, it is still low compared to most of the other countries in the Asian region. Penetration of the long term insurance business in 2016 stood at 0.54% (2015: 0.49%) and the penetration of the general insurance business was 0.67% (2015:0.63%), both classes recording slight increases compared to the penetration ratios recorded in 2015.

Insurance density reflects the insurance premium income per person of the population and has increased to Rs. 6,743 million in 2016 compared to Rs. 5,865 million recorded in 2015, growing by 14.97% mainly due to increased premium income against lower increase in population.

Crop and Loan Protection Scheme of NITF

All Banks, Finance Companies and Insurance Companies registered in terms of the Banking Act, the Finance Companies Act

and the Regulation of Insurance Industry Act are liable for the crop insurance levy. Accordingly, these institutions have to pay one percentum of their profit after tax for a year of assessment to the NITF as a crop insurance levy in compliance with section 14 of the Finance Act No. 12 of 2013. This levy is used for the crop and loan protection scheme established by NITF.

In 2016, NITF has collected levies amounting to Rs. 1,511 million against Rs. 1,259 million collected in 2015. The levies collected are mainly invested in government securities and amounted to Rs. 1,541 million in 2016. Total assets of this segment have drastically improved compared to Rs. 212 million recorded in 2015.

Information pertaining to income, expense, assets and liabilities of crop & loan protection scheme submitted by NITF has been eliminated from Statistical Report analysis.

Total Assets of Insurance Companies

Total assets of the insurance industry (after eliminating inter segment transactions) which comprise of the assets belonging to long term and general insurers and the national reinsurer, NITF have amounted to Rs. 527,228 million as at 31st December 2016. This was an increase of 12.97% compared to the assets amounted to Rs. 466,707 million recorded as at 31st December 2015.

Long term insurers held the majority of total industry assets which amounted to Rs. 345,675 million as at 31st December 2016 (2015: Rs. 312,713 million). Assets of long term insurance business recorded a growth of 10.54% in 2016 compared to 2015. Assets of general insurance business amounted to Rs. 175,745 million as at 31st December 2016 (2015: Rs. 151,177 million) and recorded a growth of 16.25%. NITF held assets amounting to Rs. 5,915 million as

Table 2

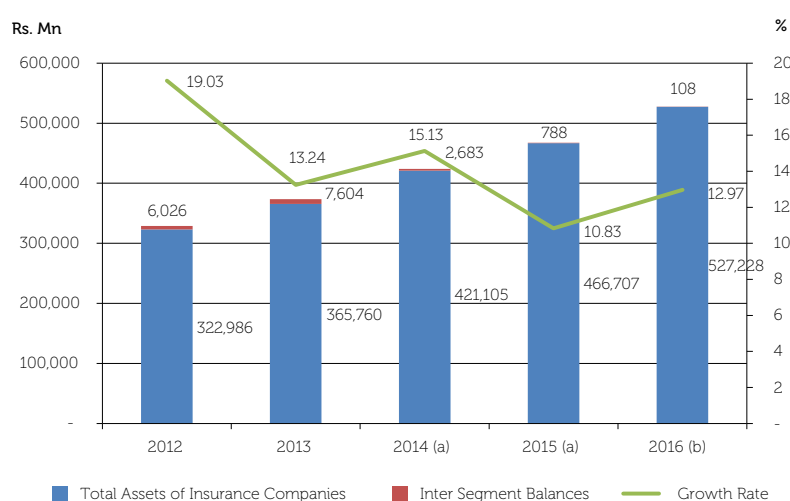
Assets of Insurance Companies

	2012	2013	2014 (a)	2015 (a)	2016 (b)
Long Term Insurance (Rs. millions)	190,642	216,275	247,061	312,713	345,675
General Insurance (Rs. millions)	137,730	155,636	174,588	151,177	175,745
Reinsurance (Rs. millions)	640	1,453	2,139	3,604	5,915
Total (Rs. millions)	*322,986	*365,760	*421,105	*466,707	*527,228

* Inter segment transactions have been eliminated.

Chart 2

Total Assets and Assets Growth Rate of the Insurance Industry



at 31st December 2016, belonging to reinsurance business recording a significant growth of 64.12% compared to assets recorded as at 31st December 2015 which amounted to Rs. 3,604 million. The above mentioned increases in assets were mainly attributable to the growth in the premium income of long term and general insurance and reinsurance businesses which have resulted in the expansion of the asset base of insurers and NITF.

Distribution of Assets of Insurance Companies

The distribution of assets among the insurance companies under long term insurance,

general insurance and the reinsurance segment of NITF as at 31st December 2015 and 31st December 2016 is depicted in Table 3. The total assets of insurers as at 31st December 2016 amounted to Rs. 527,228 million (2015: Rs. 466,707 million) excluding an inter-segment transaction balance of Rs. 108 million (2015: Rs. 788 million) of composite insurer, SLIC.

The largest portion of insurance industry's assets as at 31st December 2016, i.e. 33.56% (2015: 35.77%) was held by SLIC which amounted to Rs. 176,933 million (2015: Rs. 166,947 million). The assets of SLIC had grown by 5.98% in 2016 though their share

of assets had reduced by 2.21% against the previous year. Assets held by SLIC as at 31st December 2016 under long term and general insurance businesses amounted to Rs. 109,732 million (2015: Rs. 103,093 million) and Rs. 67,308 million (2015: Rs. 64,642 million) respectively.

Ceylinco Life held 18.30% of total assets of the insurance industry as at 31st December 2016 which amounted to Rs. 96,458 million (2015: Rs. 80,235 million) recording a growth of 20.22%. AIA Life, Union Life and Ceylinco General held the third, fourth and fifth largest asset shares as at 31st December 2016 which accounted for 8.79%, 6.77% and 4.44% of total industry assets respectively. AIA Life held assets amounted to Rs. 46,321 million as at 31st December 2016 (2015: Rs. 45,957 million) while Union Life and Ceylinco General held assets amounted to Rs. 35,693 million and Rs. 23,406 million respectively (2015: Rs. 31,013 million and Rs. 19,634 million respectively). These five companies together held 71.86% of the entire insurance industry's assets and the remaining insurers and NITF held the balance 28.14% of the total assets.

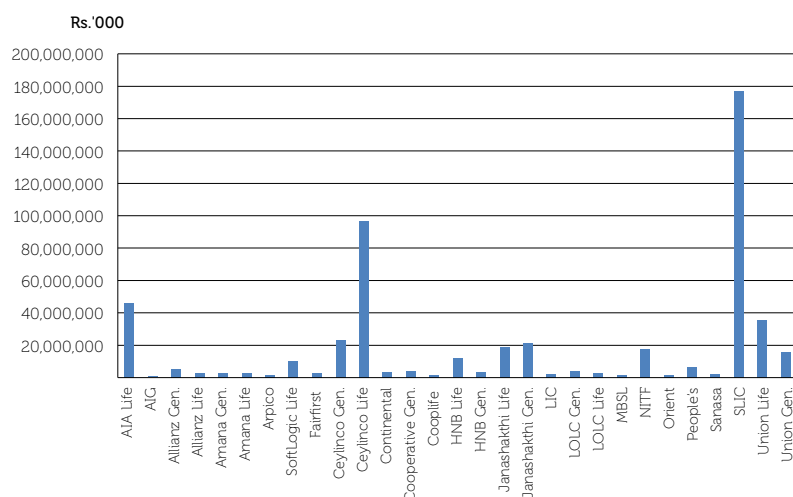
Table 3
Company wise Analysis of Total Assets

Insurer	2015 (a)					2016 (b)				
	Long Term Insurance (Rs.'000)	General Insurance (Rs.'000)	Reinsurance (Rs.'000)	Total (Rs.'000)	%	Long Term Insurance (Rs.'000)	General Insurance / Share-holders (Rs.'000)	Reinsurance (Rs.'000)	Total (Rs.'000)	%
AIA Life	45,957,291			45,957,291	9.85	46,320,851			46,320,851	8.79
AIA Gen.		5,987,146		5,987,146	1.28					
AIG		205,104		205,104	0.04		124,979		124,979	0.02
Allianz Gen.		4,106,848		4,106,848	0.88		5,211,062		5,211,062	0.99
Allianz Life	1,947,125			1,947,125	0.42	2,571,072			2,571,072	0.49
Amana Gen.		2,603,687		2,603,687	0.56		2,869,633		2,869,633	0.54
Amana Life	2,405,537			2,405,537	0.52	2,726,295			2,726,295	0.52
Arpico	1,160,691			1,160,691	0.25	1,592,136			1,592,136	0.30
Softlogic Life	9,814,621			9,814,621	2.10	9,917,606			9,917,606	1.88
Fairfirst		2,489,014		2,489,014	0.53		2,945,827		2,945,827	0.56
Ceylinco Gen.		19,634,062		19,634,062	4.21		23,406,292		23,406,292	4.44
Ceylinco Life	80,235,165			80,235,165	17.19	96,458,087			96,458,087	18.30
Continental		2,636,838		2,636,838	0.56		3,584,797		3,584,797	0.68
Cooperative Gen.		3,049,379		3,049,379	0.65		3,761,264		3,761,264	0.71
Cooplife	1,714,017			1,714,017	0.37	1,799,701			1,799,701	0.34
HNB Life	10,022,562			10,022,562	2.15	12,199,440			12,199,440	2.31
HNB Gen.		2,777,034		2,777,034	0.60		3,492,537		3,492,537	0.66
Janashakthi Life	19,323,791			19,323,791	4.14	19,049,957			19,049,957	3.61
Janashakthi Gen.		12,331,132		12,331,132	2.64		21,322,088		21,322,088	4.04
LIC	2,050,066			2,050,066	0.44	2,270,553			2,270,553	0.43
LOLC Gen.		3,100,033		3,100,033	0.66		4,068,265		4,068,265	0.77
LOLC Life	1,943,775			1,943,775	0.42	2,806,697			2,806,697	0.53
MBSL	539,232	1,386,401		1,925,633	0.41	604,563	1,086,971		1,691,534	0.32
NITF		8,417,578	3,604,151	12,021,729	2.58		11,903,131	5,915,066	17,818,197	3.38
Orient		1,108,327		1,108,327	0.24		1,713,218		1,713,218	0.32
People's		6,642,095		6,642,095	1.42		6,718,278		6,718,278	1.27
Sanasa	1,492,252	644,100		2,136,352	0.46	1,932,832	521,765		2,454,597	0.47
SLIC	103,093,318	64,641,960		166,947,465	35.77	109,732,183	67,308,495		176,933,175	33.56
Union Life	31,013,818			31,013,818	6.65	35,693,463			35,693,463	6.77
Union Gen.		9,416,163		9,416,163	2.02		15,706,231		15,706,231	2.98
Total	312,713,263	151,176,901	3,604,151	466,706,502	100	345,675,436	175,744,833	5,915,066	527,227,831	100

Notes:

Total Assets of SLIC has been computed after eliminating inter segment transactions balance of Rs. 108 million as at 31st December 2016 (2015 : Rs. 788 million)

Chart 3
Company-wise Analysis of Assets
as at 31st December 2016



Shareholders' Funds of Insurance Companies

Table 4 depicts the total shareholders' funds of insurance companies which amounted to Rs. 137,406 million as at 31st December 2016 compared to Rs. 136,151 million recorded as at 31st December 2015. Total shareholders' funds recorded a marginal increase of 0.92% at the end of 2016 when compared to the end of 2015. Total shareholders' funds as at 31st December 2016 comprised of stated capital

Table 04

Total Shareholders' Funds of Insurance Companies

Insurer	2015 (a)		2016 (b)			
	Total Shareholders' Funds (Rs.'000)	%	Stated Capital (Rs.'000)	Total Reserves (Rs.'000)	Total Shareholders' Funds (Rs.'000)	%
AIA Life	6,362,871	4.67	511,922	4,849,062	5,360,984	3.90
AIA Gen.	1,930,279	1.42				
AIG	(168,098)	(0.12)	812,215	(751,090)	61,125	0.04
Allianz Gen.	986,717	0.72	500,000	473,471	973,471	0.71
Allianz Life	214,407	0.16	739,624	(586,985)	152,638	0.11
Amana Gen.	1,693,459	1.24	1,860,001	(82,163)	1,777,838	1.29
Amana Life	515,594	0.38	500,000	26,119	526,119	0.38
Arpico	647,253	0.48	675,565	18,245	693,810	0.50
SoftLogic Life	2,437,935	1.79	1,062,500	899,667	1,962,167	1.43
Fairfirst	585,389	0.43	1,400,000	(583,433)	816,567	0.59
Ceylinco Gen.	7,882,870	5.79	500,200	8,290,869	8,791,069	6.40
Ceylinco Life	9,446,370	6.94	500,001	11,411,827	11,911,828	8.67
Continental	1,032,611	0.76	750,000	444,534	1,194,534	0.87
Cooperative Gen.	1,515,717	1.11	1,115,368	549,990	1,665,358	1.21
Cooplif	537,746	0.39	500,000	(43,798)	456,202	0.33
HNB Life	2,511,343	1.84	1,171,875	1,703,455	2,875,330	2.09
HNB Gen.	922,601	0.68	1,150,000	(178,272)	971,728	0.71
Janashakthi Life	7,756,986	5.70	4,853,752	3,213,237	8,066,989	5.87
Janashakthi Gen.	4,485,180	3.29	5,878,017	2,078,105	7,956,122	5.79
LIC	683,448	0.50	500,000	154,645	654,645	0.48
LOLC Gen.	811,870	0.60	700,000	311,703	1,011,703	0.74
LOLC Life	262,770	0.19	800,000	(216,730)	583,270	0.42
MBSL	333,209	0.24	1,080,022	(988,123)	91,899	0.07
NITF	8,654,939	6.36		7,887,578	7,887,578	5.74
Orient	517,290	0.38	825,000	(207,455)	617,545	0.45
People's	2,250,995	1.65	1,350,000	1,278,367	2,628,367	1.91
Sanasa	850,573	0.62	1,042,846	324,771	1,367,617	1.00
SLIC	63,677,120	46.77	6,000,000	52,635,550	58,635,550	42.67
Union Life	3,464,928	2.54	1,000,000	2,866,192	3,866,192	2.81
Union Gen.	3,346,435	2.46	3,131,949	715,354	3,847,303	2.80
Total	136,150,806	100	40,910,856	96,494,691	137,405,547	100

amounted to Rs. 40,911 million and reserves amounted to Rs. 96,495 million.

Similar to previous years, SLIC held the largest portion of total shareholders' funds which amounted to Rs. 58,636 million as at 31st December 2016 (2015: Rs. 63,677 million) and accounted for 42.67% of the total insurance

industry's shareholders' funds (2015: 46.77%). However SLIC's shareholders' funds have decreased by 7.92% at the end of 2016 compared to end of 2015, mainly due to decrease in retained earnings. SLIC's stated capital amounted to Rs. 6,000 million and total reserves amounted to Rs. 52,636 million as at 31st December 2016. Ceylinco Life

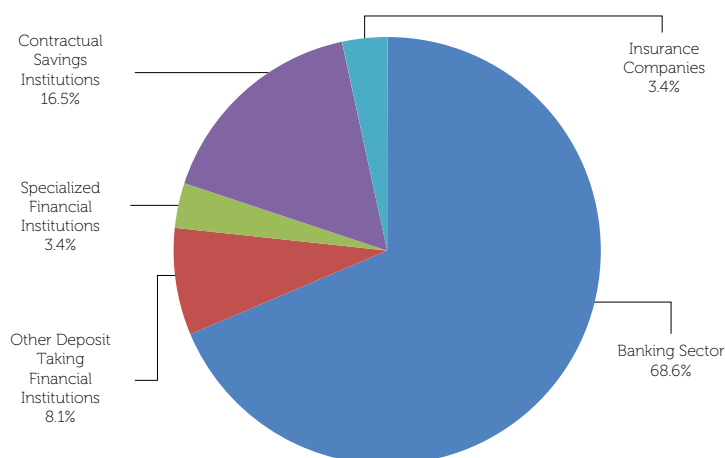
and Ceylinco General accounted for 8.67% and 6.40% of the total shareholders' funds respectively which amounted to Rs. 11,912 million and Rs. 8,791 million as at 31st December 2016 (2015: Rs. 9,446 million and Rs. 7,883 million respectively) and claimed the second and the third position in the total shareholders' funds. Janashakthi Life and Janashakthi

General held 5.87% and 5.79% of the total insurance industry's shareholders' funds respectively as at 31st December 2016 by holding shareholders' funds amounted to Rs. 8,067 million and Rs. 7,956 million respectively (2015: Rs. 7,757 million and Rs. 4,485 million respectively) and held the fourth and the fifth positions in terms of shareholders' funds.

Distribution of Total Assets among the main Financial Sectors

Total assets of the major financial sectors of the economy as at 31st December 2016 amounted to Rs. 15,411.4 billion and had increased by 11.43% over the assets recorded as at 31st December 2015 which amounted to Rs. 13,830.8 billion. Banking sector held the majority of assets belonging to the financial sector and represented 68.6% of the total assets. Contractual savings institutions held 16.5% of the total financial sector assets by holding assets amounted to Rs. 2,537.2 billion as at 31st December 2016 and recorded an increase of 12.39% compared to Rs. 2,257.5

Chart 4
Distribution of Total Assets of Major Financial Sectors as at 31st December 2016



billion recorded at the previous year end. Other deposit taking financial institutions represented 8.1% of the total assets of the financial sector while specialized financial institutions accounted for 3.4% of the total assets of the financial sector as at 31st December 2016. Insurance sector accounted for 3.4% of the total assets of the main financial sectors (2015: 3.4%) by recording assets amounted to Rs. 527.2 billion as at 31st December 2016 (2015: Rs. 466.7 billion).

Analysis of Branches, Employees and Agents of Insurers

Various distribution channels are used by insurers to reach customers scattered across the island, such as their branch network and agents. As depicted in Table 06, insurance companies operated 1,971 branches island-wide as at 31st December 2016, growing up by 5.29% compared to 1,872 branches operated as at 31st December 2015. Highest number

Table 05
Distribution of Total Assets of Major Financial sectors

Financial Sectors	Distribution of Assets									
	2012		2013		2014		2015		2016	
	Rs. billions	%	Rs. billions	%	Rs. billions	%	Rs. billions	%	Rs. billions	%
Banking Sector	6,377.0	70.3	7,187.5	69.6	8,442.0	70.3	9,503.7	68.7	10,575.8	68.6
Other Deposit Taking Financial Institutions	621.2	6.9	756.4	7.3	857	7.1	1,044.2	7.5	1,246.7	8.1
Specialized Financial Institutions	310.4	3.4	378	3.7	441	3.7	557.8	4.0	522.8	3.4
Contractual Savings Institutions	1,429.6	15.8	1,632.5	15.8	1,853.6	15.4	2,257.5	16.3	2,537.2	16.5
Insurance Companies	323.0	3.6	365.8	3.6	421.1(a)	3.5	466.7 (a)	3.4	527.2 (b)	3.4
Total	9,061.2	100	10,320.2	100	12,015.0	100.0	13,830.8	100.0	15,411.4	100.0

Source: Central Bank of Sri Lanka

Note : Assets of insurance companies were reinstated based on data received from insurance companies

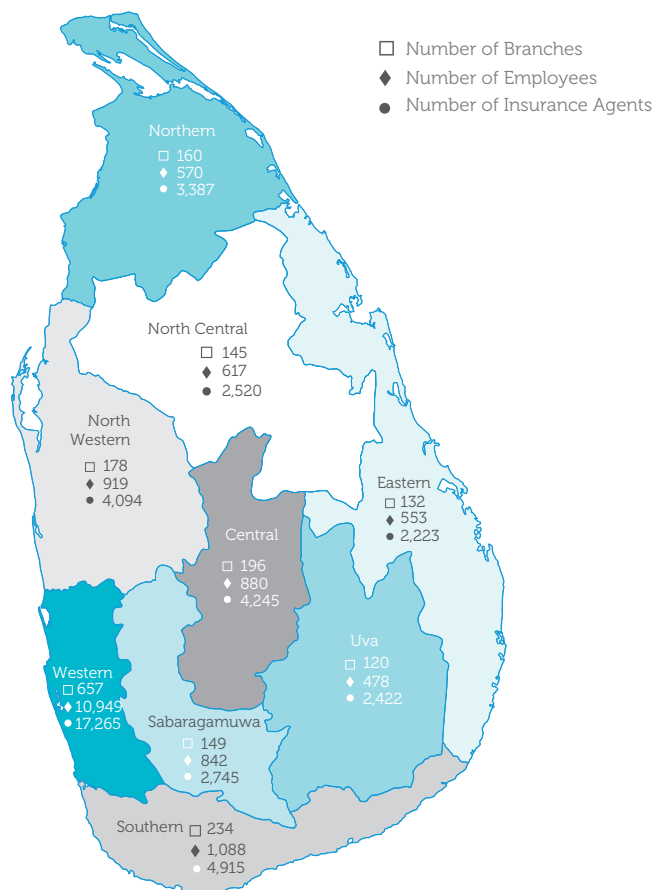
of branches were located in the Western province which amounted to 657 and represented 33.33% of the entire branch network. Southern and Central provinces had the second and the third largest branch network with 234 and 196 branches respectively while Uva province had the least number of branches which amounted to 120. The branch network in the Northern and Eastern provinces had increased by 15.11% and 6.45% respectively in 2016 reflecting the post-war development taking place in the North and East of the country. Branches in all the provinces of the country has increased in 2016 except in the North Western province where the number of branches has decreased to 178 from 188 branches operated in 2015.

The total number of employees who worked for all insurance companies as at 31st December 2016 amounted to 16,896 (2015: 15,830) recording a growth of 6.73%. Out of the total employees of all insurance companies, 10,949 employees were located in the Western province as at 31st December 2016 (2015: 10,484) which accounted for 64.80% (2015: 66.23%). There were 1,088 and 880 employees working in the Southern and Central provinces respectively as at 31st December 2016 (2015: 986 and 841 employees respectively) recording an increase compared to 2015. Least number of employees were located in the Uva province amounted to 478, which represented only 2.83% of total employees of insurance companies. It is noteworthy that employees working in all the provinces of the country have

Table 06
Number of Branches, Employees and Agents as at 31st December 2015 and 2016

Province	No. of Branches		No. of Employees		No. of Agents	
	2015	2016	2015	2016	2015	2016
Central Province	178	196	841	880	4,433	4,245
Eastern Province	124	132	480	553	2,201	2,223
North Central Province	132	145	579	617	2,642	2,520
North Western Province	188	178	883	919	4,326	4,094
Northern Province	139	160	430	570	3,335	3,387
Sabaragamuwa Province	140	149	687	842	2,845	2,745
Southern Province	232	234	986	1,088	4,827	4,915
Uva Province	108	120	460	478	2,207	2,422
Western Province	631	657	10,484	10,949	17,333	17,265
Total	1,872	1,971	15,830	16,896	44,149	43,816

Chart 5
Number of Branches, Employees and Agents as at 31st December 2016



increased in 2016 compared to 2015.

Total number of agents attached to insurance companies amounted to 43,816 as at 31st December 2016 recording a slight decrease of

0.75% compared to 44,149 agents operated as at 31st December 2015. Similar to previous years, highest number of agents were operating in the Western province which amounted to 17,265 as at 31st December 2016

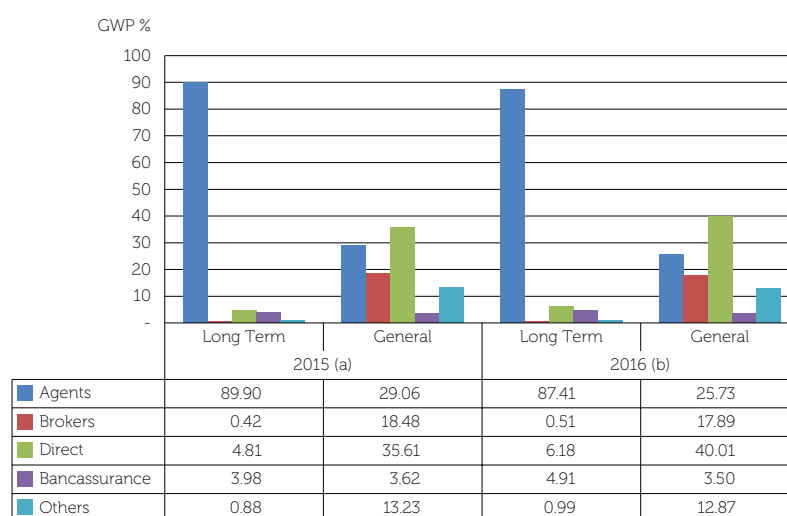
(2015: 17,333) and represented 39.40% of the total agency force of insurance companies. Least number of agents operated in the Eastern province which amounted to 2,223 agents as at 31st December 2016 (2015: 2,201). The notable fact illustrated in Table 6 is that the majority of the branches, employees and agents of insurance companies are concentrated in the Western province when compared to other provinces of the island.

Distribution Channels of Insurance Companies

As depicted in Chart 6, insurers use distribution channels such as agents, brokers, direct marketing, bancassurance and other distribution channels to reach their customers. Agents act as the dominant distribution channel in the long term insurance market. In 2016, agents had generated 87.41% of the GWP of long term insurance business (2015: 89.90%). Direct marketing and bancassurance had been the other important distribution channels of the long term insurance business and had generated 6.18% and 4.91% of GWP respectively in 2016 (2015: 4.81% and 3.98% respectively). Other distribution channels and brokers had generated only 0.99% and 0.51% of long term insurance business.

There are three key distribution channels in general insurance business namely, direct marketing, agents and brokering companies which generated 40.01%, 25.73% and 17.89% respectively in 2016 (2015: 35.61%, 29.06% and 18.48% respectively). Other distribution channels had generated 12.87% of GWP of general insurance in 2016

Chart 6
Distribution Channels of Insurance Companies



slightly lower than the 13.23% recorded in 2015. Bancassurance had generated 3.5% of general insurance GWP, almost similar to 3.62% generated in 2015.

Long Term Insurance Business

Gross Written Premium

Long term insurance business had performed well in 2016 by posting a commendable growth rate of 18.26% by generating GWP amounted to Rs. 63,495 million (2015: Rs. 53,691 million). However, this is a slight decline in growth compared to the 20.40% growth achieved in 2015.

Ceylinco Life has continued to be the market leader in the long term insurance market by generating GWP of Rs. 15,028 million in 2016 (2015: Rs. 13,457 million) and accounted for 23.67% of the total GWP (2015: 25.06%). However, Ceylinco Life's market share has gradually declined during the last three years. SLIC and AIA Life claimed the second and the

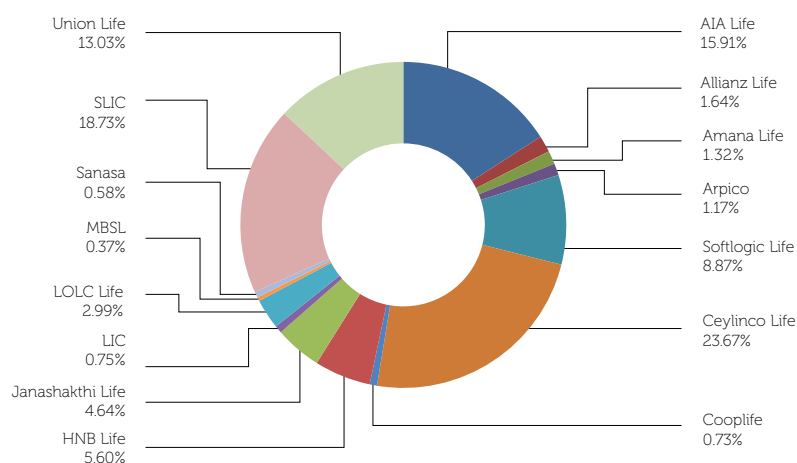
third positions in the life insurance market in terms of GWP in 2016 by recording GWP amounted to Rs. 11,894 million (2015: Rs. 10,470 million) and Rs. 10,104 million (2015: Rs. 8,433 million) respectively with a market share of 18.73% and 15.91%. SLIC's market share has dropped by 0.77% in 2016 while AIA Life has been able to marginally gain its market share by 0.2%. Union Life and Softlogic Life had earned GWP worth of Rs. 8,271 million (2015: Rs. 6,964 million) and Rs. 5,636 million (2015: Rs. 4,091 million) respectively and achieved the fourth and the fifth largest market share in the long term insurance market similar to the previous year. The market share achieved by Union Life and Softlogic Life in 2016 was recorded as 13.03% and 8.87% respectively. It is noteworthy that the market share of Softlogic Life had gradually increased during the last five years mainly due to introduction of innovative life insurance products to cater different customer requirements.

Table 7

Company - wise Gross Written Premium and Market share - Long Term Insurance Business

Insurer	2012		2013		2014		2015 (a)		2016 (b)	
	Premium (Rs.'000)	Market Share (%)	Premium (Rs.'000)	Market Share (%)	Premium (Rs.'000)	Market Share (%)	Premium (Rs.'000)	Market Share (%)	Premium (Rs.'000)	Market Share (%)
AIA Life	6,495,863	17.33	6,863,047	16.47	7,266,574	16.29	8,433,333	15.71	10,103,915	15.91
Allianz Life	532,142	1.42	828,790	1.99	823,456	1.85	919,144	1.71	1,040,272	1.64
Amana Life	364,759	0.97	542,986	1.30	679,029	1.52	928,294	1.73	843,899	1.32
Arpico	101,900	0.27	206,494	0.50	297,439	0.67	482,447	0.90	745,386	1.17
Softlogic Life	2,034,084	5.43	2,520,283	6.05	3,048,148	6.84	4,091,042	7.62	5,635,701	8.87
Ceylinco Life	10,829,470	28.90	11,122,906	26.69	12,002,524	26.91	13,456,828	25.06	15,027,600	23.67
Cooplif	312,056	0.83	337,623	0.81	402,046	0.90	494,598	0.92	462,159	0.73
HNB Life	1,500,028	4.00	2,014,547	4.83	2,342,867	5.25	2,788,715	5.19	3,554,078	5.60
Janashakthi Life	2,025,075	5.40	2,193,662	5.26	2,170,419	4.87	2,550,782	4.75	2,943,963	4.64
LIC	303,344	0.81	322,268	0.77	348,767	0.78	386,885	0.72	474,312	0.75
LOLC Life	106,238	0.28	274,798	0.66	592,422	1.33	1,209,578	2.25	1,896,558	2.99
MBSL	192,780	0.51	251,720	0.60	294,299	0.66	203,235	0.38	235,533	0.37
Sanasa	203,616	0.54	283,975	0.68	260,867	0.58	311,434	0.58	367,649	0.58
SLIC	7,369,031	19.66	8,397,718	20.15	8,121,159	18.21	10,470,079	19.50	11,893,640	18.73
Union Life	5,106,323	13.63	5,515,063	13.23	5,945,499	13.33	6,964,390	12.97	8,270,751	13.03
Total	37,476,709	100	41,675,880	100	44,595,516	100	53,690,783	100	63,495,416	100
Growth Rate(%)	6.58		11.20		7.01		20.40		18.26	

Chart 7

Company-wise Market Share of Gross Written Premium - Long Term Insurance Business for the Year Ended 31st December 2016

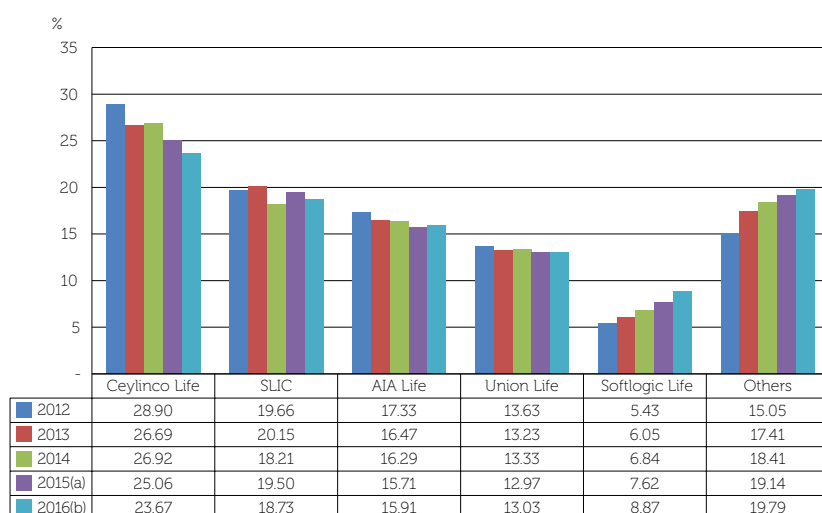
Market share of Top five contributors to Gross Written Premium and other insurers – Long Term Insurance Business

As illustrated in Chart 8, Ceylinco Life, SLIC, AIA Life, Union Life and

Softlogic Life achieved the top five market shares in the long term insurance market in 2016. The top five GWP generators have collectively accounted for 80.21% of the total long term insurance GWP in 2016 almost similar to the 80.86% recorded in 2015. The other ten

players in the long term insurance market had generated 19.79% of the long term insurance GWP in 2016 (2015: 19.14%). The total market share of the smaller players of the long term insurance market had gradually increased during the last five years as depicted in Chart 8.

Chart 8
Market Share of Top Five contributors of GWP and other Insurers for the years 2012 to 2016 - Long Term Insurance Business

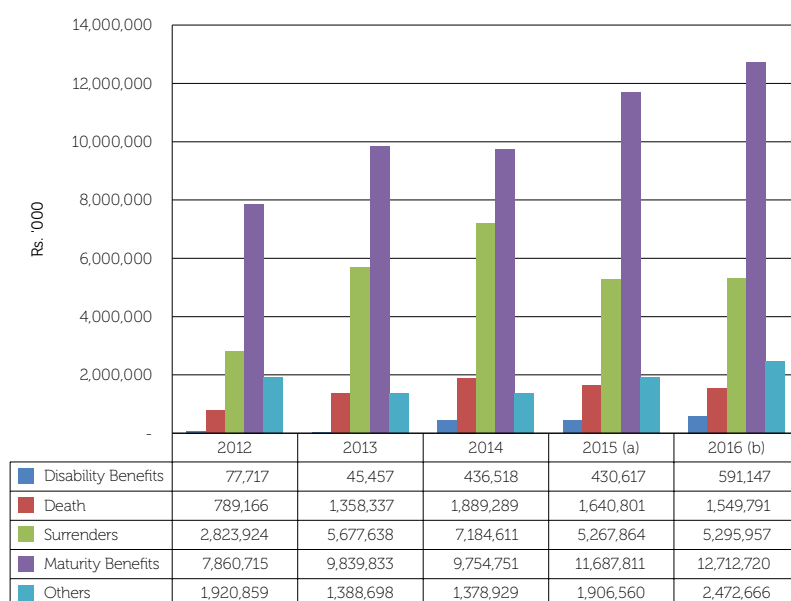


Claims Incurred by Insurance Companies- Long Term Insurance Business

Long term insurers incurred total claims amounting to Rs. 22,622 million in 2016, up by 8.06% compared to Rs. 20,934 million incurred in 2015. As depicted in Chart 9, total claims incurred

comprised of disability benefits, death benefits, surrenders, maturity benefits and other benefits paid to policyholders. Out of the total claims incurred, maturity benefits represented 56.20% in 2016 recording an increase compared to 55.83% recorded in 2015. Surrender benefits incurred in 2016 amounted to Rs. 5,296 million and

Chart 9
Claims Incurred by Insurance Companies - Long Term Insurance Business



marginally increased compared to Rs. 5,268 million incurred in 2015. Other benefits, death benefits and disability benefits incurred amounted to Rs. 2,473 million, Rs. 1,550 million and Rs. 591 million respectively in 2016. Death benefits had declined in 2016 compared to 2015 while all other types of benefits had increased in 2016 compared to 2015.

Number of Insurance Claims - Long Term Insurance Business

Table 8 depicts the number of claims reported in long term insurance business which included 316,424 claims in 2016 (2015: 296,640). Out of these total claims, there were 129,241 other benefit claims, 122,788 maturity benefit claims, 46,484 surrender benefit claims, 9,493 disability benefit claims and 8,418 death benefit claims in 2016. Other benefit claims such as funeral expenses, critical illness and survival benefits accounted for 40.84% of the total claims in 2016 (2015: 37.87%). Maturity benefits accounted for 38.80% of the total claims in 2016 (2015: 40.68%). Other benefit claims and maturity claims together accounted for 79.65% of the total claims. It is notable that all types of long term insurance claims have increased in 2016 except disability claims which had declined by 32.58% in 2016.

Table 8
Number of Insurance Claims - Long Term Insurance Business

	2012	2013	2014	2015	2016
Disability Benefits	578	6,980	8,120	14,081	9,493
Death	4,358	5,284	5,795	6,747	8,418
Surrenders	24,631	41,964	46,312	42,814	46,484
Maturity Benefits	102,465	102,050	107,353	120,661	122,788
Other Benefits	51,773	99,257	84,835	112,337	129,241
Total	183,805	255,535	252,415	296,640	316,424

Assets of Long Term Insurance Business

Total assets of the long term insurance business amounted to Rs. 345,675 million as at 31st December 2016 compared to Rs. 312,713 million recorded as at 31st December 2015 as depicted in Table 9. Assets of long term insurance business had grown by 10.54% in 2016 compared to 2015.

Out of the total assets held as at 31st December 2016, Rs. 162,232 million (2015: Rs. 137,144 million) was invested in government debt securities which accounted for 46.93% (2015: 43.86%) of the total asset portfolio of long term insurers and had increased by 18.29% at the end of 2016 against the end of 2015. The Board ensured that long term insurers comply with the requirement to invest a minimum of 30% of the investments of the Long Term Insurance Fund in government securities as required under the Act. Insurers are also required to invest the balance assets of the Long Term Insurance Fund in accordance with Determination No. 1 issued by the Board.

Investments in corporate debts, equities and deposits represented the other main asset categories of long term insurers and

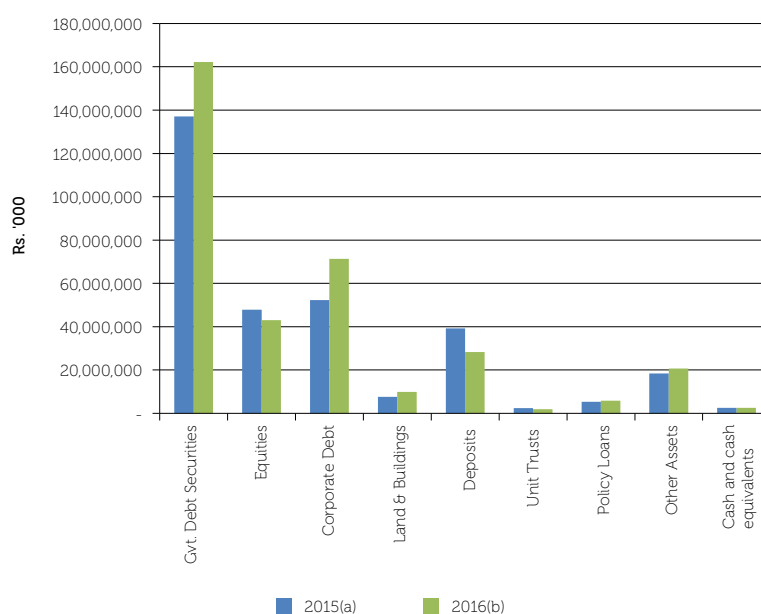
represented 20.65%, 12.45% and 8.17% of total assets respectively as at 31st December 2016. Corporate debts as at 31st December 2016 had amounted to Rs. 71,375 million and had recorded a growth of 36.51% over same which amounted to Rs. 52,284 million as at 31st December 2015.

Table 9
Concentration of Assets as at 31st December 2015 & 2016 - Long Term Insurance Business

Type of Asset	2015 (a)		2016 (b)	
	Rs.'000	%	Rs.'000	%
Government Debt Securities	137,144,420	43.86	162,232,470	46.93
Equities	47,794,233	15.28	43,034,584	12.45
Corporate Debt	52,284,234	16.72	71,374,515	20.65
Land & Buildings	7,595,272	2.43	9,825,371	2.84
Deposits	39,231,457	12.55	28,243,650	8.17
Unit Trusts	2,393,458	0.77	1,939,392	0.56
Policy Loans	5,349,620	1.71	5,878,223	1.70
Other Assets	18,377,218	5.87	20,681,724	5.99
Cash and cash equivalents	2,543,353	0.81	2,465,505	0.71
Total	312,713,263	100	345,675,434	100

Investments made in Insurance subsidiaries amounted to Rs. 6.8 million also included in the equity investments.

Chart 10
Concentration of Assets as at 31st December 2015 and 2016 - Long Term Insurance Business



The investment in equities had amounted to Rs. 43,034 million as at 31st December 2016, recording a decrease of 9.96% over equities recorded as at 31st December 2015 which amounted to Rs. 47,794 million reflecting the relatively weak performance of the stock market. Deposits had reduced substantially as at 31st December 2016 which amounted to Rs. 28,244 million and recorded a significant decline of 28.01% compared to Rs. 39,231 million worth of deposits recorded as at 31st December 2015.

The main investments categories, namely, government securities, corporate debts, equities and deposits collectively accounted for 88.2% (2015: 88.41%) of the total

assets of the long term insurance business and the balance 11.8% (2015: 11.59) was held in land and buildings, other assets, policy loans, etc.

Investment Income - Long Term Insurance Business

As depicted in Table 10, total income generated from investments of long term insurance business amounted to Rs. 27,652 million in 2016 (2015: Rs. 23,370 million) posting a growth of 18.32% over 2015. Average investments of long term insurance business in 2016 amounted to Rs. 287,291 million (2015: Rs. 243,507 million) recording an increase of 17.98%. The average investment yield of the long term insurers amounted

to Rs. 9.63% in 2016, almost similar to 9.60% generated in 2015.

Investments in government debt securities, which represented the majority of investments generated an investment yield of 11.67% in 2016 (2015: 10.71%) and recorded an increase compared to 2015. Investment income generated from equities totaled up to Rs. 66 million in 2016 (2015: Rs. 1,126 million) recording a drastic decline of 94.14% mainly due to capital losses incurred which amounted to Rs. 1,003 million in 2016 reflecting the weak performance of the stock exchange. Dividend income of long term insurers amounted to Rs. 1,070 million in 2016 and recorded a decline of 21.03%

Table 10

Breakup of Investment Income and Average Investments - Long Term Insurance Business

Category	2015 (a)			2016 (b)		
	Investment Income (Rs. '000)	Average Investments (Rs. '000)	Investment Yield Ratio (%)	Investment Income (Rs. '000)	Average Investments (Rs. '000)	Investment Yield Ratio (%)
Government Debt Securities	13,290,740	124,148,732	10.71	17,465,206	149,688,445	11.67
- Treasury Bonds	11,970,779			15,977,679		
- Treasury Bills	87,053			113,045		
- Others (REPO)	1,232,908			1,374,481		
Equity	1,126,509	19,404,953	5.81	66,180	25,397,883	0.26
- Capital Gain / Losses	(229,010)			(1,003,896)		
- Dividend	1,355,519			1,070,076		
Corporate Debts	4,983,436	46,513,842	10.71	6,712,215	61,829,374	10.86
- Debentures	4,981,814			6,663,836		
- Commercial Papers & others	1,622			48,379		
Land and Buildings	59,670	6,752,377	0.88	72,101	8,710,321	0.83
Deposits	3,692,445	38,352,681	9.63	3,076,907	33,737,553	9.12
- Bank	3,434,582			2,852,632		
- Finance Companies	257,863			224,276		
Unit Trust	115,364	2,307,124	5.00	88,530	2,166,425	4.09
Policy Loans	104,908	5,484,510	1.91	174,662	5,569,566	3.14
Others	(3,432)	542,365	(0.63)	(3,970)	191,702	(2.07)
Total	23,369,639	243,506,586	9.60	27,651,831	287,291,269	9.63

when compared to dividends amounted to Rs. 1,355 million recorded in 2015.

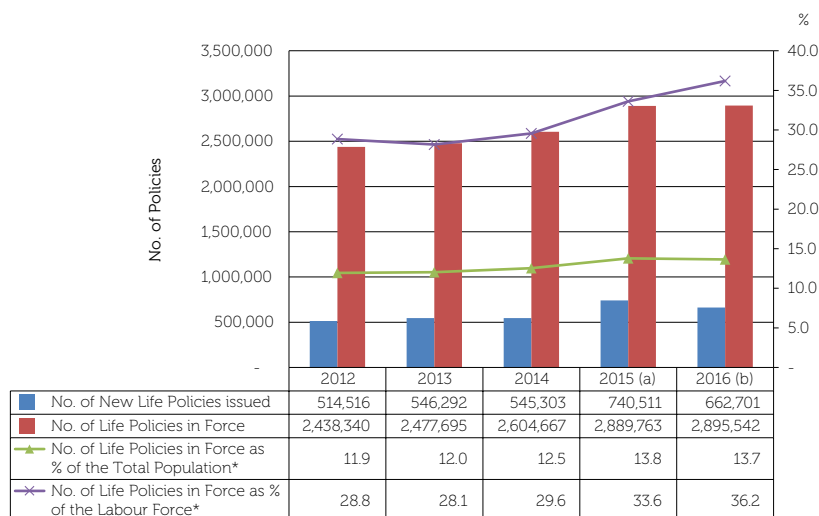
Corporate debts generated an investment income of Rs. 6,712 million in 2016 (2015: Rs. 4,983 million) for an average investment of Rs. 61,829 million (2015: Rs. 46,514 million) which generated an investment yield of 10.86% (2015: 10.71%).

Deposits generated an investment yield of 9.12% in 2016 compared to 9.63 % earned in 2015 which reflects a decrease in interest income from Rs. 3,692 million generated in 2015 to Rs. 3,077 million in 2016. Unit trusts and policy loans generated relatively low investment returns in 2016 with investment yield ratios of 4.09% (2015: 5.00%) and 3.14% (2015: 1.91%) respectively.

Number of Insurance Policies Issued and Policies in Force- Long Term Insurance Business

In 2016, long term insurers had issued 662,701 new life insurance policies decreasing by 10.51% compared to 740,511 new policies issued in 2015. Accordingly, the total life insurance policies in force reached 2,895,542 as at the end of 2016 (2015:2,889,763). As depicted in Chart 11, the total life insurance policies in force has gradually increased over the last five years reflecting that long term insurance business is continuously expanding in the country. Number of life insurance policies as a percentage of the total population was 13.7% in 2016 though recording a slight decrease compared to 13.8% recorded in 2015. Further, number

Chart 11
Number of Insurance Policies Issued and Policies in Force - Long Term Insurance Business



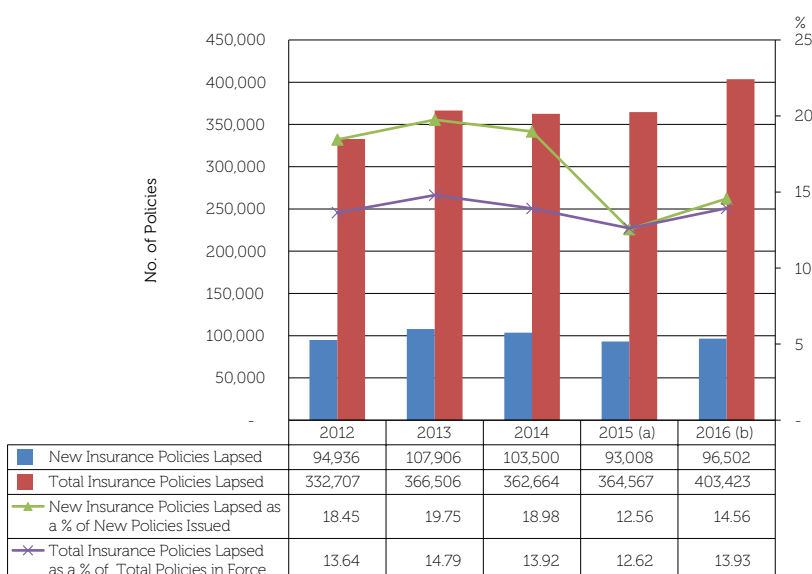
*source – mid year labour force and population – Department of Census and Statistics

of life insurance policies as a percentage of the labour force has increased to 36.2% in 2016 from 33.6% recorded in 2015. These statistics reflect the low level of life insurance penetration in the country and the potential that life insurers have to further develop and expand life insurance business.

Insurance Policy Lapses- Long Term Insurance Business

In 2016, 96,502 new life insurance policies lapsed recording an increase of 3.76% compared to 93,008 new policy lapses recorded in 2015. Further, there were 403,423 total policy lapses

Chart 12
Number of Policies Lapsed and Lapse Ratio from 2012 to 2016 - Long Term Insurance Business



during 2016 compared to 364,567 lapses recorded in 2015 increasing by 10.66%. As depicted in Chart 12, new insurance policy lapses as a percentage of new insurance policies issued in 2016 was 14.56% recording an increase compared to 12.56% recorded in 2015. Total insurance policy lapses as a percentage of total policies in force was 13.93% in 2016, an increase compared to 12.62% recorded in 2015.

Solvency Position of Insurance Companies- Long Term Insurance Business

Solvency Margin (Risk Based Capital) Rules, 2015 came into effect from 1st January 2016. Under RBC Rules 2015, insurers are required to maintain a minimum Total Available Capital (TAC) of Rs. 500 million and a Capital Adequacy Ratio (CAR) of 120% in order to comply capital adequacy requirements. Table 11 reflects the capital adequacy requirements of long term insurance companies as at 31st December 2016 and illustrates the TAC, Risk Capital Required (RCR), Surrender Value Capital Charge (SVCC) and the Capital Adequacy Ratio (CAR).

All long term insurers except MBSL had maintained a TAC more than the minimum requirement of Rs. 500 million as at 31st December 2016. Therefore, MBSL has not complied with the TAC requirement as at 31st December 2016 and necessary action has been taken as per the Enforcement Strategy issued by the Board. All insurance

Table 11

Company - wise Analysis of Solvency Position - Long Term Insurance Business as at 31st December 2016

Insurer	As at 31 st December 2016 (b)			
	TAC (Rs'000)	RCR (Rs'000)	SVCC (Rs'000)	CAR (%)
AIA Life	21,107,662	3,755,882	5,853,682	361
Allianz Life	904,050	299,909	110,061	301
Amana Life	558,175	295,943	-	189
Arpico	1,232,234	211,019	63,453	584
Softlogic Life	8,570,469	2,761,510	4,386,958	195
Ceylinco Life	43,094,498	12,847,731	-	335
Cooplife	710,201	358,399	-	198
HNB Life	5,274,682	1,058,500	1,185,311	445
Janashakthi Life	4,128,936	1,540,195	-	268
LIC	664,289	201,984	44,722	329
LOLC Life	887,316	392,696	-	226
MBSL	105,905	73,229	-	145
Sanasa	962,477	175,114	481,480	200
SLIC	76,297,822	18,502,136	4,591,874	412
Union Life	14,346,884	3,492,978	-	411
Total / Overall	178,845,599	45,967,226	16,717,540	307

companies had satisfied the minimum CAR requirement of 120% as at 31st December 2016 and all companies except MBSL has recorded a CAR exceeding 160%. The average CAR of long term insurers had amounted to 307% as at 31st December 2016.

Total Available Capital (TAC) Requirement of Insurance Companies – Long Term Insurance Business.

Table 12 depicts the composition of TAC pertaining to long term insurers as at 31st December 2016. Under RBC Rules 2015, TAC is computed by adding Tier 1 and Tier 2 capital and subtracting items specified as deductions. As per the rule Tier 2 capital cannot exceed 50% of Tier 1 capital.

TAC of the long term insurance companies had aggregated to Rs. 178,846 million which comprised of Tier 1 capital amounted to Rs. 197,663 million, Tier 2 capital amounted to Rs. 2,129 million and deductions amounted to Rs. 20,946 million.

Tier 1 capital comprises of items such as issued and fully paid up ordinary shares and share premiums, capital reserves, paid up non-cumulative irredeemable preference shares etc., while Tier 2 capital comprises of cumulative irredeemable preference shares, redeemable preference shares, etc. Few examples for deductions specified in the RBC Rules, 2015 include goodwill, inadmissible land and building, other immovable property, plant, and equipment, tax receivables, etc.

Comparisons of Risk Based Capital Required (RCR) by Insurance Companies – Long Term Insurance Business.

Table 13 depicts the company-wise analysis of RCR as at 31st December 2016 which comprises of the main risk categories computed under the RBC framework. Market risk, liability risk and concentration risk had been the three main risk categories of long term insurers. Total market risk of long term insurers had amounted to Rs. 36,078 million while liability risk and concentration risk have amounted to Rs. 12,299 million and 4,388 million respectively. Market risk accounted for 78.49% of the total risk capital charges after diversification, followed by liability risk capital charge and concentration risk capital charge which accounted for 26.76% and

Table 12

Company - wise Analysis of Total Available Capital (TAC) as at 31st December 2016 - Long Term Insurance Business

Insurer	As at 31 st December 2016 (b)			
	Tier 1 (Rs'000)	Tier II (Rs'000)	Deductions (Rs'000)	Total Available Capital (Rs'000)
AIA Life	22,311,313	706,096	1,909,747	21,107,662
Allianz Life	1,016,314	-	112,264	904,050
Amana Life	599,272	2,169	43,266	558,175
Arpico	1,315,661	-	83,426	1,232,234
Softlogic Life*	9,382,070	24,903	836,504	8,570,469
Ceylinco Life	49,142,742	164,078	6,212,323	43,094,498
Cooplif	819,473	28,298	137,570	710,201
HNB Life	7,182,455	-	1,907,773	5,274,682
Janashakthi Life	11,151,926	-	7,022,990	4,128,936
LIC	771,618	-	107,329	664,289
LOLC Life	1,038,669	-	151,353	887,316
MBSL	119,013	-	13,108	105,905
Sanasa	1,148,629	1,221	187,373	962,477
SLIC	76,829,505	47,562	579,245	76,297,822
Union Life	14,834,023	1,154,364	1,641,503	14,346,884
Total	197,662,681	2,128,692	20,945,774	178,845,599

9.55% respectively. Operational risk capital charge and credit risk capital charge represented 7.40% and 6.64% of the total risk charges. Reinsurance risk represented only 0.04% of the total risk charges.

Table 13

Company - wise Analysis of Risk Capital Required (RCR) as at 31st December 2016 - Long Term Insurance Business

Insurer	As at 31 st December 2016 (b) (Rs'000)							
	Credit Risk	Concentration Risk	Market Risk	Reinsurance Risk	Liability Risk	Operational Risk	Total Risk Capital Charge (RCR) before Diversification	Total Risk Capital Charge (RCR) after Diversification
AIA Life	522,912	767,887	2,030,977	-	1,690,531	463,209	5,475,515	3,755,882
Allianz Life	2,383	26,590	237,185	151	135,930	23,405	425,645	299,909
Amana Life	27,764	196,859	65,729	966	44,432	27,250	363,000	295,943
Arpico	18,054	122,189	69,027	108	21,027	15,737	246,142	211,019
Softlogic Life	65,587	298,230	1,846,349	-	1,652,722	98,046	3,960,933	2,761,510
Ceylinco Life	888,650	504,103	11,231,956	10,420	2,129,986	938,552	15,703,667	12,847,731
Cooplif	26,005	27,078	281,091	-	129,581	17,905	481,660	358,865
HNB Life	124,489	279,699	410,127	974	664,619	118,356	1,598,264	1,058,500
Janashakthi Life	252,149	391,641	807,429	332	480,274	185,849	2,117,673	1,540,195
LIC	17,884	31,769	143,027	86	56,344	21,541	270,651	201,984
LOLC Life	1,072	1,490	305,867	3,349	237,107	28,020	576,905	392,696
MBSL	4,306	16,065	13,324	-	64,742	5,966	104,403	73,229
Sanasa	33,918	6,138	132,674	931	12,410	18,792	204,862	175,114
SLIC	881,248	1,435,350	15,814,201	-	3,523,200	1,090,956	22,744,956	18,502,136
Union Life	184,021	282,811	2,688,718	357	1,456,248	347,117	4,959,272	3,492,978
Total	3,050,441	4,387,899	36,077,682	17,673	12,299,153	3,400,699	59,233,546	45,967,692

General Insurance Business

Gross Written Premium

In 2016, there were seventeen active insurance companies competing robustly in the general insurance market. The year was filled with opportunities, trends and challenges for general insurers due to growth in the construction industry, higher duties on vehicles, demographic shift, unfavourable weather conditions, and mobile delivered insurance etc. which also put their reinsurance programs in to test. The competition among general insurance market was further enhanced with the acquisitions and mergers take place between general insurance players. Fairfax

Asia Limited entered the general insurance market by holding a majority stake of Union General and by acquiring 100 percent shares of Asian Alliance General in year 2015 and 2016 respectively.

General insurance business showed improved performance during the year 2016 by recording a growth rate of 14.73% (2015: 13.18%) year on year. Further, general insurance business has positively contributed to the industry income by recording GWP of Rs. 79,474 million compared to Rs. 69,271 million recorded in year 2015.

As depicted in Table 14 and Chart 13, Ceylinco General led the market by surpassing SLIC marginally and recorded a premium income of

Rs. 15,277 million. Further, the company captured the market share of 19.22% (2015: 18.65%) which showed a growth of 18.22% in premium income compared to Rs. 12,922 million recorded in year 2015. SLIC achieved the second largest market share by recording GWP of Rs. 15,178 million (2015: Rs. 13,583 million) and market share of 19.10% in year 2016. Janashakthi General continued to expand their business further with the acquisition of AIA General and improved GWP, by 36.88% to Rs. 10,138 million in 2016.

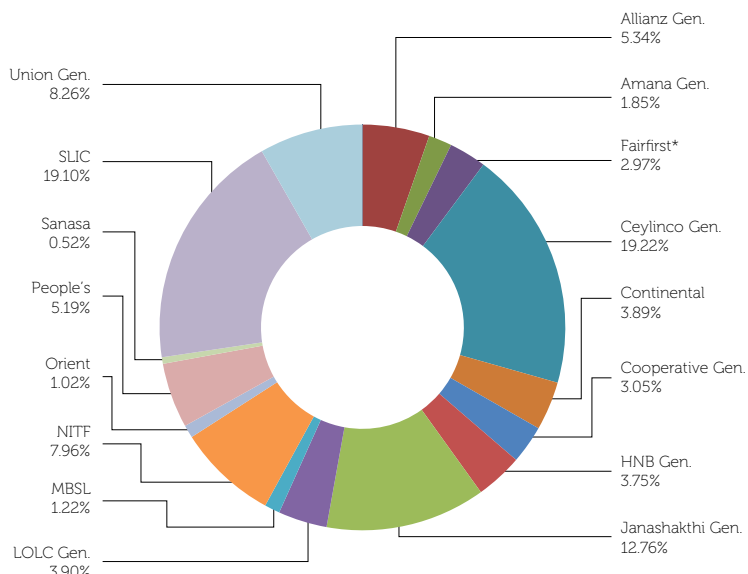
Union General remained as the fourth largest market player by achieving a market share of 8.26% (2015: 8.02%) in 2016 with premium income of Rs. 6,562 million (2015: Rs. 5,557 million).

Table 14

Company - wise Gross Written Premium and Market Share - General Insurance Business

Insurer	2012		2013		2014(a)		2015 (a)		2016 (b)	
	Premium (Rs.'000)	Market Share (%)	Premium (Rs.'000)	Market Share (%)	Premium (Rs.'000)	Market Share (%)	Premium (Rs.'000)	Market Share (%)	Premium (Rs.'000)	Market Share (%)
AIA Gen.	2,143,252	4.03	2,428,675	4.17	2,655,577	4.34	3,297,840	4.76		
AIG	819,448	1.54	880,060	1.51	414,805	0.68	3,141	0.00	(279)	-0.00
Allianz Gen.	1,397,127	2.63	1,964,907	3.37	2,723,406	4.45	3,244,844	4.68	4,247,691	5.34
Amara Gen.	1,125,838	2.12	1,432,135	2.46	1,285,418	2.10	1,438,732	2.08	1,474,186	1.85
Fairfirst	1,133,240	2.13	1,556,386	2.67	1,638,126	2.68	1,908,901	2.76	2,361,614	2.97
Ceylinco Gen.	10,434,917	19.61	10,311,479	17.69	11,431,680	18.68	12,921,561	18.65	15,276,512	19.22
Continental	1,545,225	2.90	1,330,515	2.28	1,761,747	2.88	2,309,413	3.33	3,087,793	3.89
Cooperative Gen.	1,135,011	2.13	1,272,941	2.18	1,358,932	2.22	1,691,705	2.44	2,420,130	3.05
HNB Gen.	1,635,306	3.07	1,767,361	3.03	2,182,915	3.57	2,577,224	3.72	2,982,385	3.75
Janashakthi Gen.	5,773,429	10.85	6,318,626	10.84	6,491,556	10.61	7,406,160	10.69	10,137,864	12.76
LOLC Gen.	1,295,133	2.43	1,485,521	2.55	1,815,486	2.97	2,476,961	3.58	3,096,834	3.90
MBSL	1,049,147	1.97	1,132,789	1.94	961,225	1.57	1,159,208	1.67	972,976	1.22
NITF	3,518,528	6.61	4,973,357	8.53	5,295,759	8.65	4,961,413	7.16	6,329,318	7.96
Orient	308,547	0.58	355,001	0.61	491,127	0.80	746,935	1.08	810,728	1.02
People's	2,795,448	5.25	3,085,041	5.29	3,286,063	5.37	3,637,404	5.25	4,121,918	5.19
Sanasa	308,142	0.58	322,592	0.55	344,041	0.56	349,527	0.50	414,294	0.52
SLIC	12,359,188	23.23	12,549,763	21.53	12,113,994	19.79	13,583,222	19.61	15,177,984	19.10
Union Gen.	4,436,052	8.34	5,116,966	8.78	4,950,741	8.09	5,557,189	8.02	6,561,571	8.26
Total	53,212,978	100	58,284,115	100	61,202,599	100	69,271,380	100	79,473,521	100
Growth Rate (%)	13.39		9.53		5.01		13.18		14.73	

Chart 13
Company - wise Market Share of Gross Written Premium - General Insurance Business for the Year ended 31st December 2016



NITF showed improved performance by generating premium income of Rs. 6,329 million (2015: Rs. 4,961 million) in 2016 to achieve the fifth largest market share of 7.96% (2015: 7.16%). Accordingly, their premium income has grown by 27.58% year on year.

Allianz General and People's Insurance were able to achieve the market share of 5.34% (2015: 4.68%) and 5.19% (2015: 5.25%) respectively in year 2016.

Rapid growth can be seen in the GWP generated by Cooperative General, Continentals and Allianz General in 2016 compared to GWP recorded in 2015. These three companies have grown above 30% compared to their GWP recorded in year 2015.

Market Share of Top Five Contributors to Gross Written Premium and Other Insurers - General Insurance Business

Chart 14 illustrates the details of market share of five main

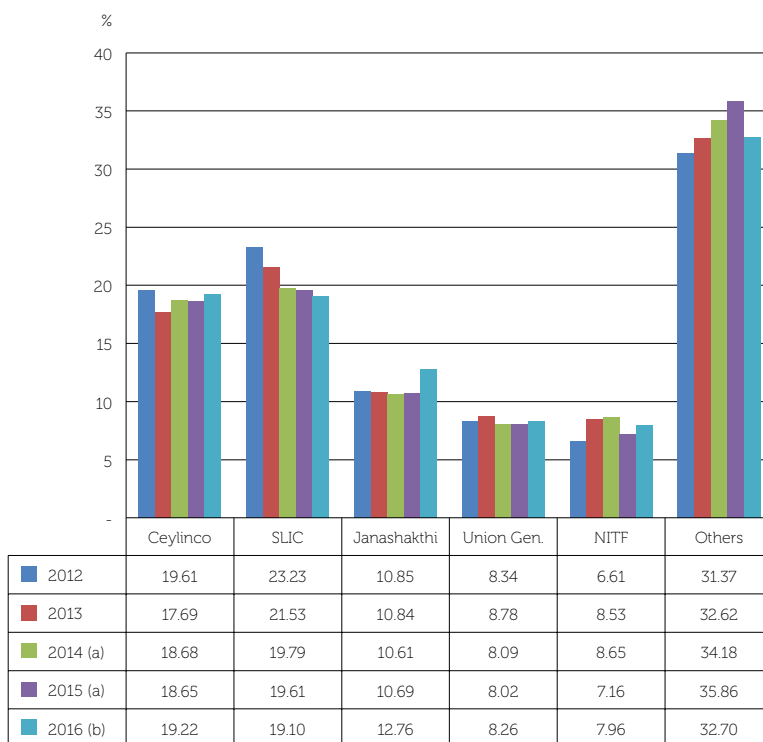
contributors and other insurers during the last five years. Despite the severe competition among general insurance market players Ceylinco and SLIC lead the market with aggregate market

share of 38.32% in 2016. Ceylinco continued to expand their market share further and was able to achieve the largest market share of 19.22% in 2016.

SLIC premium income has grown by 11.74% though there was a slight decline in market share of 19.10% in 2016 compared to 19.61% in 2015 which dropped the company to the second position. Janashakthi General has further strengthened its market position by achieving a market share of 12.76% in year 2016 as against 10.69% in year 2015.

Union General has grown positively with a market share of 8.26% (2015: 8.02%) and became the fourth largest player. NITF was able to secure the fifth position in the market with a share of 7.96% (2015: 7.16%). These five players together contributed 67.30% of the total GWP. The remaining

Chart 14
Market Share of Top Five Contributors to GWP and Other Insurers for the Years 2012 and 2016 - General Insurance Business



companies aggregated market share has declined by 3.16% year on year to 32.70% mainly due to AIA General merging with Janashakthi General.

Class-wise Analysis of Gross Written Premium – General Insurance Business

Class wise analysis of gross written premium during the period 2012 to 2016 is shown in Table 15 and Chart 15. Fire, marine motor, health, miscellaneous and

SRCC & T were considered as subclasses for this purpose.

Motor insurance business as the driving force of the general insurance business represented 62.02% of the total GWP. GWP of motor business has increased from Rs. 42,622 million in 2015 to Rs. 49,288 million in 2016. With the imposed tariffs on vehicles, rise in prices has mainly contributed to the growth in motor premium income of 15.64% in year 2016. However, there was a drop in

growth rate of motor business compared to 19.10% growth rate recorded in 2015 with tight conditions in obtaining finance facilities.

With the robust growth in the private sector contribution in health care sector and ageing population has created more opportunities for health insurance products in the recent past. Health & surgical is the second largest subclass of the general insurance market, contributed Rs. 9,972

Table 15

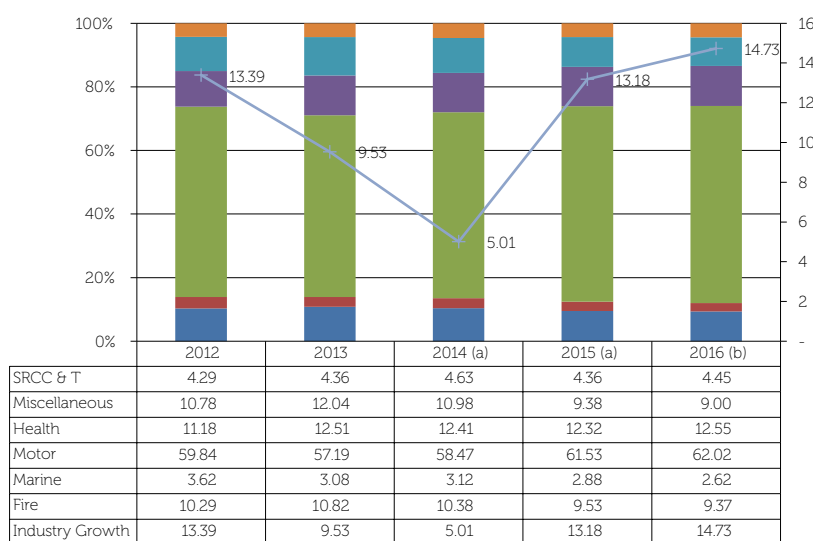
Class-wise Analysis of Gross Written Premium - General Insurance Business

Class	Gross Written Premium (Rs.'000)				
	2012	2013	2014 (a)	2015 (a)	2016 (b)
Fire	5,474,094	6,303,725	6,353,292	6,604,074	7,448,714
Marine	1,927,096	1,796,969	1,911,944	1,996,862	2,082,933
Motor	31,844,102	33,331,917	35,786,941	42,622,205	49,287,639
Health	5,948,640	7,292,091	7,593,386	8,534,364	9,971,746
Miscellaneous	5,737,870	7,015,630	6,721,836	6,495,454	7,149,163
Sub Total without SRCC	50,931,801	55,740,332	58,367,399	66,252,959	75,940,195
SRCC & T	2,281,177	2,543,783	2,835,200	3,018,421	3,533,326
Total	53,212,978	58,284,115	61,202,599	69,271,380	79,473,521

Class	Growth (%)				
	2012	2013	2014 (a)	2015 (a)	2016 (b)
Fire	1.75	15.16	0.79	3.95	12.79
Marine	14.72	(6.75)	6.40	4.44	4.31
Motor	16.40	4.67	7.37	19.10	15.64
Health	5.57	22.58	4.13	12.39	16.84
Miscellaneous	5.66	22.27	(4.19)	(3.37)	10.06
Sub Total	13.38	9.44	4.71	13.51	14.62
SRCC & T	13.69	11.51	11.46	6.46	17.06
Total	13.39	9.53	5.01	13.18	14.73

Class	Percentage Share (%)				
	2012	2013	2014 (a)	2015 (a)	2016 (b)
Fire	10.29	10.82	10.38	9.53	9.37
Marine	3.62	3.08	3.12	2.88	2.62
Motor	59.84	57.19	58.47	61.53	62.02
Health	11.18	12.51	12.41	12.32	12.55
Miscellaneous	10.78	12.04	10.98	9.38	9.00
Sub Total	95.71	95.64	95.37	95.64	95.55
SRCC & T	4.29	4.36	4.63	4.36	4.45
Total	100.00	100.00	100.00	100.00	100.00

Chart 15
Class-wise Analysis of GWP from 2012 to 2016
General Insurance Business



million (2015: Rs. 8,534 million) to GWP and grew by 16.84% year on year. The Agrahara medical insurance scheme of NITF which is introduced to public sector employees has contributed Rs. 1,954 million and Rs. 1,637 million in 2016 and 2015 respectively for the health subclass.

Fire insurance has positively contributed to the GWP by recording a growth rate of 12.79% compared to 3.95% in 2015. In 2016, fire insurance business has generated GWP of Rs. 7,449 million (2015: Rs. 6,604 million). The growth can be explained with the recently experienced natural disasters which created demand to insure risk on natural disasters. Miscellaneous class contribution to GWP amounted to Rs. 7,149 million and represented 9.00% of the total GWP in 2016. Marine insurance business GWP has slightly improved by 4.31% in year 2016 compared to year 2015.

Premiums collected to cover the risk from Strike, Riot, Civil

Commotion and Terrorism (SRCC & T) of NITF amounted to Rs. 3,533 million in year 2016. SRCC & T premium represented 4.45% of the total GWP in year 2016 and

Table 16
Category - wise Analysis of GWP of Miscellaneous Insurance Premium for 2015 & 2016

Category	GWP Rs.'000	
	2015 (a)	2016 (b)
Title	415,571	494,808
Personal Accident	1,430,133	1,511,589
Contractors' All Risk	221,761	31,073
Professional Indemnity	174,138	183,392
Travel Insurance	383,737	432,136
Fidelity Guarantee	160,492	115,482
Burglary	252,501	340,621
Cash in Transit including Cash in Safe	400,750	434,201
Goods in Transits	75,097	81,776
Products Liability	58,066	124,342
Public Liability	244,081	384,272
Bankers' Indemnity	343,449	396,791
Air Craft Hull	649,067	681,071
WCI	477,939	535,430
Others	1,535,640	1,767,912
Subtotal	6,822,422	7,514,896
Less: Total of SRCC & T due to NITF	(308,223)	(341,091)
Coinsurance Premium	(18,745)	(24,643)
Total Miscellaneous Insurance GWP	6,495,454	7,149,162

has grown by 17.06% compared to year 2015.

Category-wise Analysis of GWP of Miscellaneous Insurance Business

Table 16 shows GWP generated from different insurance segments categorized under miscellaneous insurance business in 2016 and 2015.

As depicted in Table 16 total GWP generated from miscellaneous businesses after making relevant adjustments amounted Rs. 7,149 million as against Rs. 6,495 million reported in year 2015. Accordingly, total premium income from miscellaneous classes has improved by 10.06% year on year basis.

Personal accident, one of the significant business categories of

miscellaneous insurance business recorded a slight growth of 5.70% year on year. Moderate growth was visible for few miscellaneous insurance business categories such as travel insurance, banker's indemnity and workmen compensation insurance year on year. There was a noticeable growth in product liability and public liability classes which amounted to Rs. 124 million (2015: Rs. 58 million) and Rs. 384 million (2015: Rs. 244 million) respectively. Air craft hull which represented considerable amount of total miscellaneous GWP has marginally grown by 4.93% year on year.

The businesses carried out in terms of other categories were grouped as other business which mainly represented hull all risk, personal insurance products and natural disaster insurance scheme of NITF etc. The National Natural Disaster Insurance Scheme of NITF amounted to Rs. 300 million under other insurance category.

Gross Written Premium, Reinsurance Premium and Retention by Insurers – General Insurance Business

Table 17 and Chart 16 illustrate details of reinsurance and level of retention of GWP by insurance companies for main subclasses of general insurance business from 2012 to 2016.

As indicated in table 17, the general insurance business overall retention level was 84.34% out of the GWP (excluding SRCC & T) of Rs. 75,940 million in year 2016. Broadly, the overall retention level has marginally improved during

last five years. Total reinsurance placement including compulsory cessions to NITF amounted to Rs. 11,890 million (2015: Rs. 10,419 million) in 2016.

General insurance business which highly depends on motor insurance business, risk is generally retained by insurance companies. Accordingly, motor subclass retention was high as 97.49% and fairly stable during last five years.

Fire subclass recorded the highest cession rate of 80.25% of fire GWP. In 2016, one of the major events that impacted the general insurance business was the flooding and landslides that caused major damage in several parts of the country. However, this natural disaster which is covered under fire insurance became a manageable challenge for general insurers since risk has been shared and borne mainly by reinsurers.

Marine insurance business also a high risk category is reinsured considerably. Marine insurance business cession rate was 57.99%

out of the GWP of Rs. 2,083 million in 2016.

Similar to previous year, miscellaneous class including health business recorded a higher retention and in 2016 the rate was 79.75% of the GWP. Health insurance business which represented around 58.24% of the miscellaneous subclass, retention was above 94% in last few years.

Net Earned Premium, Net Claims Incurred, Net Claims Ratio, Net Expense Ratio and Net Combined Ratio - General Insurance Business

As depicted in Table 18 and Chart 17, total net earned premium of general insurance business including SRCC & T amounted to Rs. 62,729 million compared to Rs. 54,296 million recorded in 2015. The growth in GWP favourably influenced the growth rate of 15.53% recorded in net earned premium.

Net claim ratio which can be explained as net claims incurred as a percentage of net earned premium (excluding SRCC & T)

Chart 16
Reinsurance Premium and Retention by Insurers
General Insurance Business

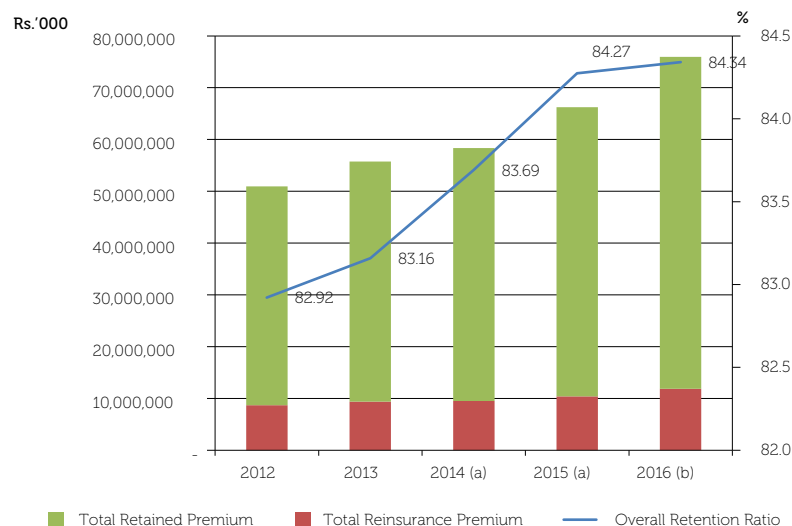


Table 17

Gross Written Premium, Reinsurance Premium and Retention by Insurers – General Insurance Business

Class	Gross Written Premium (Rs'000)				
	2012	2013	2014 (a)	2015 (a)	2016 (b)
Fire	5,474,094	6,303,725	6,353,292	6,604,074	7,448,714
Marine	1,927,096	1,796,969	1,911,944	1,996,862	2,082,933
Motor	31,844,102	33,331,917	35,786,941	42,622,205	49,287,639
Health	5,948,640	7,292,091	7,593,386	8,534,364	9,971,746
Miscellaneous	5,737,870	7,015,630	6,721,836	6,495,454	7,149,163
Sub Total	50,931,801	55,740,332	58,367,399	66,252,959	75,940,195
SRCC & T	2,281,177	2,543,783	2,835,200	3,018,421	3,533,326
Total	53,212,978	58,284,115	61,202,599	69,271,380	79,473,521

Class	Reinsurance Premium (Rs.'000)				
	2012	2013	2014 (a)	2015 (a)	2016 (b)
Fire	4,140,877	4,823,731	5,075,545	5,137,042	5,977,635
Marine	1,326,369	998,976	1,171,768	1,154,511	1,207,948
Motor	478,478	864,394	636,603	1,115,036	1,237,867
Health					
Miscellaneous	2,752,627	2,700,309	2,634,795	3,012,362	3,466,989
Total Reinsurance Premium	8,698,351	9,387,410	9,518,711	10,418,951	11,890,438

Class	Retention (Rs.'000)				
	2012	2013	2014 (a)	2015 (a)	2016 (b)
Fire	1,333,216	1,479,994	1,277,747	1,467,033	1,471,080
Marine	600,727	797,994	740,176	842,351	874,985
Motor	31,365,623	32,467,523	35,150,338	41,507,169	48,049,772
Health					
Miscellaneous	8,933,884	11,607,412	11,680,427	12,017,455	13,653,920
Total Net Written Premium	42,233,450	46,352,923	48,848,688	55,834,008	64,049,757

Class	Retention as a Percentage of Gross Written Premium (%)				
	2012	2013	2014 (a)	2015 (a)	2016 (b)
Fire	24.36	23.48	20.11	22.21	19.75
Marine	31.17	44.41	38.71	42.18	42.01
Motor	98.50	97.41	98.22	97.38	97.49
Health					
Miscellaneous	76.45	81.13	81.59	79.96	79.75
Overall Retention Ratio	82.92	83.16	83.69	84.27	84.34

Reinsurance premium details are not applicable for SRCC & T Premiums of NITF

was 68.99% in 2016. The increase in net claims ratio by 3.94% over 2015 can largely be explained with the flood claims incurred during 2016 which is categorized under fire insurance. Fire insurance business which recorded a claims ratio of 23.41% in 2015 has drastically increased to 94.76% in 2016 due to flood claims.

Similar to previous years, motor insurance as the driving force of the general insurance market recorded the highest claims amount of Rs. 29,249 million (2015:Rs. 24,274 million) in 2016. Motor claims including third party claims represented 71.31% of the total claims incurred excluding SRCC & T in 2016. On average

motor claim ratio was 62.80% during last five years.

High cost of health business is also a challenge for all insurance companies where net claim ratio of health business was high as 88.05% in 2016. Net claims incurred for health subclass has doubled during last four years.

Table 18

Net Earned Premium, Net Claims Incurred, Net Claims Ratio and Net Combined Ratio - General Insurance Business

Class	Net Earned Premium (Rs.'000)				
	2012(a)	2013 (a)	2014 (a)	2015(a)	2016 (b)
Fire	1,452,556	1,405,887	1,241,985	1,283,463	1,163,958
Marine	546,598	806,277	753,643	797,026	866,027
Motor	29,499,705	31,346,284	33,826,829	37,958,834	44,563,153
Health	8,192,094	5,204,603	7,079,162	8,071,777	9,281,651
Miscellaneous		5,640,974	4,402,900	3,270,599	3,579,810
Sub Total	39,690,954	44,404,025	47,304,518	51,381,699	59,454,599
SRCC & T (c)	2,185,222	2,406,477	2,692,730	2,914,630	3,274,297
Total	41,876,175	46,810,502	49,997,248	54,296,329	62,728,895

Class	Net Claims Incurred (Rs.'000)				
	2012(a)	2013(a)	2014(a)	2015(a)	2016 (b)
Fire	506,092	810,281	717,626	300,439	1,102,964
Marine	321,562	432,748	266,560	209,845	254,417
Motor	18,351,251	19,514,319	20,281,109	24,274,415	29,248,879
Health	6,386,324	4,029,410	6,252,704	6,958,816	8,172,403
Miscellaneous		2,133,310	1,522,689	1,677,736	2,237,849
Sub Total	25,565,230	26,920,068	29,040,687	33,421,251	41,016,513
SRCC & T (c)	12,565	-	56,897	780	(1,286)
Total	25,577,795	26,920,068	29,097,585	33,422,031	41,015,227

Class	Net Claims Ratio (%)				
	2012(a)	2013(a)	2014(a)	2015(a)	2016 (b)
Fire	34.84	57.63	57.78	23.41	94.76
Marine	58.83	53.67	35.37	26.33	29.38
Motor	62.21	62.25	59.96	63.95	65.63
Health	77.96	77.42	88.33	86.21	88.05
Miscellaneous		37.82	34.58	51.30	62.51
Sub Total	64.41	60.63	61.39	65.05	68.99
SRCC & T(c)	0.57	-	2.11	0.03	(0.04)
Total	61.08	57.51	58.20	61.55	65.38

Description	Net Expenses (Rs.'000)				
	2012(a)	2013(a)	2014(a)	2015(a)	2016(b)
Net Expenses for all classes of General Insurance Business except SRCC & T	14,807,142	17,359,623	19,524,543	19,134,713	21,603,696
SRCC & T (c)	386,071	414,422	466,435	486,985	653,529
Total	15,193,213	17,774,045	19,990,978	19,621,698	22,257,224

Description	Net Expense Ratio (%)				
	2012(a)	2013(a)	2014(a)	2015(a)	2016(b)
Net Expenses Ratio for all classes of General Insurance Business except SRCC & T	37.31	39.09	41.27	37.24	36.34
Net Expense Ratio of General Insurance Business	36.28	37.97	39.98	36.14	35.48

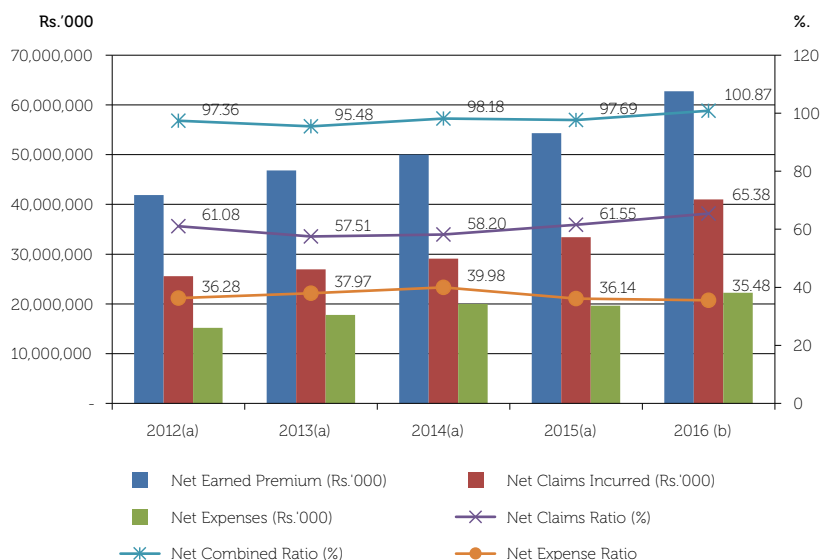
Description	Net Combined Ratio (%)				
	2012(a)	2013(a)	2014(a)	2015(a)	2016 (b)
Net Combined Ratio for all classes of General Insurance Business except SRCC & T	101.72	99.72	102.67	102.29	105.32
Net Combined Ratio of General Insurance Business	97.36	95.48	98.18	97.69	100.87

Similar to previous year, marine insurance recorded a low claims ratio of 29.38% (2015: 26.33%) compared with other

subclasses. Miscellaneous claims also increased considerably and recorded 62.51% in 2016 against 51.30% recorded in 2015.

In 2016, general insurance companies have recorded highest expense (including SRCC & T) value of Rs. 22,257 million in

Chart 17
Net Earned Premium, Net Claims Incurred, Net Expenses, Net Claims Ratio and Net Combined Ratio - General Insurance Business



last five years in absolute terms. Net expenses have increased by 13.43% in 2016 compared to 2015. Net expenses which considered for SRCC & T by NITF have noticeably increased by 34.20% to Rs. 654 million in 2016.

The impact of high claim ratio has worsened the industry combined ratio to 100.87% in 2016 as against 97.69% in 2015. The industry combined ratio of general insurance business has further worsened without SRCC & T and recorded as 105.32%. Accordingly, higher combined ratio that has pressurized the

financial performance of the general insurance companies was managed to some extent with the investment income generated in 2016.

Number of Policies Representing Gross Written Premium – General Insurance Business

As depicted in Table 19, total number of insurance policies which contributed to generate GWP from different sub-classes of general insurance business were 5,842,022 in 2016. The number

of total policies have increased by 675,224 in 2016 compared to 2015. The majority represented the motor subclass which comprised third party insurance policies of 2,619,902 and comprehensive policies of 2,517,583. From the significant number of third party policies it appears that insurance is obtained to fulfill the compulsory requirement rather than to cover own risk. Insurance policies for all subclasses had increased in 2016 compared to 2015.

Assets of General Insurance Business

Table 20 and Chart 18 demonstrate the concentration of assets of general insurance business as at 31st December 2015 & 2016. Total assets of general insurance business amounted to Rs. 175,745 million as at 31st December 2016 (2015: Rs. 151,177 million) and recorded an increase of 16.25 % compared to total assets as at 31st December 2015.

Reinsurance receivable has driven the growth in assets of general insurance business in 2016. With the claims incurred from natural disasters and few other large fire claims, receivables from reinsurers have increased more than 180% compared to 2015. Accordingly reinsurance receivable which represented only 4.63% of the total assets in 2015 has increased to 11.18% of the total assets in 2016.

Further, in 2016 NITF has recorded receivables from reinsurers amounting to Rs. 2,600 million on the National Natural Disaster Scheme.

Total value of main financial investments in government securities, listed equities (except

Table 19
Number of Policies Representing Gross Written Premium General Insurance Business

	2012	2013	2014	2015	2016
Fire	186,478	177,749	188,578	227,800	249,479
Marine	154,528	158,893	186,447	190,720	192,276
Motor	3,473,925	3,795,059	4,004,162	4,531,187	5,137,485
3rd Party Only	1,997,502	2,126,037	2,229,153	2,460,596	2,619,902
Comprehensive	1,476,423	1,669,022	1,775,009	2,070,591	2,517,583
Health	10,262	11,609	13,716	15,053	16,277
Miscellaneous	215,828	186,131	204,285	202,038	246,505
Total	4,041,021	4,329,441	4,597,188	5,166,798	5,842,022

subsidiaries and associates), corporate debts, deposits and unit trusts have marginally dropped to Rs. 81,333 million in 2016 against Rs. 81,896 million recorded in 2015.

Government securities have been the main investment category of the general insurance business amounting to Rs. 40,024 million as at 31st December 2016 (2015: Rs. 37,945 million) recording a slight improvement year on year. Throughout the year, the Board ensured that insurance companies invest at least 20% of the Technical Reserves in government securities as stipulated by the Act and the remaining assets in accordance with Determination 1.

Equity investments represented 22% in 2016 (2015:25.70%) and amounted to Rs. 38,671 million (2015: Rs. 38,857 million). Equity investments comprised of investments in subsidiaries and in associates which amounted to Rs. 21,012 million and Rs.138 million respectively. Investments in segregated companies

amounted to Rs.850 million have been included in investment in subsidiaries as a result of segregation process.

Corporate debts continued to be one of the main investment categories which has grown by 31.31% year on year. Investments in deposits and unit trust have

considerably dropped by 22.88% and 37.58% respectively year on year.

Premium receivables amounted to Rs. 17,623 million in 2016 represents 10.03% of total assets of general insurance business and has increased by 16.96% compared to 2015.

Chart 18
Concentration of Assets of General Insurance Business - 31st December 2015 & 2016

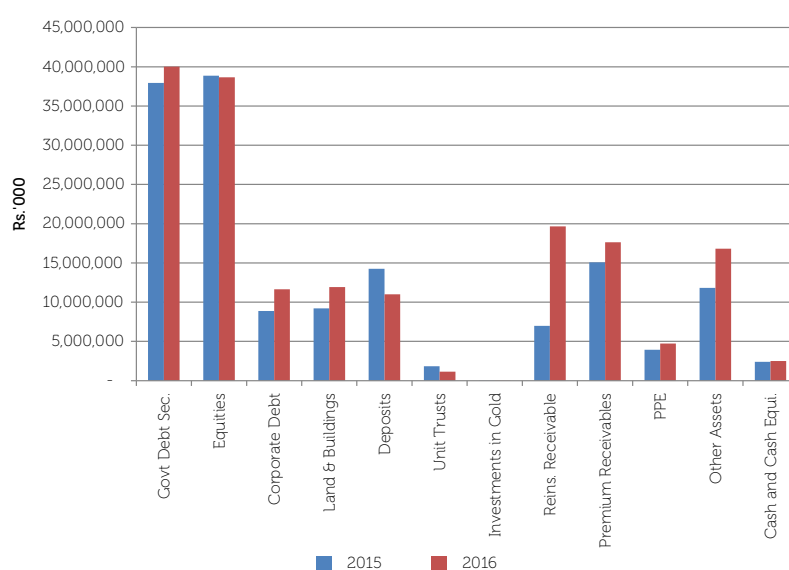


Table 20
Concentration of Assets of as at 31st December 2015 & 2016 - General Insurance Business

Type of Asset	2015 (a)		2016 (b)	
	Rs. '000	%	Rs. '000	%
Government Debt Securities	37,945,076	25.10%	40,023,689	22.77%
Equities	38,857,477	25.70%	38,671,251	22.00%
Corporate Debt	8,875,048	5.87%	11,653,728	6.63%
Land & Buildings	9,205,309	6.09%	11,929,216	6.79%
Deposits	14,252,282	9.43%	10,991,819	6.25%
Unit Trusts	1,830,044	1.21%	1,142,394	0.65%
Investments in Gold	2,491	0.00%	2,706	0.00%
Reinsurance Receivable	6,994,637	4.63%	19,656,806	11.18%
Premium Receivable from Policyholders and Intermediaries	15,067,357	9.97%	17,623,296	10.03%
Property Plant and Equipments	3,923,283	2.60%	4,725,025	2.69%
Other Assets	11,823,451	7.82%	16,819,619	9.57%
Cash and Cash Equivalents	2,400,448	1.59%	2,505,284	1.43%
Total	151,176,903	100.00%	175,744,834	100.00%

Investment Income General Insurance Business

Table 21 demonstrates the breakup of investment income and average investment for the year 2016 and 2015. The average investment of general insurance business amounted to Rs. 115,644 million in 2016 which decreased by 3.37% compared to Rs. 120,121 million recorded in 2015. With the challenging economic conditions prevailing in 2016, the general insurance market recorded an investment income of Rs. 13,802 million (2015: Rs. 6,785 million) which resulted in an overall investment yield of 11.94% (2015: 5.65%).

The growth in investment income was mainly due to the dividend income of Rs. 8,315 million generated from equity investments in 2016. This

dividend income was reported by an insurer out of its unlisted subsidiary investment. Except to the aforesaid dividend income, the overall listed equity market showed a poor performance in 2016. Corporate debts continued to be attractive with an investment yield of 10.63%. The average investments in corporate debt had increased to Rs. 10,264 million in 2016 from Rs. 8,420 million reported in 2015.

The largest investment category of the general insurance business was in government securities by recording an amount of Rs. 41,373 million (2015: Rs. 37,141 million). Income generated from the said investment amounted to Rs. 3,607 million in 2016 (2015: Rs. 2,781 million) and resulted in an overall investment yield of 8.72%, slightly higher than the 7.49% recorded in 2015.

Average investments in deposits in banks and finance companies amounted to Rs. 12,622 million and noticeably reduced compared to Rs. 17,504 million recorded in 2015. Deposits generated an investment income of Rs. 1,056 million (2015: Rs. 1,042 million) and an investment yield of 8.36% in 2016 (2015: 5.96%) with the increase in interest rates.

Solvency position of Insurance Companies- General Insurance Business

In 2016, the Risk Based Capital Framework was implemented by the Board for all insurance companies with the view to further strengthening the supervisory and regulatory governing framework.

Table 22 provides details of Total Available Capital (TAC), Risk

Table 21
Breakup of Investment Income and Average Investments - General Insurance Business

Category	2015 (a)			2016 (b)		
	Investment Income (Rs. '000)	Average Investments (Rs. '000)	Investment Yield Ratio (%)	Investment Income (Rs. '000)	Average Investments (Rs. '000)	Investment Yield Ratio (%)
Government Debt Securities	2,781,455	37,141,315	7.79	3,606,681	41,373,424	8.72
- Treasury Bonds	1,752,572			2,280,620		
- Treasury Bills	269,009			389,743		
- Others (REPO)	759,874			936,318		
Equity	1,193,471	43,368,459	2.75	7,592,784	38,764,364	19.59
- Capital Gain / Losses	95,623			(721,850)		
- Dividend	1,097,848			8,314,634		
Corporate Debts	973,871	8,420,483	11.57	1,091,382	10,264,388	10.63
- Debentures	952,410			1,069,242		
- Commercial Papers	21,129			22,140		
- Asset backed securities	-			-		
- Other similar financial instruments	331			-		
Land and Buildings	6,050	10,600,939	0.06	5,000	10,567,263	0.05
Deposits	1,042,428	17,504,150	5.96	1,055,745	12,622,051	8.36
- Bank	815,653			867,690		
- Finance Companies	226,775			188,055		
Unit Trust	142,907	2,096,078	6.82	93,396	1,486,219	6.28
Gold	-	56,491	-	-	2,599	
Others	644,947	933,475	69.09	357,120	563,319	63.40
Total	6,785,129	120,121,390	5.65	13,802,108	115,643,627	11.94

Table 22

Company - wise Analysis of Solvency Position as at 31st December 2016 - General Insurance Business

Insurer	As at 31 st December 2016 (b)		
	TAC (Rs'000)	RCR (Rs'000)	CAR (%)
Allianz Gen.	716,952	561,811	128%
Amana Gen.	642,596	230,434	279%
Fairfirst	693,250	500,678	138%
Ceylinco Gen.	4,927,626	2,881,910	171%
Continental	981,939	362,136	271%
Cooperative Gen.	947,299	694,984	136%
HNB Gen.	745,532	444,704	168%
Janashakthi Gen.	5,303,227	2,870,381	185%
LOLC Gen.	1,087,551	546,416	199%
MBSL	(112,016)	393,947	-28%
Orient	524,830	219,733	239%
People's	2,642,587	817,615	323%
Sanasa	144,816	81,599	177%
SLIC	24,371,298	13,970,143	174%
Union Gen	1,894,126	1,280,347	148%
Total	45,511,612	25,856,839	181%

Capital Required (RCR) & Capital Adequacy Ratio (CAR) of general insurance companies as at 31st December 2016. The industry average CAR was 181% as at

31st December 2016. All general insurers except two companies have complied with the minimum CAR requirement of 120% and minimum TAC requirement of

Rs. 500 million as at 31st December 2016.

The Board has taken appropriate action against companies which are not complying. Further, companies with the CAR ratio above 120% and with low margins were closely monitored in terms of the enforcement strategy on RBC.

Total Available Capital (TAC) requirement of Insurance Companies – General Insurance Business

Table 23 illustrates Tier 1 capital, Tier 2 capital, Deductions and TAC recorded by individual general insurance companies as at 31st December 2016. Tier 1 capital which represented companies' issued and fully paid-up ordinary shares, capital reserves and other adjustments for retained earnings amounted to Rs. 72,674 million in 2016. As per the rule Tier 2 capital cannot exceed 50% of Tier1 capital.

Table 23

Company - wise Analysis of Total Available Capital (TAC) as at 31st December 2016 - General Insurance Business

Insurer	As at 31 st December 2016 (b)			
	Tier 1 (Rs'000)	Tier II (Rs'000)	Deductions (Rs'000)	Total Available Capital (Rs'000)
Allianz Gen.	999,002	-	282,050	716,952
Amana Gen.	1,713,037	234,332	1,304,773	642,596
Fairfirst	835,174	-	141,924	693,250
Ceylinco Gen.	8,844,082	-	3,916,456	4,927,626
Continental	1,185,551	-	203,612	981,939
Cooperative Gen.	1,482,620	252,906	788,228	947,299
HNB Gen.	931,186	-	185,654	745,532
Janashakthi Gen.	7,441,407	130,046	2,268,227	5,303,227
LOLC Gen.	1,175,044	-	87,493	1,087,551
MBSL	62,351	(16,373)	157,994	(112,016)
Orient	608,852	-	84,022	524,830
People's	2,714,485	-	71,899	2,642,587
Sanasa	254,324	2,873	112,381	144,816
SLIC	40,464,696	8,200,354	24,293,751	24,371,298
Union Gen.	3,962,665	-	2,068,539	1,894,126
Total	72,674,477	8,804,139	35,967,005	45,511,611

Table 24

Company - wise Analysis of Risk Capital Required (RCR) as at 31st December 2016 - General Insurance Business

Insurer	As at 31 st December 2016 (b)							Total Risk Capital Charge (RCR) before diversification (Rs'000)	Total Risk Capital Charge (RCR) after diversification (Rs'000)
	Credit Risk (Rs'000)	Concentration Risk (Rs'000)	Market Risk (Rs'000)	Reinsurance Risk (Rs'000)	Liability Risk (Rs'000)	Operational Risk (Rs'000)			
Allianz Gen.	2,180	237,304	125,373	20,422	406,967	39,619	831,864	561,811	
Amana Gen.	15,513	140,204	27,537	6,822	127,351	27,433	344,861	230,434	
Fairfirst	-	316,750	25,965	2,586	361,380	29,165	735,846	500,678	
Ceylinco Gen.	90,887	1,157,908	995,151	160,111	1,577,597	192,609	4,174,263	2,881,910	
Continental	30,840	89,610	113,388	25,043	251,418	30,216	540,514	362,136	
Cooperative Gen.	46,195	297,635	271,396	8,005	305,284	37,250	965,766	694,984	
HNB Gen.	32,197	147,137	123,060	12,596	312,514	29,638	657,142	444,704	
Janashakthi Gen.	227,382	653,929	1,584,176	81,982	1,311,500	171,627	4,030,597	2,870,381	
LOLC Gen.	5,119	116,550	247,856	17,959	383,579	35,969	807,031	546,416	
MBSL	7,643	319,052	19,556	19,040	147,104	10,870	523,264	393,947	
Orient	20,370	130,676	39,334	10,125	88,783	14,058	303,347	219,733	
People's	93,365	73,974	375,411	7,187	601,762	62,820	1,214,520	817,615	
Sanasa	3,355	24,241	46,220	3,161	26,624	4,916	108,517	81,599	
SLIC	129,353	6,889,726	6,599,729	101,869	2,540,763	672,625	16,934,066	13,970,143	
Union Gen	29,950	362,984	449,803	169,577	778,664	90,518	1,881,495	1,280,347	
Total	734,348	10,957,679	11,043,956	646,485	9,221,289	1,449,335	34,053,093	25,856,838	

However, deductions amounted to Rs. 35,967 million which was significant. These deductions comprised of inadmissible loans and advances, prepayments, inventory, pledged assets, deferred income tax assets etc.

Comparison of Risk Charges incurred by Insurance Companies – General Insurance Business

Table 24 illustrates the company-wise composition of various risk charges relating to the Risk Based Capital requirement.

With the fairly high interest rate environment, the market risk represented 32.43% of the total risk capital charges before diversification which followed by the concentration risk in 2016. Few companies have higher concentration on investments like land and buildings exceeding

the admissible percentages which resulted in an increase in overall concentration risk charges to Rs. 10,958 million. Liability risk charge which consists of premium and claims liability represented 27.08% of the total risk charges.

The credit risk charge was comparatively low as general insurance companies have invested mainly in rated and fairly low risk investments. Reinsurance risk also recorded a low risk charge of Rs. 646 million.

Details of New, Renewed and Policies In Force – General Insurance Business

As depicted in Table 25, total number of policies in force of general insurance was 5,647,512 at the end of 2016 and represented a growth of 11.84% compared to 5,049,846 policies recorded in 2015. In 2016 motor

insurance policies represented 88.70% of the total policies in force and comprised of 2,627,651 third party policies and 2,381,620 comprehensive policies. Fire insurance policies in force have increased to 236,422 in 2016 from 199,257 recorded at the end of 2015. During the year, insurance companies have written 2,716,625 new policies which have increased by 14.06% compared to previous year. 3,175,007 policies have been renewed during 2016 compared to 2,807,505 policies renewed during 2015.

Reinsurance Business

The National Insurance Trust Fund operates as the only Sri Lankan entity which provides reinsurance covers to primary insurers. All primary insurers are required to cede 30% of their total liability arising out of every general reinsurance to NITF as per the Government Gazette notification

Table 25

Details of New, Renewed and Policies in Force - General Insurance Business

	2015			2016		
	New policies	Renewed Policies	Policies inforce at year end	New policies	Renewed Policies	Policies inforce at year end
Fire	79,430	164,512	199,257	104,523	182,708	236,422
Marine	158,616	18,893	149,844	165,754	24,821	162,518
Motor	1,994,966	2,561,100	4,504,969	2,250,464	2,882,007	5,009,271
3 rd party only	1,074,995	1,392,811	2,464,924	1,168,151	1,452,760	2,627,651
Comprehensive	919,971	1,168,289	2,040,045	1,082,313	1,429,247	2,381,620
Health	8,012	7,718	13,990	8,829	7,377	15,401
Miscellaneous	140,756	55,282	181,786	187,055	78,094	223,900
Total	2,381,780	2,807,505	5,049,846	2,716,625	3,175,007	5,647,512

No. 1791/4 of 31st December 2012.

During the year 2016, NITF has earned Rs. 2,357 million as reinsurance premium income, increasing by 35.64% compared to Rs. 1,738 million generated in 2015. This increase in premium income is mainly due to acceptance of reinsurance business from a wider range of different classes of general insurance business.

NITF has placed retrocession reinsurance arrangement for the reinsurance liabilities accepted during the year 2016 incurring a cost of Rs. 384 million.

During the year 2016, reinsurance premium of general insurance business has increased by 14.12% and amounted to Rs. 11,890 million (2015: Rs. 10,419 million). This was mainly due to decreased retention levels particularly in fire insurance business.

Further, 14.12% increase in reinsurance premium of general insurance business in 2016, amounted to Rs. 11,890 million (2015: Rs. 10,419 million) as a result of decreased retention levels particularly in fire insurance business.

Total assets held by the reinsurance business of NITF amounted to Rs.

5,915 million as at 31st December 2016, up by 64.12% compared to assets worth Rs. 3,604 million recorded at the end of year 2015. As at the end of year 2016, NITF's reinsurance business has invested in government securities amounted to Rs. 1,863 million (2015: Rs. 2,915 million) which generated an investment income of Rs. 221 million (2015: Rs. 186 million). Due to the payment of high claims resulted a decline in investments made in government debt securities during the year.

During 2016, NITF received 295 reinsurance claims and gross claims paid amounted to Rs. 6,832 million. Further, net claims incurred during 2016 amounted to Rs. 3,432 million (2015: Rs. 1,243 million) which resulted in a claims ratio of 195.37% (2015: 67.41%). This was mainly due to the severe flood experienced in the country in May 2016.

Reinsurance business of NITF incurred expenses amounted to Rs. 581 million during 2016 recording an increase of 14.55% over Rs. 507 million incurred in 2015 and resulted in an expense ratio of 33.01% (2015: 27.5%). Accordingly, the combined which is the aggregate of claims ratio and expense ratio amounted to

228.38% increasing significantly by 133.47% over 94.91% recorded in 2015. This severe combined ratio resulted due to the claims and expenses incurred for the flood experienced during the year 2016.

Insurance Brokering Companies

During 2016, fifty-eight insurance brokering companies operated in the market and generated a Gross Written Premium (GWP) amounting to Rs. 17,781 million. Accordingly, total GWP generated through insurance brokering business recorded a growth of 8.89% in 2016 when compared to Rs. 16,330 million generated in 2015. This total GWP consisted of premium income generated through long term insurance business and general insurance business which amounted to Rs.263 million and Rs. 17,518 million respectively. Out of the total GWP generated, 98.52% represented GWP of general insurance business and only 1.48% represented GWP of long term insurance business.

Similar to previous years, insurance brokering companies' contribution towards long term insurance business was insignificant in

2016 and only 0.41% of the total GWP of long term insurance business (Rs. 63,495 million) was generated through brokers. Insurance brokering companies have generated 22.04% of the total GWP of general insurance

business which amounted to Rs. 79,474 million (including SRCC & T premium). In 2016, twenty five insurance brokering companies procured GWP exceeding Rs.100 million each and these insurance

brokering companies collectively generated GWP amounting to Rs.16,722 million. The remaining thirty three insurance brokering companies generated Rs. 1,059 million as depicted in Table 26.

Table 26

Gross Written Premium generated through Insurance Brokering Companies - 2016

Name of the Brokering Company		Gross Written Premium					
		Long Term Insurance Business		General Insurance Business		Total	
		Rs.('000)	Market Share(%)	Rs.('000)	Market Share(%)	Rs.('000)	Market Share (%)
1	ADZ Insurance Brokers (Pvt) Ltd.	13,896	5.29	399,937	2.28	413,833	2.33
2	Aitken Spence Insurance Brokers (Pvt) Ltd.	779	0.30	472,843	2.70	473,622	2.66
3	Alfinco Insurance Brokers (Pvt) Ltd.	126	0.05	613,059	3.50	613,185	3.45
4	Allion Insurance Brokers (Pvt) Ltd.	21,812	8.30	85,599	0.49	107,411	0.60
5	Assetline Insurance Brokers Ltd.		-	1,303,079	7.44	1,303,079	7.33
6	CF Insurance Brokers (Pvt) Ltd.	150	0.06	2,429,095	13.87	2,429,245	13.67
7	Colombore Insurance Brokers (Pvt) Ltd.	5,745	2.19	221,790	1.27	227,535	1.28
8	Commercial Insurance Brokers (Pvt) Ltd.	45,467	17.30	2,231,903	12.74	2,277,370	12.81
9	Delmege Insurance Brokers (Pvt) Ltd.	21,174	8.06	981,334	5.60	1,002,508	5.64
10	E A P - R M S Insurance Brokers (Pvt) Ltd.		-	118,583	0.68	118,583	0.67
11	Equity Insurance Brokers (Pvt) Ltd.		-	104,787	0.60	104,787	0.59
12	Essajee Carimjee Insurance Brokers (Pvt) Ltd.	20,742	7.89	397,284	2.27	418,026	2.35
13	Finlay Insurance Brokers (Pvt) Ltd.	22,758	8.66	1,388,300	7.93	1,411,058	7.94
14	Foresight Insurance & Re Insurance Brokers (Pvt) Ltd.		-	433,209	2.47	433,209	2.44
15	Global Insurance Brokers and Services (Pvt) Ltd.	68	0.03	116,011	0.66	116,079	0.65
16	Life & General Insurance Brokers Ceylon (Pvt) Ltd.	1,125	0.43	195,184	1.11	196,310	1.10
17	Mercantile Insurance Brokers (Pvt) Ltd.		-	292,692	1.67	292,692	1.65
18	Nations Insurance Brokers Ltd.	6,608	2.51	1,309,517	7.48	1,316,125	7.40
19	Procure Insurance Brokers (Pvt) Ltd.	2,103	0.80	265,416	1.52	267,518	1.51
20	Protection & Assurance Insurance Brokers (Pvt) Ltd.		-	653,102	3.73	653,102	3.67
21	Reliance Insurance Brokers (Pvt) Ltd.	25,507	9.71	474,854	2.71	500,361	2.81
22	Senaratne Insurance Brokers (Pvt) Ltd.	6,699	2.55	821,427	4.69	828,127	4.66
23	Senkadagala Insurance Brokers (Private) Ltd.		-	889,079	5.08	889,079	5.00
24	Strategic Insurance Brokers (Pvt) Ltd.	23,319	8.88	92,194	0.53	115,513	0.65
25	Zenith Insurance Brokers (Pvt) Ltd	1,150	0.44	212,212	1.21	213,361	1.20
	Sub total	219,228	83.44	16,502,490	94.20	16,721,718	94.05
	Other Insurance Brokering Companies (33)	43,517	16.56	1,015,285	5.80	1,058,802	5.95
	Grand total	262,745	100	17,517,775	100	17,780,520	100

Chart 19

Gross Written Premium generated through insurance brokering companies from 2007 to 2016

